

AGENDA



- Committee - **CABINET**
- Date & Time - Tuesday, 14 February 2017 at 10.00 am
- 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, G J Taylor.

No substitutions permitted. Quorum 4.

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: 6 February 2017

Please ask for Christine Morgan: Telephone 01775 764454
e-mail: cmorgan@sholland.gov.uk

AGENDA

1. Apologies for absence
2. Minutes (Pages 1 - 6)
To sign as a correct record the minutes of the meeting of the Cabinet held on 10 January 2017 (copy enclosed).
3. Declarations of Interest
(Where a Councillor has a Disclosable Pecuniary Interest the Councillor must declare the interest to the meeting and leave the room without participating in any discussion or making a statement on the item, except where a Councillor is permitted to remain as a result of a grant of dispensation.)
4. Questions raised by the public under the Council's Constitution (Standing Orders).
5. To consider any matters which have been subject to call-in.
6. To consider matters arising from the Policy Development and Performance Monitoring Panels in accordance with the Overview and Scrutiny Procedure or the Budget and Policy Framework Procedure Rules.
7. Financial Forecast Outturn Quarter Three 2016-17 (Pages 7 - 22)
This report provides information on the draft year end financial position of the Council, as at 31 December 2016 (joint report of the Portfolio Holder for Finance and Executive Director Commercialisation (S151) is enclosed).
8. Draft Budget, Medium Term Plan and Capital Strategy (Pages 23 - 54)
To consider the General Fund and Housing Revenue Account 2017-18 draft revenue and capital estimates and the draft Financial Medium Term Plan (joint report of the Portfolio Holder for Finance and the Executive Director for Commercialisation (S151) is enclosed).
9. Welland Homes Financial Model
To consider a financial model for Welland Homes (report of the Executive Director of Commercialisation (S151) is to follow).
10. Sub-committee of Cabinet for the Community Hub Project
To recommend the formation of a sub-committee of Cabinet to oversee the Priory Road Community Hub project (report of the Portfolio Holder for Strategy, Governance and Transformation and Director of Commercialisation (S151) is to follow).
11. Any other items which the Leader decides are urgent. -

Note: (i) No other business is permitted unless by reason of special circumstances, which shall be specified in the Minutes, the Leader is of the opinion that the item(s)

should be considered as a matter of urgency.

- (ii) Any urgent item of business that is a key decision must be dealt with in accordance with the Constitution's Access to Information Procedure Rules.

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Minutes of a meeting of the **CABINET** held in the Council Chamber, Council Offices, Priory Road, Spalding, on Tuesday, 10 January 2017 at 10.00 am.

PRESENT

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
G J Taylor

Junior Portfolio Holders: C N Johnson

The Chief Executive, the Shared Executive Director Strategy and Governance, the Shared Executive Manager Governance, the Interim Chief Accountant, the Transformation Manager Revenues & Benefits, the Revenues and Recovery Team Leader and the Democratic Services Officer.

Apologies for absence were received from or on behalf of Councillors E J Sneath and G R Aley, together with South Holland Citizens Advice Bureau, Parish Councils and Welland Seniors Forum.

In Attendance: Councillor B Alcock (Chairman, Performance Monitoring Panel) and Councillor A M Newton (Independent Group Leader).

Community Representatives: Business Organisations

In the Public Gallery: The Communications Officer and the Press.

23. MINUTES

The minutes of the meeting held on 8 November 2016 were signed by the Leader as a correct record, subject to amendments being made within the fourth paragraph under Minute Number 15 (Matters arising from the Policy Development and Performance Monitoring Panels – Final Report of the Swimming Pool and Leisure Facilities Contract Task Group) so that the paragraph read as follows:

“The Leader asked how a full time cleaner could be accommodated under the existing contract, and was advised that the contract already made provision for cleaning of the facilities, but had not been enforced. It was requested that the contract be considered and managed more effectively.”

24. DECLARATIONS OF INTEREST.

No interests were declared.

Action By

CM

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25. QUESTIONS RAISED BY THE PUBLIC UNDER THE COUNCIL'S CONSTITUTION (STANDING ORDERS).

No questions were raised under the Council's Constitution (Standing Orders).

26. TO CONSIDER ANY MATTERS WHICH HAVE BEEN SUBJECT TO CALL-IN.

There were no matters subject to call-in.

27. MATTERS ARISING FROM THE POLICY DEVELOPMENT AND PERFORMANCE MONITORING PANELS

There were no matters arising from the Policy Development and Performance Monitoring Panels.

28. PERFORMANCE OVERVIEW REPORT – QUARTER 2 2016/17

Consideration was given to the joint report of the Portfolio Holder for Strategy, Governance and Transformation and the Executive Director Strategy and Governance, which provided an update on Council performance for the period 1 July 2016 to 30 September 2016.

The Quarter 2 Performance Report 16/17, attached at Appendix A to the report, provided councillors and residents with information about how the Council was delivering its services and how it was progressing against its Corporate Priorities.

Quarter 2 showed increased levels of performance in the majority of indicators. Two areas of concern were noted;

- Housing Benefit LA Error Rate – performance to the end of December was at 0.54%. Performance was subject to weekly senior management scrutiny between South Holland District Council and Compass Point Business Services.
- Missed Waste Collection Rate – missed collections stood at forty per thousand. Whilst still slightly below target, it did represent a significant improvement over the previous quarter.

Members and officers agreed that some of the Performance Indicators measured and targets that were set needed to be reviewed. As part of this process, Portfolio Holders were requested to liaise with officers to suggest areas for change.

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DECISION:

That the report be noted.

(Other options considered:

- *Do nothing;*

Reasons for decision:

- *No recommendations were made. The report was presented for consideration in order that members were aware of how the Council was delivering its services and how it was progressing against its Corporate Priorities.)*

29. LOCAL COUNCIL TAX SUPPORT SCHEME - 2017/18

Consideration was given to the joint report of the Portfolio Holder Finance and the Interim Executive Director of Commercialisation which requested the Cabinet agree the Council Tax Support Scheme for 2017/18 for recommendation to Full Council.

After consideration of the draft scheme at meetings of the Governance and Audit Committee, Cabinet and the Joint Performance Monitoring Panel and Policy Development Panel, suggestions were incorporated into a consultation report. Consultation with the public took place between 11 November 2016 and 14 December 2016. The results of the consultation were detailed within the report and appendices.

It was noted that the backdating of benefits was to be limited by reducing the period from 3 months to 1 month, and officers were asked whether claims for benefit would be dealt with in a similar time frame. Members were advised that processing times were much improved with the backlog cleared, and claims were now being dealt with much quicker. If all necessary documentation and relevant information was supplied by the claimant, their claims could be dealt with in a month.

RECOMMENDATION TO FULL COUNCIL:

- a) That the Local Council Tax Support Scheme for 2017/18 be amended with the range of changes consulted upon:
- Second Adult Rebate – Reduce to 20% in 2017/18 (10% in 2018/19 and zero from 2019/20)
 - Introduce a minimum level of Council Tax Support at £5 per week
 - Increase non-dependent deductions by 10%
 - Restrict Council Tax Support to Band D Council Tax
 - Reduce the Capital Limit to £8,000
 - Reduce the lower capital threshold to £3,000

CM

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- vii. Reduce the maximum level of Council Tax Support available to 70%
 - viii. Limit backdating to 1 month
 - ix. Remove family premium for new claims made
- b) The introduction of a hardship policy, with delegation to the Executive Director Commercialisation in consultation with the Portfolio Holder Finance to develop the policy and operational practice.
- c) Delegate approval for the final scheme policy to the Executive Director Commercialisation in consultation with the Portfolio Holder Finance.

(Other options considered:

- *Do nothing, and retain the existing Council Tax Support Scheme for 2017/18;*

Reasons for decision:

- *An annual review of the local Council Tax Reduction Scheme is required, even if no changes are proposed. National funding of the scheme is diminishing, with zero contribution from central government expected by 2019/20, when the full cost will be met by the precepting bodies.*
- *The introduction of a hardship policy will provide time-limited support in individual cases where hardship is established*
- *When revising a scheme which has the effect of reducing the amount of Council Tax support to which any claimant is entitled, the revision must include transitional provision as the authority thinks fit. Provision is included within the proposals.)*

30. EXCLUSION OF PRESS AND PUBLIC

DECISION:

To consider resolving that, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1, 2 and 3 of part 1 of Schedule 12A of the Act.

31. WRITE OFFS

Consideration was given to the joint report of the Portfolio Holder for Finance and the Executive Director, Commercialisation (S151) which recommended writing off irrecoverable debts.

A breakdown of the individual debts was attached as item 12

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within the agenda, which was not for publication by virtue of Paragraphs 1 (Information relating to any individual), 2 (Information which is likely to reveal the identity of any individual) and 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).

Members wished to discuss the content of the appendices in detail and it was therefore necessary for the meeting to go into private session.

During discussion of the information, a number of issues were raised, as detailed below. It was agreed that the Portfolio Holder Finance, the Interim Chief Accountant and officers from Compass Point Business Services produce a report to be presented to the next meeting of the Cabinet, detailing processes for the identification and recovery of debt, and that this include the following issues raised by members.

- Patterns to be identified – names to be cross-referenced against accounts to identify serial debtors;
- All relevant departments within the Authority must share information to assist in the identification of potential debts and their subsequent recovery;
- The Authority must liaise with other outside agencies, who may also have monies owed to them;
- There should be triggers within the recovery process to identify debtors earlier;
- Debtors should be identified to ensure that even if a debt was written off, it could still be pursued if further information become available at a later date;
- Dissolved companies – future write-off reports to confirm this was solvent or insolvent and that the process was registered with Companies House.
- Bankruptcy – efforts should be made to recover any debt not protected by the bankruptcy
- Information relating to individual debts must be accurate and up to date.

DECISION:

a) That the following debts be written off:

Council Tax	£44,346.11
Business Rates	£159,641.33
Sundry Debt	£15,143.82
Former Tenant Arrears	£18,979.28
Housing Benefit Overpayments	£26,883.83
Total:	£264,994.37

MW

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- b) That a report be presented to the next meeting of the Cabinet detailing processes for the identification and recovery of debt owed to the Authority, and that these processes include issues raised within the meeting.

MA, MW
CM

(Other options considered:

- *Approve the recommendation with amendments; or*
- *Not to approve the recommendation*

Reasons for decision:

- *All recovery methods available had been considered and where appropriate pursued before making the decision to write off*
- *To gain a better understanding of the recovery methods and processes used and to ensure all debts were pursued thoroughly and robustly.)*

(The meeting ended at 11.10 am)

(End of minutes)

These minutes are published on Friday 13 January 2017. In accordance with the Council's Constitution the DECISIONS detailed above will, unless otherwise stated, come into force and may then be implemented on Monday 23 January 2017 (i.e. after the expiry of five working days from the date of publication of these minutes), unless during that period a notice which is signed by either a Ward Representative (in relation to a matter in their ward) or two members of the Performance Monitoring Panel or any three members, and complies with the requirements of the Council's Constitution, is served on the Executive Manager Governance requesting that the decision be called-in and the Executive Manager Governance approves the request for call-in. Where a decision is called-in it will firstly be considered by the Performance Monitoring Panel on a date to be fixed.

Any FINAL DECISIONS and any URGENT DECISIONS take effect immediately.

Any RECOMMENDATIONS TO COUNCIL detailed above will be submitted for consideration to the meeting of the full Council on Wednesday 18 January 2017.

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance and Executive Director – Commercialisation (s151 officer).

To: Cabinet -14 February 2017

Author: Christine Marshall – Executive Director – Commercialisation (s151 officer)

Subject: Financial Forecast Outturn Quarter Three 2016-17

Purpose: To provide information on the draft year end financial position of the Council, as at 31 December 2016. For information and to approve recommendations.

Recommendation(s):

That Cabinet

- 1) Note this report and Appendix 1.
- 2) Recommend to Full Council that the use of reserves as set out in Appendix 1 - Table 3 is approved.
- 3) Recommend to Full Council that the estimated underspend for the year is made available to contribute towards future budget deficits over the Medium Term Financial period.
- 4) Notes the slippage in capital expenditure budgets between 2016-17 and 2017-18 and recommends that Council approves the necessary revision to the capital programme as part of the 2017-18 budget report.

1.0 BACKGROUND

1.1 This report provides information on the forecast full year financial performance for revenue, capital and treasury as at 31 December 2016 and provides an update on the progress to date on the transformation programme budgeted efficiencies

1.2 Revenue

The overall forecast budget under spend is £237k. This is made up of 4 main areas:

- Service budgets are currently forecasting a below budget spend of £308k,
- Other in-year net adjustments across business rates and council tax of £327k,
- £334k additional transfer to the Council Tax Reserve and
- Use of £64k of General Reserves to fund a potential compensation claim payment of £70k with the balance met from in year savings within the Planning service..

The major service variances identified to date are:

- A review of 2016-17 services budgets against the 2015/16 outturn position identified £322k which has been removed from service expenditure budgets on an ongoing basis.
- Planning and Building Control fee income is projected to be £220k above budget.

- Employee costs are currently £106k above budget although further work is underway to determine the final impact on the General Fund.
- Premises costs (mainly repairs and maintenance and electricity) are £55k above budget.
- Investment Income is £68k below budget – reduced interest returns and the interim investment policy which has limited investments to 1 month maximum.
- £70k potential planning compensation claim.

Further information on the variances is provided in section 1 (tables 1 and 2) of the attached report.

Table 3 summaries the anticipated year end position on the General Fund and Specific Reserves. A net withdrawal of £144k will reduce the year end Reserves to £9.361m.

1.3 Housing Revenue Account (HRA)

Section 2 and Table 4 summarise the forecast outturn position for the HRA.

The forecast outturn is for a net £348k overspend on operational budgets due to changes in the way depreciation is calculated which is offset by a reduced transfer to the Major Repairs Reserve.

1.4 Collection Fund

The balance of funding compared to budget for Council Tax and Business Rates are accounted for in future years budgets.

The Council Tax Collection Fund is forecast to have a £510k surplus of which SHDC's share is £61k. This has been reflected in the 2017-18 Budget.

The retained business rates collection fund is forecasting a deficit of £1.432m as a result of an increased provision for power station appeals, with South Holland's share being around £573k. The additional provision made will reduce the NNDR levy payable in year by £325k. This will be carried forward through the Council Tax Reserve to offset the deficit in 2017-18.

1.5 Capital

The forecast outturn (Table 5) shows a projected spend of £5.998m for the year (62% of budget). This is a £3.682m variance from budget.

Table 6 summarises the variances and the required slippage of budgets into 2017-18.

Members are asked to recommend that the identified capital budget slippage should be incorporated into the capital programme as part of the 2017-18 budget report, elsewhere on this meeting's agenda.

1.6 Treasury

During the year interest rates have fallen below the levels originally assumed when interest income budgets were set. In addition an interim investment policy was agreed which restricted investments to no more than a month pending decisions around potential capital investment requirements for Welland Homes.

Average deposits in Quarter 3 were £37m. Total projected interest returns are £200k against a budget of £268k.

Reduced interest income represents a budget pressure in both the current and future years as interest rates remain low.

2.0 OPTIONS

- 2.1** That this report and the attached appendix be noted and that cabinet recommend that Council approves the in year use of reserves and that the full year end underspend is contributed to the General Fund Reserve to provide funding towards future budget deficits.

3.0 REASONS FOR RECOMMENDATION(S)

- 3.1** To provide timely information to Members on the anticipated overall financial position of the Council, enabling resource re-allocation as necessary.
- 3.2** To utilise efficiencies achieved in year to cover potential deficits in future years budgets due to delays in the Moving Forward Programme.

4.0 EXPECTED BENEFITS

- 4.1** To ensure members are updated on the overall Council financial position.
- 4.2** To make the best use of funding available to the Council.

5.0 IMPLICATIONS

5.1 Corporate Priorities

The Council's budget and associated spend supports the Council's priorities.

5.2 Financial

The report and appendix are financial in nature.

5.3 Risk Management

Where known risks are included within the report.

5.4 Stakeholders / Consultation / Timescales

Budget holders have been consulted on their budget variances.

5.5 Transformation Programme

The transformation programme is intrinsically linked to the Council's budget and this report includes progress on the Moving Forward programme to date.

6.0 WARDS/COMMUNITIES AFFECTED

6.1 N/A

7.0 ACRONYMS

7.1 RSG Revenue Support Grant
MTFP Medium Term Financial Plan
NHB New Homes Bonus
RSDG Rural Services Delivery Grant
HRA Housing Revenue Account
NNDR National Non Domestic Rates (Business Rates)

Background papers:- The 2016-17 Budget

Lead Contact Officer

Name and Post: Mark Astbury - Interim Chief Accountant
Telephone Number: 01775 764684
Email: mastbury@sholland.gov.uk

Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service and Discretionary Service

Appendices attached to this report:

Appendix A Financial report for the period to the end of Financial Year 2016-17
Quarter 3 – 1st April 2016 to 31 December 2016

South Holland District Council

Financial Report for the quarter ending December 2016

Introduction

This report provides an update on the current position in relation to the forecast 2016-17 financial outturn for the authority.

This report and its subsequent scrutiny is part of the good financial management within the Council. The budget monitoring process is one of the most important financial controls and ensures that actual expenditure and income is measured against approved financial plans. The process ensures that any areas of under or over spend are recognised as early as possible so that corrective action or re-allocation of resources can take place.

Given the current economic climate and the potential levels of financial risk and uncertainty that exist within the Council's capital and revenue budgets, it is important that financial monitoring is closely scrutinised by members and officers throughout the organisation.

The current report reflects work completed to date in respect of the Quarter 3 (December 2016) position based on a detailed review of the current ledger position and feedback from managers.

This report has four sections:

- Section 1 – General Fund Revenue budget
- Section 2 – Housing Revenue Account budget
- Section 3 – Capital budget
- Section 4 – Treasury update

Section 1 – General Fund Revenue Budget

The table below details the forecast outturn against the revised budget for 2016-17 of £11.594m. Significant variances are detailed in Table 2. The forecast outturn is estimated at £0.237m (surplus), below the original budget.

Table 1 - Forecast Revenue Outturn

	Original Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Commercialisation				
Commercialisation	160	129	117	(12)
Economic Development	142	175	170	(5)
Environmental Health	630	621	670	49
Finance	866	843	854	11
Revenues and Benefits	781	781	749	(32)
Total - Commercialisation	2,579	2,549	2,560	11
Place				
Assets and Property	72	63	77	14
Building Control	135	107	104	(3)
Community Development	1,903	1,837	1,975	138
Housing	451	443	450	7
Environmental Services	2,872	2,915	3,242	327
Planning	32	(40)	(282)	(242)
Total - Place	5,465	5,325	5,566	241
Strategy and Governance				
Corporate Improvement and Performance	76	71	75	4
Communications	-	(10)	3	13
Corporate Management	270	489	587	98
Democratic Services	1,170	1,086	1,079	(7)
HR	442	442	435	(7)
IT and Customer Services	-	(3)	105	108
Total – Strategy and Governance	1,958	2,075	2,284	209
Corporate Contingency	-	322	-	(322)
Internal Drainage Boards and Parish Precepts	2,988	2,988	2,988	-
Transfers to/from Reserves	(615)	(715)	(381)	334
Investment Income	(206)	(206)	(138)	68
Capital Adjustments	(575)	(744)	(1,195)	(451)
Total Cost of Services	11,594	11,594	11,684	90
Financing				
Government Grants	(3,558)	(3,558)	(3,558)	-
Council Tax	(5,272)	(5,272)	(5,272)	-
Retained Business Rates	(2,764)	(2,764)	(3,091)	(327)
Total Financing	(11,594)	(11,594)	(11,921)	(327)
Variance	-	-	(237)	(237)

The table below shows a summary of some of the main variances within the General Fund. Business partners are currently working with Budget managers, setting 2017-18 estimates continuing work on recurring variances and ongoing savings.

Table 2 – Significant Variances 2016-17 forecast outturn

Major variances	Expenditure (under)/ over budget £'000	Income (over)/ under budget £'000	Total Under / (over) budget £'000	Comments
Recurrent service budget savings	(322)		(322)	Various in year budget saving adjustments were made across a wide variety of service areas (e.g. £100k increased planning income, £53k reduced budgets on vehicle and transport costs, £102k across various supplies and services and £24k on third party payments). These budget adjustments have been taken into a corporate area as an in year saving. (These savings will only be reflected in the 2017-18 estimates where they are deemed to be achievable on an ongoing basis).
Employee Costs	106		106	Employee costs are currently forecast £106k over budget. Further work is underway to determine the final impact on the General Fund.
Premises Costs	55		55	Repairs and maintenance £19k over (Ayscoughfee gardens and West Marsh Road depot) Homelessness housing units - £11k over on void repairs and decorations Electricity and gas £12k over - Ayscoughfee Hall
Members Allowances	15		15	Allowances increased for members after budget agreed for the year
Impairment Allowance for bad debts	(50)		(50)	Increased value of £23k for Sundry debts offset by a reduced value of £73k in council tax and housing benefit overpayments
Lincs legal and other legal costs	9		9	Mainly in Planning
Banking Charges	15		15	Card payment charges and banking costs – budget set too low compared to previous years outturn levels of spend
Licence fees	18		18	Car parking enforcement – contract to pay for administration of enforcement notices but no notices being issued so no offsetting income.
Professional and Contractors Fees	(30)		(30)	Mainly in planning and land charges – reduced estimated use of these services
Planning Income		(200)	(200)	Planning income at end of December is £762k compared to full year revised budget of £700k. £900k is estimated full year income. General uplift in activity.
Building Control Fees		(20)	(20)	General uplift in activity
HB Admin grant		(12)	(12)	Local Council Tax Scheme grant budget set too low compared to amount notified after budgets agreed.

Major variances	Expenditure (under)/ over budget £'000	Income (over)/ under budget £'000	Total Under / (over) budget £'000	Comments
Interest Income		68	68	General Fund's share of reduced forecast for returns on investments (Rates reduced in the market and impact of interim investment policy limiting investments to a maximum of 1 month).
Court Income		55	55	Budget increased in 2016-17 by £30k compared to levels of income achieved in 2015/16 – Not expected to be able to deliver this increased level of income.
Net of other variances across income and expenditure	(13)	(2)	(15)	
Use of Reserves	334		334	Transfer of additional NNDR levy to Council Tax Reserve for use to offset 2017-18 deficit
Net Funding variance		(327)	(327)	Reduced NNDR levy due to increased set aside for Power Station appeals (£325k) and other net movements across Council Tax and Business Rates (£2k).
Total variations to Budget	137	(438)	(301)	
Compensation claim	64		64	Local Government Ombudsman local settlement compensation payment. £6k to be met from in year Planning Service revenue savings and balance from General Fund Reserve (£64k)
	201	(438)	(237)	

Table 3 - GENERAL FUND RESERVES

Reserve	Balance 1 April 2016 £'000	Transfers to Reserves £'000	Transfer from Reserve £'000	Balance 31 March 2017 £'000
General Fund Working Balance	2,064	301	(64)	2,301
Specific Reserves				
Council Tax Reserve	2,704	341	(1,508)	1,537
Insurance Reserve	220	-	-	220
Investment and Growth Reserve	3,305	1,569	(50)	4,824
Moving Forward Reserve	973	-	(694)	279
Replacement and Refurbishment Reserve	239	136	(175)	200
Total – Specific Reserves	7,441	2,046	(2,427)	7,060

Investment and Growth Reserve

The contribution to the reserve represents New Homes Bonus grant received in year less £286k which has been used to support in year General Fund expenditure. This reserve will be used in future years to support the Council's capital expenditure.

Council Tax Reserve

An amount of £970k has been transferred from the council tax reserve to offset the Collection Fund NNDR deficit recognised in the General Fund in 2016-17 with an additional £268k to offset an anticipated NHS Mandatory Relief claim being received by the Council. Further transfers from the reserve are expected to finance Local Development Plan Costs (£75k) and Pride project expenditure (£100k).

Additional information to support forecasts:**1. 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 2016-17 is £200,782, which is funded by Spalding Taxpayers, which gives a Band D charge for the financial year of £22.99. There are no significant issues to report in Quarter 3.

2. External Funding - Collection Funds**Council Tax**

The Council Tax collection fund account has a forecast surplus of £510k, with SHDC's share being £61k.

Business Rates

The Business Rates collection fund account has a forecast deficit of £1.432m, with SHDC's share being £573k. The current net rates payable position is £512k higher than estimated at NNDR1, £763k estimated for mandatory relief for NHS appeals not now pursued contributes to this. The increase in provision for appeals for 2016-17 is £3.200m; £2.715m of this is due to increases in the provision for the two power stations (see below).

Business Rates – Power Stations

SHDC use a third party, Analyse Local, to estimate the potential losses as a result of appeals against rateable values of properties, based on comparable cases nationwide. The provision for appeals for the two power station assessments was £2.523m at 31st March 2016, based on an estimated reduction in rateable value of just over 7%, with appeals backdated to 01/04/2010. The Sutton Bridge power station assessment has been amended during 2016-17, to include the pipeline to the power station within this assessment, although this has not increased the rateable value. The information from Analyse is used to calculate the revised appeals provision on a monthly basis, and the power stations are being closely monitored, with additional provisions being provided during the year of £2.715m. This takes into account the additional provision required for 2016-17, and also an increase in the estimated potential rateable value decrease, to 10.1% for Spalding, and 14.7% for Sutton Bridge. The forecast provision required for both power stations at 31st March 2017 of £5.237m is 77% of the total provision of £6.845m.

Section 2 – Housing Revenue Account Budget

The table below details the forecast outturn against the original budget for 2016-17.

Table 4 – HRA Forecast Revenue Outturn

Area	Original Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Rent Income - Dwellings	(15,233)	(15,233)	(15,300)	(67)
Charges for Services and Facilities	(948)	(1,129)	(1,135)	(6)
Contributions to Expenditure	(68)	(37)	(51)	(14)
Other Income	(13)	-	-	
Total Income	(16,262)	(16,399)	(16,486)	(87)
Repairs and Maintenance	2,726	2,877	2,789	(88)
Supervision and Management	4,700	4,678	4,508	(170)
Rents, rates, taxes and other charges	49	57	49	(8)
Depreciation	1,595	1,595	2,296	701
Debt management expenses	75	75	75	-
Movement in the allowance for bad debts	120	120	120	-
Total Expenditure	9,265	9,402	9,837	435
Contribution from Operations	(6,997)	(6,997)	(6,649)	348
Investment Income	(62)	(62)	(62)	-
Interest Payable on £67.456m	2,347	2,347	2,347	-
Transfer to Major Repairs Reserve for Capital Investment	4,712	4,712	4,364	(348)
Net (Surplus)/Deficit	-	-	-	-

Housing Rents

A 1% rent reduction has been applied in accordance with Government Policy and was effective from the 1 April 2016.

Depreciation

A change in accounting policy to depreciate individual components within Council Dwellings has led to a significant increase in depreciation.

Major Repairs Reserve

The projected in year surplus after accounting for interest payments/receipts has been set aside in the Major Repairs reserve to finance current and future capital investment. This will maintain the HRA working balance at £8.968m. This reflects current practice to maximise capital resources,

	£'000	£'000
Balance as at 1 April 2016		2,609
Transfers from the HRA		
Depreciation	2,296	
Funding set-aside for Capital Investment	4,364	6,660
Financing of Capital Expenditure		(3,914)
Forecast Balance as at 31 March 2017		5,355

Section 3 – Capital Budget

This section reports on:

- Quarter Three outturn against 2016-17 approved capital programme, and
- Risks, issues and key messages.

Table 5 – Forecast Capital Outturn

Project/Scheme	Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
General Fund			
ICT	-	184	184
Economic Development			
Growth Fund	50	50	-
Broadband Lincs	-	36	36
Housing General Fund			
Travellers Sites	-	330	330
Disabled Facilities Grants	325	458	133
Decent Homes Unfit and Disrepair	75	75	-
Welland Homes	2,051	931	(1,120)
Total General Fund Programme	2,501	2,064	(437)
Housing Revenue Account			
Decent Homes	3,783	3,183	(600)
Major Area Schemes	388	408	20
ICT	98	28	(70)
Aids and Adaptations	450	250	(200)
Affordable Housing			
New Build	1,375	65	(1310)
Purchase of Units	920	-	(920)
Buy Back – Shared Ownership	165	-	(165)
Total Housing Revenue Account Programme	7,179	3,934	(3,245)
Total Programme	9,680	5,998	(3,682)
Financing			
Borrowing - Welland Homes	(2,051)	(931)	1,120
Capital Receipts	(873)	(204)	611
Grants and Contributions	(400)	(863)	(463)
Major Repairs Reserve	(6,306)	(3,914)	2,392
Direct Revenue Financing General Fund	(50)	(86)	(36)
Total Financing	(9,680)	(5,998)	3,682

Table 6 - Explanation of variance and required slippage

Project/Scheme	Slippage from 2015/16 £'000	Over/ (under) spend £'000	Slippage into 2017-18 £'000	Explanation/Comments
General Fund				
ICT	305	61	(182)	Projects currently on hold awaiting SHDC ICT infrastructure Strategy (105k). Estimated 166k forecast assumed for Infrastructure review agreed at Council in December 2016. Digital Vision project to be slipped into 2017/18.
Assets and Property	28		(28)	15-16 Council Chamber Digital/Audio Equipment upgrade. Project currently on hold due to Priory Road Project and as a result requests the transfer of £28k to 2017/2018.
Economic Development				
Broadband Lincs	36			The Lincolnshire Broadband project is in progress with measured installations 94% complete. The remaining cost to the scheme is due to be paid before the 31 st March 2017
Housing General Fund				
Travellers Sites	408		(78)	The Spalding Travellers site project is in progress. There is a temporary site to be constructed in Long Sutton and this is due to commence in April 2017 following consultation.
Disabled Facilities Grants	133			Increase in processing applications and requests in 16-17
Welland Homes			(1,120)	Expected outturn for 2016/2017 £931k to enable the purchase of 14 units to be completed before March 2017. The balance is requested to be transferred to 2017/2018.
Total General Fund Programme	910	61	(1,408)	
Housing Revenue Account				
Decent Homes		(600)		Kitchen and Bathroom contract start date delayed resulting in a £500k underspend. Central Heating is expected to be £100k underspent at the end of the year.
Major Area Schemes		20		Additional costs in relation to site variations on The Square
ICT		(70)		PIMMS (Asset Management Software) budget no longer required as costs accrued in 15-16
Aids and Adaptations		(200)		Increase in cases which are not practical for adaption.

Project/Scheme	Slippage from 2015/16 £'000	Over/ (under) spend £'000	Slippage into 2017-18 £'000	Explanation/Comments
Affordable Housing				
New Build			(1,310)	Delay in the approval to progress the scheme/rehome the tenants on Weston Redevelopment Scheme. Building contract period expected to be between September 2017 and December 2018. Request for budget variance to be slipped into 2017-18.
Purchase of Units			(920)	Officers are presently developing a number of proposals that will bring about opportunities for the council to invest its capital affordable housing budgets into new stock that will service the council's Housing Revenue Account.
Buy Back Shared Ownership		(165)		Please see above
Total HRA Programme		(1,015)	(2,230)	
Total Programme	910	(954)	(3,638)	

Section 4 – Treasury

This section reports on:

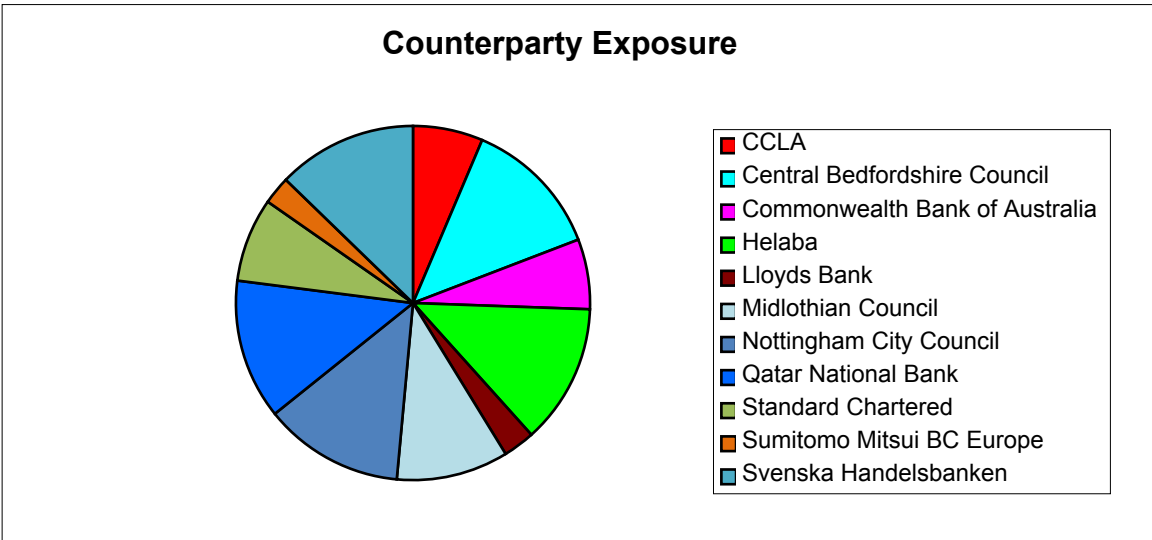
- Security, Liquidity and Yield of Investment portfolio
- Current Debt Position
- Risks, issues and key messages

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 were within the recommended maximum duration at the time the investment was made.

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



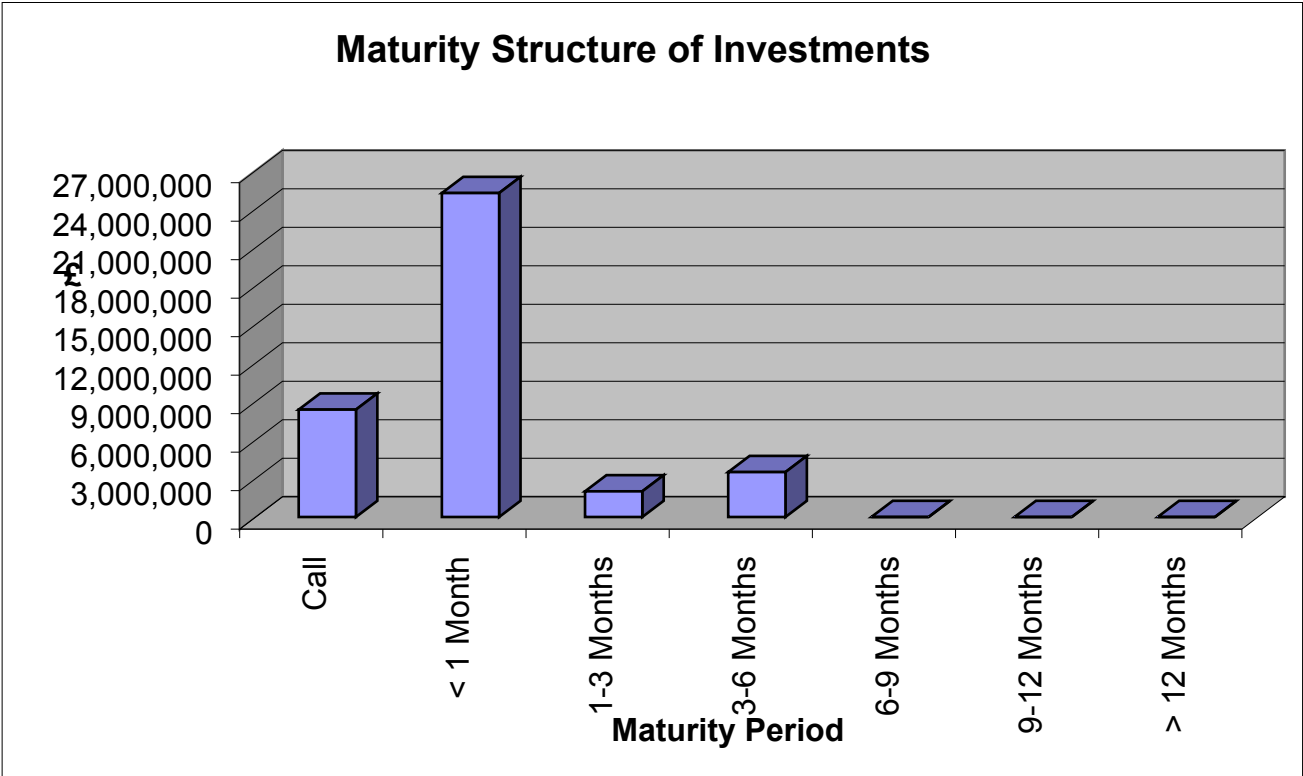
Liquidity

Cash

On 27th July 2016 Council approved an interim change to the Treasury Management Strategy. It was agreed that as funds were returned from counterparties they will be reinvested for a maximum period of 1 month while cash flow requirements for Welland Homes were being finalised.

The Section 151 Officer was also given delegated authority to amend counterparty limits to accommodate the additional balances held on a short term basis. As at 31st December 2016 the only limit that has been increased is the CCLA Money Market Fund which has been increased from £5m to £10m.

The Council's average level of deposits as at Quarter 3 was £37m. As at 31 December 2016 the Council had £8.3m instant access cash available to meet cash flow requirements. The table below shows the amounts held in relation to the remaining period to maturity.



Yield

Budgeted Interest 2016-17	£267,600 (£205.6k General Fund and £62k HRA.)
Actual Interest achieved to 31/12/16	£169,196
Estimated Outturn 2016-17**	£200,000
Target yield (Average 3 month LIBID)	0.340%
Actual Yield achieved to 31/12/16	0.606%
Actual Yield outturn for 2015/16	0.710%
Actual Yield as at Q3 2015/16	0.690%

** The estimated outturn of £200,000 excludes any Welland Homes transactions. Adjustments will be made to this forecast once the timings of such transactions become known.

External Borrowing

The Council borrowed £67.456m from the PWLB on 28th 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 during the financial year.

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance and the Executive Director
Commercialisation (S.151)

To: Cabinet

Author: Christine Marshall – Executive Director of Commercialisation

Subject: Draft Budget, Medium Term Plan and Capital Strategy

Purpose: To consider the General Fund and Housing Revenue Account
2017-18 draft revenue and capital estimates and the draft Financial
Medium Term Plan.

Recommendations:

1. To recommend to Full Council:
 - a. That the revenue estimates for the General Fund, Housing Revenue Account and Spalding Special Expenses for 2017-18 (as set out in Appendices A, B and C) are approved.
 - b. That the use of reserves as set out in Appendix D is approved.
 - c. That Housing Revenue Account weekly dwelling rents reduce by 1% over the 2016-17 rent with effect from Monday 3rd April 2017. This is in line with current government guidelines and legislation.
 - d. That the fees and charges shown in Appendix H are approved for adoption from 1 April 2017.
 - e. That the Council Tax for a Band A property in 2017-18 be set at £109.89, a £3.33 per annum increase on 2016-17 levels (band D £164.84, a £5 per annum increase on 2016-17 levels).
 - f. That the Spalding special expense for a Band A property be set at £15.38, £15.33 in 2016-17 (Band D £23.07, £22.99 in 2016-17).
 - g. That the Medium Term Financial Plan (Appendices A and B) is approved.
 - h. That the capital strategy and capital programme (Appendices E and F) are approved.
 - i. That the Treasury Management Strategy, including the Minimum Revenue Provision policy and annual investment strategy in appendix G is approved.
2. That delegated authority be given to the Executive Director Commercialisation (S.151), in consultation with the Portfolio Holder for Finance, to make any necessary amendments to the budget prior to Council due to late notifications.

1.0 BACKGROUND

- 1.1 The appendices to this report outline the 2017-18 revenue and capital estimates for the General Fund and Housing Revenue Account, the proposals for the setting of discretionary fees and charges, the outline position to 2020-21, the medium term financial plan and the capital strategy. The medium term financial plan sets out the framework within which the budget is to be set to ensure that it enables the Council to achieve its corporate objectives. The capital strategy sets out the framework for the capital budget setting.
- 1.2 The Medium Term Plan sets out the current and forecast future costs of the Council and is linked to the Corporate Plan, which sets out the aims and ambitions of the Council, agreed with our partners, to:
- be a financially independent Council and free of reliance on Government Funding by 2019-20,
 - transform Council Services through the Moving Forward Programme to:
 - generate additional revenue streams via **commercial activities** (Welland Homes, Garden Waste etc.), **investment assets** (Investment and Growth reserve, Holbeach Food Enterprise Zone), and **economic and housing growth** (funded through an Investment & Growth reserve) and
 - invest in service improvements to improve value for money through **Digitalisation** (online payments, improvements in ICT), **partnership and collaboration** (Co-location, Breckland District Council, Directorate of Works and Pensions and Priory Road project) and **organisational design** (10% reduction in costs over 4 years).
- 1.3 In response to the 2016-17 Local Government Finance Settlement, the Council successfully applied for the Government's four year Local Government Finance Settlement offer, using the Moving Forward programme as the basis of the efficiency plan.
- 1.4 Key assumptions made within the current 4 year MTFP include:
- An annual £5 per annum increase in Council Tax and
 - Maximising income generation through Investment & Growth, funded through New Homes Bonus.
- 1.5 The Moving Forward Transformation Programme builds on prudent financial management of the council and innovative income generation. Following on from this the MTFP has been positioned to secure a sustainable financial future across the medium term with no dependency on reserves. This position will give the Council time to develop a clear financial strategy in the longer term after delivery of the more complex transformational changes which will need to meet performance targets to meet the significant financial challenges of future years.

- 1.6 In 2015/16 £1.1m of funding was agreed and set aside to provide up-front investment for the transformation programme, which is in progress and no further funding requirements have been identified at this stage.
- 1.7 This complex change programme is now embedded within the Council with further savings achieved ahead of budget forecast in 2016-17. This draft budget continues the principal of reducing reliance on RSG and providing funding for a growth fund to deliver on-going revenue income streams over the medium term. Reducing the reliance on uncertain sources of funding will make the council a more stable organisation able to deliver services to residents with more certainty in the longer term.
- 1.8 The draft four year capital programme has been amended to reflect revised budgets and scheme forecasts.
- 1.9 The programme includes provision for Investment and Growth linked to the Council's Strategic objectives. Final decisions on individual projects will be subject to Council approval and detailed business cases.
- 1.10 The provisional 2017-18 Local Government Finance Settlement consultation paper for 2017-18 was released on 15 December 2016. The key components of the settlement are:
- **Revenue Support Grant (RSG) & Four Year Settlement** - The value of the four year RSG settlement has not changed so there is no impact compared to the budget set last year,
 - **New Homes Bonus (NHB)** - The consultation includes a number of changes to New Homes Bonus which will reduce the amount the council receives by £511k over the medium term which will impact on resources available for Investment and Growth,
 - **Rural Services Delivery Grant (RSDG)** - This grant is to remain although to date the actual amounts have not been released,
 - **Business Rates** - The recent valuation for business rates takes effect from 1 April 2017. This is a revenue neutral exercise nationally, however at a local level bills and income may rise or fall, dependent on the mix of businesses in an area.
- 1.11 This draft budget includes assumptions for these areas and these will be updated once further information becomes available.
- 1.12 Despite the challenges of reduced funding and economic uncertainty, the Council remains in a relatively secure financial position across the medium term with no dependency on reserves.
- 1.13 The MTFP includes annual savings of over £1.5m by 2020/21 as a result of targeted action and investment through the Council's Moving Forward Programme.
- 1.14 Efficiencies implemented through the Moving Forward Programme mean that the Council is able to produce a balanced budget in 2017-18 .

2.0 OPTIONS

2.1 That the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy are recommended to Council for approval.

2.2 There are no alternative options presented, however amendments may be made by Cabinet before release to Council.

3.0 REASONS FOR RECOMMENDATION

3.1 To comply with the budgetary and policy framework.

4.0 EXPECTED BENEFITS

4.1 To set an affordable and balanced budget for 2017-18 that ensures delivery of the priorities of the Council

4.0 IMPLICATIONS

4.1 Financial

- i) The report is of a financial nature and further financial details are included within the appendices.
- ii) An assessment of the 2016-17 out turn has been revised and presented as part of the Quarter 3 monitoring report. This will inform the reliance placed on the baseline used for setting the 2017-18 estimates. Based on the position at 31 December 2016, various pressures, transformation items and efficiencies have been identified, forecasting a net spend below budget of £301k as an overall result. Recurring savings and one-off efficiencies are proposed to be used to offset Medium term budget pressures to allow time for the Moving Forward transformation programme to grow. Ongoing efficiencies and recurring savings have been reflected in the medium term plan. The Council will continue to review the financial performance of its services throughout the year.
- iii) Only a small amount of the Local Government Settlement is now received in the form of Revenue Support Grant (RSG). From 1 April 2013 a new model is in use which is geared towards the local raising of funds and from 2016-17 looks at the core spending power of the Council. Changes to schemes in respect of non-domestic rates (NDR) and localised council tax reduction scheme (LCTRS) have brought a greater degree of risk and variability to the Council's funding. The budget presented for approval is in line with the draft Local Government Settlement issued in December 2016. The final settlement is due in February 2017. The budget assumes an

accelerated further reduction for the medium term, taking our reliance on RSG to nil by 2019-20.

- iv) Unavoidable growth relates primarily to a 1% salary increase and staff increments.
- v) Assumptions around investment income have been reduced to reflect current returns in 2016-17. Projected balances and revised investment returns are examined further in appendix A.
- vi) A detailed review has been carried out on all major budgets and cost reductions / increased income projections agreed with Budget holders.
- vii) The HRA general balance is projected at £9.1m at 31st March 2018 (Appendix 1 of the report) with £2.0m considered to be a reasonable level consistent with the risks on the service. The MTFP therefore includes a balanced budget for the period.
- viii) The HRA Capital Programme includes an Affordable Housing Programme totalling £15.6m over the next 4 years to replace lost rent from Right to buy sales and changes planned in the National Rent policy.
- ix) The use of reserves in the HRA is to be considered in 2017-18 as details of the potential for dwelling purchase and New Build properties emerge. The HRA also has the capacity to borrow (£) up to a limit of £74.701m which was introduced as part of the self financing regime set up in March 2012.

4.2 Risk Management

4.2.1 Risks are highlighted within the appendix.

4.3 WARDS/COMMUNITIES AFFECTED

4.3.1 Budget implications affect all wards.

5. ACRONYMS

5.1	AGS	Annual Governance Statement
	CPBS	Compass Point Business Services
	CSU	Construction Services Unit
	DCLG	Department for Communities & Local Government
	DFG	Disabled Facilities Grant
	ESIF	European Structural Investment Funding
	HRA	Housing Revenue Account
	ICT	Information & Communications Technology
	IDB	Internal Drainage Boards
	LCC	Lincolnshire County Council
	LCTRS	Local Council Tax Reduction Scheme
	MTFP	Medium Term Financial Plan
	NHB	New Homes Bonus
	NHS	National Health Service

NI	National Insurance
NNDR	National Non Domestic Rates (Business Rates)
RSDG	Rural Services Delivery Grant
RSG	Revenue Support Grant
RTB	Right to Buy

Background papers:- - None

Lead Contact Officer

Name/Post: Christine Marshall Executive Director of Commercialisation

Telephone Number: 01775 764567

Email: mastbury@sholland.gov.uk

Key Decision:

Yes/No

Exempt Decision:

Yes/No

Appendices attached to this report:

Appendix A - General Fund Budget 2017-18 and Financial Medium Term Plan 2017-18 to 2020-21

Appendix B - General Fund and Housing Revenue Account Summary 2017-18 to 2020-21

Appendix C - Spalding Special Expenses

Appendix D - Reserves

Appendix E - General Fund Capital Programme 2017-18 to 2020-21

Appendix F - Capital Strategy

Appendix G - Treasury Management Strategy Statement

Appendix H - Fees and Charges

Draft Budget 2017-18 and Medium Term Financial Plan 2017-18 to 2020-21.

1. Introduction

1.1 This appendix is the combined budget estimates and Medium Term Financial Plan (MTFP) 2017-18 for the Council's General Fund and Housing Revenue Account. The Medium Term Plan sets out the current and forecast future costs of the Council and is linked to the Corporate Plan, which sets out the aims and ambitions of the Council, agreed with our partners:

- To be a financially independent Council and free of reliance on Government Funding by 2019-20,
- To transform Council Services through the Moving Forward Programme to:
 - generate additional revenue streams via **commercial activities** (Welland Homes, Garden Waste), **investment assets** (Investment and Growth reserve, Holbeach Food Enterprise Zone), and **economic and housing growth** (Investment & Growth reserve) and
 - invest in service improvements to improve value for money through **Digitalisation** (online payments, improvements in ICT), **partnership and collaboration** (Co-location, Breckland District Council, Directorate of Works and Pensions and Priory Road project) and **organisational design** (10% reduction in costs over 4 years)

1.2 The MTFP establishes a set of financial policies and principles which provide a sound basis for maintaining the financial integrity of the Council over the medium term and includes both the General Fund and the Housing Revenue Account Budget.

1.3 This Appendix sets out

- The Council's Medium Term Financial Strategy,
- The 2017-18 General Fund Revenue Budget & Financing,
- The General Fund Reserves Position,
- The General Fund Capital Programme and Financing,
- The 2017-18 Housing Revenue Account (HRA) Revenue Budget,
- The HRA Reserves Position,
- The HRA Capital Programme and Financing,
- Risks, key issues, sensitivity and monitoring,
- Consultation, timetable and links to other strategies, and
- Treasury management policy and investment strategy.

2. Medium Term Financial Strategy

2.1 Strategy, Aspirations and Forward Projections

2.1.1 The Council's Medium Term Financial Strategy is to:

- manage a budget process that will make progress in re-directing and focusing the budget on corporate priorities and in so doing, recognise the intrinsic link between this strategy, the Capital Strategy, and the Treasury Management Strategy,
- adopt a corporate approach to budget preparation and continue to provide strong timely budget control,

- use sound modern financial systems procedures and principles and promote electronic record keeping and approval processes,
- ensure financial performance reporting remains integrated with financial reporting and business planning,
- ensure there is rigorous scrutiny of the financial planning process and work towards a more effective consultation process to engage the public and stakeholders,
- maintain balances and reserves that will provide for known risks and liabilities and provide capacity for managing peaks in expenditure,
- operate strategies on capital and external funding that supports the Council's corporate objectives,
- undertake a risk assessment of material items of income and expenditure and report the risks to Members as part of the budget setting process,
- manage and use our resources to deliver value for money and better sustainable outcomes and efficiencies for local people,
- set realistic targets for trading accounts and if services fail to achieve these they will be subject to a more fundamental review,
- aim for a minimum balance on the Collection Fund,
- prepare robust and realistic income and resource requirement plans for the next five years,
- promote take up of benefits and reliefs,
- maximise income collection, and
- recognise our role in the community throughout and beyond the period of economic hardship by providing assistance to individuals, groups and businesses.

2.1.2 A key aspect of the Council's strategy to cope with the financial challenges that it faces was the creation of Compass Point Business Services (East Coast) Ltd, (CPBS), a company jointly owned with East Lindsey District Council. This innovative development is designed to deliver greater efficiency in the provision of back office services. The company is established to provide Information Technology, Human Resources, Financial Services, Customer Services and Revenues and Benefits. It is projected to make savings totalling over £30m over a 10 year period, with South Holland's share being in excess of £10m.

2.1.3 These strategies will be achieved through the working practices set by the relevant departments. The effectiveness of these strategies and the underlying principles can be monitored by key outputs such as:

- Annual audit letter,
- Financial plan,
- Governance and Audit Committee reports,
- Annual Governance Statement (AGS),
- Grants returns submitted to deadlines, and
- Governance and performance reports.

2.2 Budget principles:

2.2.1 The following principles have been used in the budget preparation process in order to:

- Provide a consistent and authorised approach to the preparation of revenue and capital estimates,
- Ensure estimates are prepared in line with available resources, and
- Ensure that estimates are prepared to reflect corporate priorities.

Key budget principles:

- Detailed working sheets are maintained for all budget headings and these are prepared by the budget manager, with the exception of central items.
- Central items are calculated by the CPBS accountancy team. The central items include items such as: salaries, insurance, support service recharges, capital accounting entries, interest paid and received, pensions, National Insurance (NI), special expenses, mobiles phones and postage.
- The full effect of known pay awards is incorporated into the estimates and a provision made for future years, based on national guidance (taking into account any Central Government policies).
- Staffing estimates are prepared on the basis of approved staffing levels as provided by Human Resources and have been signed off by budget managers. These estimates include an allowance for employers NI, superannuation contributions and lump sum amounts.
- Controllable expenditure is defined as expenditure on employees, premises (excluding business rates), transport and supplies and services - but excluding internal recharges.
- There will be no allowance for inflation, unless contractual or related to salaries.
- We seek additional scrutiny and challenge for accessing capital resources and ensure that the programme only reflects schemes that are sufficiently scoped to allow delivery.
- A review of fees and charges to ensure optimisation of income where consistent with policy.
- Some service areas of high or unpredictable spend in previous years have been considered in detail others remain largely viable budgets and have not been zero based
- Working papers have been prepared by budget managers for each controllable budget. This will assist future challenge.
- To set a balanced budget with no long term dependency on General Balances.
- To work towards a zero balance on the collection fund.
- Only the 2017-18 budget will be formally approved, future years are indicative only for both revenue and capital but form an important picture of our financial sustainability.

2.3 Budget Requirement and Forward Estimates

2.3.1 Outline estimates through to 2020-21 are shown in **Appendix B**. In compiling these figures we have followed the assumptions included in this report and made specific adjustments to service budgets as and where budget holders have advised of a change over the medium term. In addition significant reductions in expenditure or increases in income will be required from 2017-18 onwards, to take account of the reductions in Government funding.

2.3.2 Work has been carried out to challenge budget costs in order to reduce both in-year and on-going base budgets without impacting on core service levels. However the Council will experience increasing inflationary pressures on core budgets and

continuing reductions in government grant funding, as well as further uncertainty on business rates retention. The Council's Transformational Moving Forward Programme, an efficiency and income generation programme, is currently in progress and estimates include benefits from this activity which will in turn underpin a sustainable financial position in the longer term.

2.3.3 As part of the Moving Forward Programme, a number of potential schemes to generate savings and increased income have been explored at officer level. Areas being considered which currently have a high level of spend or will require a greater review to reduce costs and provide services differently include:

- Consideration of fees and income policies (including Internal review and benchmarking exercise),
- Review of public owned assets including a strategic asset plan review,
- Grants Review,
- Alternative management models for key assets
- Further shared service opportunities,
- Growth opportunities including generating income streams from asset ownership,
- Green Waste and further waste opportunities, and
- Welland Homes.

3. General Fund Budget & Financing 2017-18

3.1 External Financing – 2017-18 Provisional Settlement

3.1.1 Background

In response to the 2016-17 Local Government Finance Settlement, the Council successfully applied for the Government's four year Local Government Finance Settlement offer, using the Moving Forward programme as the basis of the efficiency plan.

Only a small amount of the Local Government Settlement is now received in the form of Revenue Support Grant (RSG). Instead of receiving a fixed funding amount from government, since 1 April 2013 we have been increasingly reliant on a new model which is geared towards the local raising of funds. Changes to schemes in respect of non-domestic rates (NDR) and localised council tax reduction scheme (LCTRS) have brought a greater degree of risk and variability to the Council's funding.

Under this government policy a proportion of NDR income is retained by district and county councils through a system of top-ups and tariffs. The remaining NDR income is centralised by government and distributed back to local authorities through the formula grant process.

As well as the potential for the authority to attract additional income through retained business rates there is also the risk of uncertainty through a reduction in the amount of business rates that it collects. One of the key areas of uncertainty relates to appeals against rateable values for business premises, with the potential for successful appeals being backdated for a number of years.

The Revenue Support Grant will continue to be reduced over the coming years, as greater emphasis is placed on generating business rates growth and increasing the tax

base through encouraging the development of additional homes and bringing privately owned empty homes back into use.

3.1.2 Revenue Support Grant (RSG)

The provisional Settlement consultation paper for 2017-18 was released on 15 December 2016. The value of the four year settlement has not changed so there is no impact compared to the budget set last year. The values for RSG included in the budget remain the same at:

Financial Year	RSG Receivable £000
2016-17 (for information)	(1,666)
2017-18	(1,072)
2018-19	(693)
2019-20	(271)
2020-21	Nil

3.1.3 New Homes Bonus (NHB)

The consultation includes a number of changes to New Homes Bonus:

- A reduction in the number of years payments are made from 6 years to 5 years in 2017-18 and then to 4 years from 2018-19 (for existing and future years allocations),
- No payment will be made on housing growth below 0.4% of the council tax base in each year (and the government will retain the option of making adjustments to this 0.4% baseline in future to reflect significant and unexpected housing growth),
- From 2018-19 the Government will consider withholding NHB for homes built following an appeal, and
- No proposal to withhold payments for areas without a local plan in 2017-18.

The Council currently utilise £286k of New Homes Bonus to support the General Fund Budget each year with the balance invested through the Investment and Growth Reserve. The proposed changes in the draft settlement will reduce the amount contributed to the growth fund by £511k over the medium term, compared to the 2016-17 MTFP:

	Total NHB Receivable £000	To General Fund Budget £000	To Investment & Growth Reserve £000	Contribution to I&G in 2016-17 MTFP £000	Change £000
2017-18	(1,385)	(286)	(1,099)	(1,457)	358
2018-19	(1,103)	(286)	(817)	(809)	(8)
2019-20	(1,040)	(286)	(754)	(765)	11
2020-21	(901)	(286)	(615)	(765)	150
					511

3.1.4 Rural Services Delivery Grant (RSDG)

This grant is to remain and will be paid to the upper quartile of local authorities based on the super-sparsity indicator. The values confirmed in the 2017/18 Settlement agree to the indicative values provided in 2016. The amounts included within the draft budget are:

Financial Year	RSDG Receivable £000
2016-17 (for information)	(158)
2017-18	(128)
2018-19	(98)
2019-20	(128)
2020-21	(128)

3.1.5 Business Rates (NDR)

The recent revaluation exercise for business rates takes effect from 1 April 2017. This is a revenue neutral exercise nationally, however at a local level bills and income may rise or fall, dependent on the mix of businesses in an area. The Settlement includes a formula which aims to adjust local authorities income to ensure (as far as is practicable) that the retained income is the same after revaluation as immediately before.

3.1.6 Total Financing – 2016-17 to 2020-21

The table below shows the impact of the 2017-18 settlement within the overall financing of the authority:

Area	2016-17 Budget £'000	2017-18 Budget £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Financing					
Council Tax	(4,240)	(4,433)	(4,613)	(4,796)	(4,983)
Non Domestic Rates	(3,734)	(3,974)	(4,100)	(4,247)	(4,402)
Revenue Support Grant (RSG)	(1,666)	(1,072)	(693)	(271)	0
Rural Service Delivery Grant	(158)	(128)	(98)	(128)	(128)
New Homes Bonus Grant	(1,734)	(1,385)	(1,103)	(1,040)	(901)
Spalding Special Expenses	(201)	(204)	(204)	(206)	(206)
Town & Parish Councils	(691)	(713)	(728)	(743)	(758)
Collection Fund Deficit/(Surplus) - Non Domestic Rates	970	573	0	0	0
Collection Fund Deficit/(Surplus) - Council Tax	(140)	(61)	0	0	0
Total Financing	(11,594)	(11,397)	(11,540)	(11,432)	(11,378)

3.2 Collection Fund

3.2.1 Each year the Council is required to calculate the balance on its Collection Fund.

3.2.2 Current estimates indicate a £61k surplus in 2017-18 for council tax and a zero balance in future years.

3.2.3 In addition there is an estimated Business Rates deficit of £573k in the 2017-18. This is as a result of a significant increase in the provision made for the power stations appeals (£2.7m) in 2016-17, as estimated by Analyse Local, which is included in full in the Collection Fund. This is partly offset by a reduced levy payment in 2016-17 which will be carried forward through the Council Tax Reserve to mitigate the impact of the deficit in 2017-18. Should these appeals be unsuccessful in future years, the provision would be reversed and the Collection Fund would result in a surplus, of which the Council would account for a 40% share.

3.3 Council Tax Base

3.3.1 Delegated authority was given to the S151 Officer to approve the tax base, as legally this must be set in the period 1 December to 31 January each financial year. The local Tax Base has now been revised to reflect:

- Changes to the baseline number of properties during 2016,
- The impact of the amended Local Council Tax Support Scheme, and
- Assumed growth.

3.3.2 The Council Tax base for 2017-18 is 26,892 properties, an increase of 361 properties over the final 2016-17 tax base giving additional income of approximately £44k.

3.4 Budget Summary 2017-18

3.4.1 The following table shows the headline financing figures relating to the budget estimates for 2017-18 compared to the 2016-17 position:

Description	2016-17 £'000	2017-18 £'000
Council Tax	(4,240)	(4,433)
Non Domestic Rates	(3,734)	(3,974)
Revenue Support Grant (RSG)	(1,666)	(1,072)
Rural Service Delivery Grant	(158)	(128)
New Homes Bonus Grant	(1,734)	(1,385)
Spalding Special Expenses	(201)	(204)
Town & Parish Councils	(691)	(713)
Collection Fund Deficit/(Surplus) - Non Domestic Rates	970	573
Collection Fund Deficit/(Surplus) - Council Tax	(140)	(61)
	(11,594)	(11,397)
Band D Charge	£159.84	£164.84
Tax Base	26,531	26,892
Band D cost per week	£3.07	£3.17

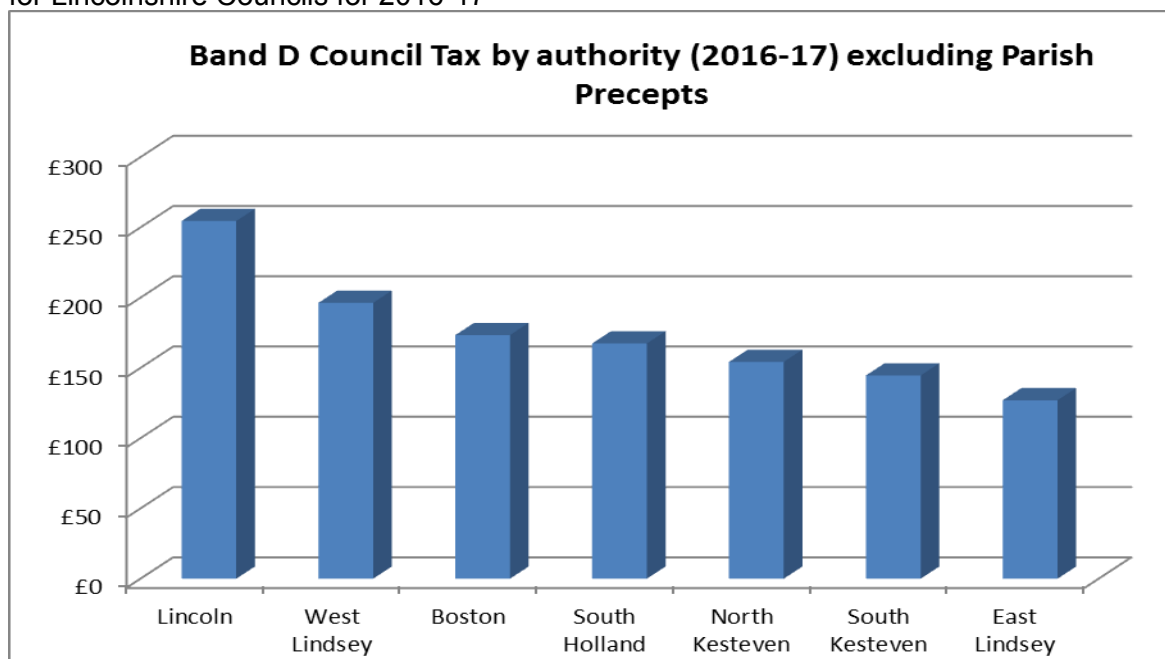
- 3.4.2** 59.55% of residences in the district are in Band A or B, and 84.05% are in Bands A to C. Therefore the majority of homes pay less than the £3.17 per week Band D equivalent towards the District services provided.
- 3.4.3** The increase in the Band D tax base is due to growth in the area over several years and as approved as part of the MTFP at 2016-17 budget setting.
- 3.4.4** Proposed changes to the Council Tax Support Scheme were put out for consultation, the closing date being 14th December 2016. The updated scheme was agreed by Council on 18th January 2017 for implementation in April 2017.
- 3.4.5** NNDR policies on all forms of relief are being reviewed in 2017 to inform revised policies for 2018-19. All claimants are to be informed that relief will be withdrawn at the end of 2017-18 and a new application will be necessary for relief going forward as part of the verification process before the introduction of new policies.
- 3.4.6** The following table sets out the estimated 2017-18 Council Tax for each Property Band taking account of the £5 per annum increase agreed as part of the 2016-17 MTFP:

Band	Ratio	2015-16	2016-17	2017-18	2016-17 to 2017-18 Change	
					Annual	Weekly
A	6/9	103.23	106.56	109.89	3.33	0.06
B	7/9	120.43	124.32	128.21	3.89	0.07
C	8/9	137.64	142.08	146.52	4.44	0.09
D	9/9	154.84	159.84	164.84	5.00	0.10
E	11/9	189.25	195.36	201.47	6.11	0.12
F	13/9	223.66	230.88	238.10	7.22	0.14
G	15/9	258.07	266.4	274.73	8.33	0.16
H	18/9	309.68	319.68	329.68	10.00	0.19

- 3.4.7** The following table details the Band D Council Tax levels for all precept authorities since 2005-06:

	Lincs County Council		Lincs Police Authority		South Holland (excl special expenses)		Average Parish		Total	
	£	Increase %	£	Increase %	£	Increase %	£	Increase %	£	Increase %
2005-06	899.82	4.90	119.43	6.42	134.56	4.75	19.81	2.96	1,173.62	5.02
2006-07	944.73	4.99	125.37	4.97	140.28	4.25	23.12	16.71	1,233.50	5.10
2007-08	987.21	4.50	131.58	4.95	145.19	3.50	23.68	2.42	1,287.66	4.39
2008-09	1,021.77	3.50	165.78	25.99	149.18	2.75	25.55	7.90	1,362.28	5.80
2009-10	1,039.68	1.75	174.06	4.99	153.13	2.65	26.5	3.72	1,393.37	2.28
2010-11	1,065.69	2.50	179.28	3.00	157.03	2.55	27.35	3.21	1,429.35	2.58
2011-2	1,065.69	0.00	179.28	0.00	157.03	0.00	28.04	2.52	1,430.04	0.05
2012-13	1,065.69	0.00	186.39	3.97	156.6	(0.27)	31.94	13.91	1,440.62	0.74
2013-14	1,065.69	0.00	190.08	1.98	156.15	(0.29)	33.26	4.13	1,445.18	0.32
2014-15	1,065.69	0.00	193.86	1.99	155.61	(0.35)	34.94	5.05	1,450.10	0.34
2015-16	1,085.94	1.90	197.64	1.95	154.84	(0.49)	36.93	5.70	1,475.35	1.74
2016-17	1,128.83	3.95	201.51	1.96	159.84	3.23	38.79	5.04	1,528.97	3.63

3.4.1 The following chart shows the Band D Council Tax levels (excluding parish precepts) for Lincolnshire Councils for 2016-17



3.5 Draft 2017-18 General Fund Estimates

3.5.1 The table below shows the draft budget estimates for 2017-18 analysed by type of expenditure/income as shown in appendix B. Notes explaining the major variances between the two years are given below the table.

Description	2016-17 Estimate £000	2017-18 Estimate £000	Variance £000
Employees	6,751	6,677	(74)
Premises	943	926	(17)
Transport	786	783	(3)
Supplies & Services	3,113	2,658	(455)
Transformation	694	273	(421)
Drainage Board Levies	2,298	2,350	52
Parish Precepts	691	713	22
Third Party Payments	2,564	2,608	44
Transfer Payments	21,325	19,341	(1,984)
Depreciation & Impairment Charges	627	986	359
Direct Revenue Financing	121	3,750	3,629
Capital – Contra Entries	(696)	(1,061)	(365)
Transfers to/from Earmarked Reserves	(615)	(3,334)	(2,719)
Transfers to/from General Reserve	-	(301)	(301)
Total Expenditure	38,602	36,368	(2,234)
Rents & Service Charges	(749)	(760)	(11)
Fees & Charges	(3,567)	(3,637)	(70)
Grants, Reimbursements & Contributions	(21,554)	(19,552)	2,002
Investment Income	(206)	(88)	118
Recharges	(932)	(934)	(2)
Total Income	(27,008)	(24,971)	2,037
	11,594	11,397	(197)

3.5.2 Explanation of Variances:

Employee Related Expenses

The increase is as a combined result of incremental pay progression, national pay award 1% and an increase in national insurance rates for those in the pension scheme. There is a 3.5% vacancy factor built into the estimates which reduces service budgets by £40k per annum. Efficiency savings of approx. £220k year on year are anticipated from the Moving Forward Programme beginning in 2017-18.

South Holland have just received their draft pension triennial Valuation Report from the Actuary. This shows the employer's contribution rate decreasing by 0.8%, from 17.5% (16/17) to 16.7% (17/18 to 19/20). This is estimated to reduce the budget by £50k. The secondary rate (deficit payment) increases by £91k, from £416k (16/17) to £507k in 17/18, increasing to £571k in 18/19 and 638k 19/20. **Overall a net increase of £40k for 17-18.**

The draft valuation shows the pension deficit has decreased by £1m, from £20m (31.3.2013) to £19m (31.3.2016).

Premises Related Expenses

The main variances are savings made in utilities, offsetting cost pressures for business rates and responsive repairs. The savings are as a result of comprehensive analyses of prior year's outturn and recurring variances.

Transport

The Council has adopted a prudent policy of replacing previously leased commercial vehicles in Environmental Services with outright purchase of wholly owned new vehicles. Revenue savings arising from this were reflected within transport costs in the 2015-16 base budget. Fuel budgets have been increased in line with 2016-17 spend, with current fuel price reductions being monitored on an ongoing basis. Savings have been made where possible on leased cars, and mileage and lump sum budgets.

Supplies & Services

Supplies and services budgets have reduced due to the removal of additional expenditure all funded by income in 2016-17, such as grants for growth, second homes and local plan costs funded by reserve.

Delegated members ward budgets have been maintained at £3k per member in the base budget.

Impairment allowance for bad debts will be assessed before the final budget alongside work on Revenues and Benefits estimates.

Third Party Payments

This budget includes contractual commitments to both Compass Point Business Services (CPBS) and Lincolnshire Legal Services.

Transfer Payments

Further work is being carried out on Rent allowances and Rent Rebates alongside a forecast position for 2016-17. Additionally it covers grants and contributions paid where the Council does not benefit from the provision of a service, Housing benefit payments are funded through Government subsidy and are included under Grants, Contributions and Reimbursements.

Depreciation and Impairment Charge

The increased depreciation and impairment charges are due to the acquisition of new refuse vehicles (previously leased) and investment in new IT system licences (income management and database storage systems).

Direct Revenue Financing

The revenue budget includes the following schemes funded from Investment and Growth Reserves in 2017-18:

	2017-18 £000
Priory Road	2,700
Grounds Maintenance Equipment	50
Growth Fund	1,000
	3,750

Transfer to and from earmarked reserves

The following table sets out the use of earmarked reserves in 2017-18 with further information on reserves and balances provided in paragraph 4:

	2017-18 £000
Contribution to Repairs & Renewals Reserve	136
Planned use of Repairs & Renewals Reserve	(166)
Transfer of New Homes Bonus to Investment & Growth Reserve	1,099
Capital Expenditure funded from Investment & Growth Reserve	(3,750)
LDF Plan Funding from Council Tax Reserve	(55)
Contribution from Council Tax Reserve towards NNDR Deficit	(325)
Moving Forward Programme Funding	(273)
	(3,334)

Fees & Charges

Fees and charges have been reviewed and increased where the market permits and in accordance with individual fees and charges policies (see Appendix H). Several service areas where fees should cover the cost of the service are being reviewed and a mid year report will be issued which may include further fee changes.

Planning application fee income have steadily increased over the last three years. For 2016-17, income was set at £600k and for 2017-18, £700k (£100k increase). At the time of writing, planning application income is set to exceed £800k (2016-17), but this

is thought to be due to the Local Plan being out to consultation and expected to slow in the forthcoming year.

Court income, housing benefits overpayments and impairment allowance of bad debts shown under supplies and services have been reviewed and were subject to additional analysis during the closedown period for the annual accounts. Revised collection targets are likely to be issued when this activity is complete.

The Welland Homes Business plan has been revised due to delays in establishing viable projects. Projected income has been built into the MTFP 16-17 at £41k rising to £270k in 2019-20. At this stage, this remains unchanged. Joint working with Landlord services in respect of a HRA funded Affordable Housing programme are also being reviewed further to identify possible efficiencies for both organisations.

Grants, Contributions & Reimbursements

This includes additional Government subsidy for rent allowance subsidy payments, rent allowances, HRA offsetting costs included in Transfer Payments above. Additionally this includes re-profiled Government grants reimbursements and contributions.

A grant application was submitted to the Department for Communities and Local Government (DCLG) for European Structural Investment Funding (ESIF). This was a phase 2 project to support Small & Medium Sized Enterprises with Capital Grants. Administration of this project is estimated to contribute £25k towards central costs in 2016-17 and £150k over the period of the MTFP . The operational side of this project is currently being reviewed in preparation for the start, which has been delayed compared to original estimates.

Investment Income

Forecast interest rates are lower for the longer term now, when compared to the estimates used in the current budget, leading to reduced returns and a potential impact is £118k in 17/18.

Recharges

Recharges were reviewed as part of the final 2016-17 budget setting process and at the 2015-16 year end. These include recharges to the Housing Revenue Account, to reflect its share of the Corporate and Democratic Core and its share of support services.

3.6 Other Budget Assumptions

3.6.1 The budget estimates and Medium Term Plan cover the period 2017-18 to 2020-21. Over this timescale it is important that we make realistic assumptions as to how costs rise or fall. This section details the key assumptions made.

3.6.2 The key assumptions used are:

- Revenue budgets will be used to deliver services during the year for which they are approved.
- There will be allowance for unavoidable growth on services (i.e. new statutory obligations and contractual inflation) but will not allow for any increase for general inflation.
- Estimates are prepared on the understanding that appropriate service budgets were produced for the previous year (2016-17) which will then be adjusted to

reflect the changing financial circumstances that the public sector is required to prepare for.

- Where service delivery is dependent on a specific grant we will only assume continuation of the grant and expenditure where such notification has been received.
- In 2016-17 Council tax levels were approved to increase by £5 per annum over the life of the MTFP which equates to an approximate 3% increase in each year.

3.6.3 The key assumptions made for the setting of these budget estimates, which influence the four year financial plan are as follows:

	2016-17	2017-18	2018-19	2019-20	2020-21
RPI	2.2%	3.0%	3.2%	3.2%	3.2%
National pay increase	1.0%	1.0%	1.0%	1.0%	1.0%
Staffing Salary Level	96.5%	96.5%	96.5%	96.5%	96.5%
Pension contribution rate (excluding lump sum)	17.5%	16.7%	16.7%	16.7%	16.7%
Pension Deficit Payment	£416k	£507k	£571k	£638k	£638k

3.6.4 Future Developments

Universal Credit has been operating in South Holland since November 2015 for single unemployed claimants. The DWP's latest planning assumptions for Universal Credit are that the transition to full service will be complete by September 2018. For South Holland, transition is scheduled for April 2018. Following the transition phase, migration of existing cases is intended to be complete by 2022. Local authorities will however continue to administer Housing Benefit for pensioners beyond this date until the incorporation of Housing Benefit into Pension Credit. Whilst there is expectation that Housing Benefit Administration Subsidy will reduce with the move to full Universal Credit service, the financial consequences remain uncertain.

3.7 Spalding Special Expenses

3.7.1 Spalding Special Expenses are a separate charge to the residents of Spalding for services provided in their town and are charged as a supplement to the main council tax. The Spalding Special Expenses budget for 2017-18 is estimated at £204,353 (2016-17, £200,782. Consideration of the establishment of a town council will be given in 2017-18 under the transformation programme and funding will be reviewed at that time. Detailed estimates are shown at **Appendix C** including the calculation of the Council Tax charge of £23.07 (2016-17 £22.99)

3.8 Internal Drainage Boards

3.8.1 The Council's 2017-18 budget and forward estimates include amounts for Internal Drainage Boards (IDB). These are levies charged to the authority over which the council

has little control and form part of the revenue budget. The draft budget assumes a 2% increase in levies in 2017-18.

3.9 General Fund Fees and Charges

3.9.1 Income from fees and charges is an important source of revenue income for the Council. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting public behaviour.

3.9.2 As part of our overall income strategy we will seek to:

- Maximise the return from the Council's asset holdings and continue to attract rental income by optimising the usage of office space at Priory Road,
- Ensure that the yield from fees and charges matches the increase in base budget for services that levy fees and charges, otherwise the shortfall will fall upon the Council Tax payer,
- Annually review fees and charges for discretionary services,
- Ensure that statutory charges are implemented,
- Monitor compliance with the corporate charging policy and corporate debt policy,
- Set targets for income collection and level of arrears and monitor performance against these targets,
- Treat windfall income as a corporate resource,
- Use enforcement remedies effectively, and
- Seek to minimise benefit subsidy losses.

3.9.3 Fees and charges have been reviewed and updated where necessary. Demand for services has also been reviewed and changes in demand have also been reflected in the budgeted level of fees and charges income. Appendix H outlines the proposals for fees and charges.

3.9.4 In total £3.637m (2016-17 £3.567m) is due from fees and charges in the 2017-18 budget, an overall increase of £70k.

4. General Fund Reserves and Balances

4.1 In order to comply with the requirements of the Local Government Act 2003, the Council undertakes a review of the level of reserves as part of the annual budget preparation. This project is in progress and a status report has been issued to Cabinet for approval in principle for the planned actions at the financial year end. The review includes analysis of current and future risk assessments.

4.2 **Appendix D** outlines the position statement on reserve balances. The proposed budget does not require any long term support from reserve balances, however the challenging economic environment has required us to undertake a robust sensitivity analysis should these events require us to draw on balances. Whilst it is apparent these risks could be financially significant, Council reserves are currently at a reasonable level.

4.3 Moving forward the General Fund has a forecast working balance of £2.301m at 1st April 2017. This is £0.301m higher than originally estimated due to the achievement of

additional savings in 2016-17 and £0.301m will be used to support the budget in 2017-18. The Council has an assessed minimum prudent working balance of £2.000m.

4.4 The table below gives a summary of General Fund Specific Reserve movements (excluding £2m General Reserve):

General Fund Specific Reserves (inc Special Estimates)	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Brought Forward	7,441	7,060	3,726	3,483	2,456
Transfer In	2,046	1,235	953	890	751
Transfers Out	(2,427)	(4,569)	(1,196)	(1,917)	(1,661)
Carried Forward	7,060	3,726	3,483	2,456	1,546

- In addition to specific reserves the general fund balance at 1 April 2016 was £2.064m, and this is forecast to be £2.301m at 31st March 2017, £0.301m of which will be used to support the budget in 2017-18.
- Transfers to Reserves include an annual contribution of £136k to the Replacement and Refurbishment Reserve to assist the Council in maintaining its asset base.
- All New Homes Bonus Scheme grant received, excluding £286k per annum over the period of the Medium Term Financial Plan has been taken to Investment & Growth.
- An amount of £970k (2016-17) was transferred from the council tax reserve to offset the collection fund NNDR deficit & £268k to offset anticipated NHS appeals in year. Additional provision has now been made in 2016-17 to reflect the potential impact if the power station appeals are successful. This will reduce the levy payment in 2016-17 by £325k and this will be carried forward through the Council Tax Reserve to mitigate the additional NNDR Collection Fund deficit to be funded in 2017-18.
- Transformation expenditure of approximately £1.0m will be financed from the Transformation reserve during the period 2016-17 to 2018-19.
- Capital expenditure of approx. £3.8m in 2017-18 will be financed from the Investment & Growth Reserve and council tax reserve. This is an indicative amount only with specific projects being reviewed for inclusion in the capital programme.

4.5 In setting the level of General Balances, consideration has been given to the adequacy of financial control, the overall financial position, medium-term financial plans and the strategic, operational and financial risks facing the Council.

5. General Fund Capital Strategy and General Fund Capital Estimates

5.1 The Council's Capital Strategy is shown in Appendix F and focuses on the core principles of capital investment.

5.2 The existing capital programme (Appendix E) has been amended to reflect revised profiling and scheme estimates.

5.3 In line with the Council's core Moving Forward priorities, expenditure in respect of property acquisition and investments in income generating assets (funded from Investment & Growth) has been added to the programme on an indicative basis only. This activity will be reviewed further in conjunction with the Welland Homes business plan and business cases developed for approval as appropriate.

- 5.4 As part of the 2017-18 budget process Service Managers were asked to submit new bids for essential schemes to be incorporated into the Capital Programme over the next four years. Each scheme is supported by a capital bid form, formulated where appropriate after the consideration of options. The cash flow implications of all schemes and the impact on revenue need careful consideration before new schemes are incorporated within the capital programme. This is under review with several significant schemes not yet approved.
- 5.5 The current programme includes budget and funding for providing grants for carrying out disabled adaptations to properties. With the introduction of the Better Care Fund to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people involving the NHS and local authorities it is likely that the current system of disabled facilities grants will fundamentally change. It was stated in the finance report to the 2016-17 local government settlement that the Better Care Fund would continue for the duration of the Parliament and that DFG allocations were likely to rise during the course of the period between 2017 and 2020. However no guidance for 2017-18 has been received to date.
- 5.6 The 2016-17 forecast column on appendix E reflects the latest cash flow forecast for that year and this is used in the compilation of the prudential indicators within the treasury management report. This reflects approved expenditure in the 2016-17 programme which is likely to be delayed and subject to a carry forward request to council in June 2017.

6. Housing Revenue Account

- 6.1 The Budget for 2017-18 and the medium term financial plan are shown in Appendix B. This is currently subject to a major review by the Housing Growth group and savings / cost reductions have been forecast in the current year, being of benefit to both the General Fund and Housing Revenue Account. Strategic Organisational Design is being examined on a service by service basis but no potential financial impact has been included in this estimate.
- 6.2 The following table shows the summary HRA for 2017-18 compared to the 2016-17 position:

Description	2016-17 Estimate £'000	2017-18 Estimate £'000
Income	(16,290)	(16,106)
Expenditure	9,293	9,645
Contribution from Operations	(6,997)	(6,461)
Financing	2,285	2,286
Capital Contribution	4,712	3,977
(Surplus) / Deficit	0	(198)

- 6.3 A comprehensive review of the Housing Revenue Account and associated landlord functions was carried out during 2015-16 and budget proposals reviewed by the Governance & Audit committee.

HRA Estimates by Income & Expenditure 2016-17 to 2017-18

Description	2016-17 Estimate £000	2017-18 Estimate £000	Variance £000
Rent Income – Dwellings	(15,233)	(15,024)	209
Charges for Services & facilities	(977)	(935)	42
Contributions to Expenditure	(67)	(134)	(67)
Other Income	(13)	(13)	0
Total Income	(16,290)	(16,106)	184
Repairs & Maintenance	2,727	2,839	112
Supervision & Management	3,377	2,939	(438)
Service Charge Costs	1,494	1,448	(46)
Depreciation (MRA)	1,595	2,300	705
Provision for Doubtful Debts	100	119	19
Total Expenditure	9,293	9,645	352
Contribution from Operations	(6,997)	(6,461)	536
Financing charges	2,285	2,286	1
Revenue Contributions (RCCO)	4,712	3,977	(735)
Net operating (surplus)/Deficit	0	(198)	(198)

6.4 Explanation of Budget Variations

6.4.1 Rent Income - Dwelling Rents

In determining future rental income the following factors have been taken into account:

- 1% rent reduction from 16-17 to 19-20 and nil inflation imposed by the Government. The Council had 3,810 HRA dwellings at 25th January 2017 with an average weekly rent of £77.03 (on a 52 week basis). The average rent in 2017-18 will be £76.26 per week.
- The impact of the imposed rent reduction and re-invigorated right to buy regulations for SHDC is a £96m loss of rent over the 30 year period of the business plan, and
- Estimated net rent arising from additional units included within the HRA capital programme.

6.4.2 Charges for Services and Facilities

Sewage Charges

Historically charges for sewage have been increased in line with the annual increase applied by Anglian Water. However, these charges have not been increased for several years and the HRA has been funding an increasing shortfall being the difference between the expenditure incurred in operating the sewage treatment service, and the income recovered through sewage charges. For 2017-18 it is therefore proposed to increase charges by 2.5% based on the increase in costs over the last 2 years. This represents an increase to tenants of between 3p and 8p per week.

Other Service Charges

Other Service Charges have not been increased over the last few years as the HRA has been able to defer any increase. However it is now considered prudent that the charges are increased on an annual basis in line with the December CPI. For 2017-18 this represents an increase of 1.6%.

Current charges affected and proposed 2017-18 charges are set out in Appendix H.

6.4.3 Repairs & Maintenance

All work carried out in void properties is being reviewed to ensure value for money is present and turn around times are reduced.

6.4.4 Supervision & Management

A transformation fund of £750k was established in the 2016-17 budget to assist in integrating Landlord Services and General Fund service. This is being incorporated as part of the Place based service review for the authority, which will incorporate the Construction Services Unit (CSU). This provision included a one-off contingency of £375k which has been removed from the 2017-18 budget.

6.4.5 Pay Awards and Salary Vacancy Factor

- Each 1% change in SHDC gross pay = £18k increase in employee costs.
- 3.5% vacancy factor in SHDC gross pay = £42k decrease in employee costs which has not previously been applied.

6.4.6 Depreciation

The basis of HRA Property Depreciation has been updated in and is now based on the "wearing out" of individual property components (Roof, Kitchen, Bathrooms, Wiring etc.) This has increased the annual depreciation charge in 2017-18 by £705k. Depreciation is paid into the Major Repairs Account and used to fund future capital expenditure on properties. This increased contribution has been offset by a reduced revenue contribution to the capital programme.

7. HRA Reserves

7.1 The table below shows the unallocated reserve balance as at 31st March 2016. The balances within the table are funds that can be used to finance both revenue and capital expenditure, for example, one- off invest to save projects and to meet expenditure arising from unexpected events.

HRA Reserves	Balance 1/4/16 £'000	Transfers In £'000	Transfers Out £'000	Balance 31/3/17 £'000
HRA Working Balance	8,968	-	-	8,968
Insurance Reserve	200	0	0	200
Major Repairs Reserve	2,609	6,660	(3,915)	5,355
	11,777	6,660	(3,915)	14,523

7.2 The Major Repairs Reserve will be used to finance capital investment within the HRA. (see Appendix E).

8. HRA Capital

8.1 The HRA summary programme is shown in Appendix E.

8.2 Detailed planned maintenance programmes have been compiled from asset management data to address key decent homes criteria. The programme also includes:

- Major area works - environmental improvements on estates, and
- IT / System works - a replacement of the asset management system.

8.3 The programme also includes an Affordable Housing Programme to be delivered through new build and potential purchase in order to replace lost rent from increased right to buy sales. In total £15.6m has been allocated during the period of the MTFP from 2017-18 to 2020-21. This is an indicative programme as work is in progress on new build schemes with Welland Homes and a market survey is being carried out in respect of a potential buy back of ex-council properties in the district.

9. Risk, Key Issues, Sensitivity and Monitoring

9.1 The Council must set a budget which is a realistic statement of its estimated income and expenditure for the coming year, based upon information currently available. The Council has a duty to take into account the demand for its services and the effect on council tax payers of meeting those demands at varying levels of services. Given the good management practices and sound financial and performance monitoring delivered in the past, the Council has the platform and expertise to deliver a balanced budget.

9.2 The following table details the key risks and issues identified and how we intend to treat them.

Risk	Likelihood	Impact	Action
Reduced public sector funding from Central Government	High	High	Keep up to date with developments and make prudent budget assumptions.
Low income levels from fees and charges	Medium	Medium	Revise spending plans
Continuation of low interest rates	High	High	Market advice and forecasting. Mitigation by diversification
Business rates retention proposals leave Council exposed to economic fluctuations and rating appeals	Medium	High	Monitor developments & set aside appropriate reserves and provisions to help with potential initial pressures and fluctuations
Pension fund deficit	Medium	Medium	Close links with LCC pension fund Increased contributions following triennial review
Additional bad debts as a result of economic circumstances	Medium	Medium	Pro-active debt management and pre-pay fee policies
Increased maintenance costs of ageing physical assets	Medium	Medium	Asset management plan. Pro-active rather than reactive maintenance programme
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions kept up to date with most recent projections.
Growth plans may require borrowing at some point in the future	High	High	Continue to closely monitor and prioritise the Council's Capital Financing Requirement.
Compass Point Business Services may be unable to deliver an effective service within the agreed reduced contract price.	Low	Medium	Reviewing Service Level Agreements, activity levels and service priorities
Garden Waste	High	High	A new one year pilot has been introduced in 16-17 and has continued into 17-18.
Court Income	High	Low	Court income projections are considerably increased following welfare reforms. However the budget has not been increased due to concerns over collectability of this income. A year-end review will be undertaken to inform future year's budgets.

Risk	Likelihood	Impact	Action
Housing Benefit Overpayments	High	High	The level of Housing Benefit Overpayments and their recoverability needs to be monitored closely through the year in order to ensure budget levels are appropriate.
Universal Credit	High	Medium	The implementation of the Universal credit may impact on the General Fund both in terms of running costs for the Benefits service and additional demand on other council services. This will be closely monitored.
Increased risk that liability insurance premiums will increase	Medium	Low	Prepare to go to the market again if premiums exceed market trends.

10. Consultation, Timetable and Links to Other Strategies

- 10.1** The budget has been subject to consultation on the website during January with commentary invited from council tax payers, business rate payers and key stakeholders.
- 10.2** It is important to have clear and agreed timetables for the budget process so that statutory requirements are met. Each year a timetable will be agreed with Corporate Management Team prior to the start of the process (i.e. around July each year).
- 10.3** The Council has adopted a corporate risk management strategy and financial risk management is integrated into the Council's overall management and decision making processes. This ensures a robust and well integrated risk management programme, which will help the Council to identify and manage key strategic risks facing it, in pursuit of its corporate objectives.
- 10.4** A Performance Framework has been developed to manage delivery of the new priorities described in the Council's Corporate Plan. The annual business planning process will run alongside the budget setting process to ensure an integrated approach of performance and finance.

11. Treasury Management Policy and Investment Strategy

- 11.1** The Treasury Management Policy and Investment Strategy (Appendix G) pulls together the decisions of capital investment, use of reserves, our cash flow and revenue budgets.
- 11.2** The Treasury Management Strategy covers two main areas:
- Capital plans and associated Capital Prudential Indicators

- Treasury management issues including borrowing and investment strategies and associated Treasury Prudential Indicators.
- 11.3** No major changes are proposed to the Treasury Management Policy. The investment strategy may be updated in the light of the low returns on investments and the opportunities that may arise as a result of the proposed new housing development company.
- 11.4** Investment income will continue to be generated from cash balances but also from commercial loans to Welland Homes.
- 11.5** Discussions are in progress with the UK Municipal Bonds Agency in respect of potential peer to peer lending with a view to increasing investment income and decreasing brokerage fees.

APPENDIX B

Draft General Fund Summary		APPENDIX B				
Area	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	
Employee Related Expenditure	6,751	6,677	6,555	6,515	6,581	
Premises Related Expenditure	943	926	840	843	828	
Transport Related Expenditure	786	783	783	933	933	
Supplies & Services	3,113	2,658	3,105	3,240	3,105	
Transformation	694	273	0	0	0	
Drainage Board Levies	2,298	2,350	2,350	2,350	2,350	
Parish Precepts	691	713	728	743	758	
Third party Payments	2,564	2,608	2,581	2,581	2,581	
Transfer Payments	21,325	19,341	19,326	19,386	19,396	
Support Services	0	0	0	0	0	
Depreciation and Impairment Losses	627	986	986	986	986	
Grant payment to parishes	0	0	0	0	0	
Income	(27,008)	(24,970)	(25,080)	(25,349)	(25,349)	
COUNCIL SUB-TOTAL	12,784	12,345	12,174	12,228	12,169	
Direct Revenue Financing of Capital Expenditure	121	3,750	1,091	1,695	1,573	
Capital Charges Contra Entry	(696)	(1,061)	(1,061)	(1,061)	(1,061)	
Minimum Revenue Provision	0	0	0	0	0	
Interest on borrowing	0	0	0	0	0	
New Homes Bonus contribution to reserves	1,100	1,099	817	754	615	
Contributions to Reserves	492	136	136	136	136	
Contributions From Reserves	(2,207)	(4,569)	(1,196)	(1,917)	(1,660)	
Contribution from General Fund Reserves		(301)				
NET COST OF SERVICES	11,594	11,399	11,961	11,835	11,772	
Funding (Shortfall)	0	0	(422)	(404)	(393)	
BUDGET REQUIREMENT	11,594	11,399	11,539	11,431	11,379	
Financing						
Local Government Settlement RSG	(1,666)	(1,072)	(693)	(271)	0	
Rural Services Grant	(158)	(128)	(98)	(128)	(128)	
Retained Business rates	(10,060)	(8,598)	(8,873)	(9,190)	(9,521)	
Section 31 Grants for Business Rates	(425)	(549)	(567)	(587)	(609)	
Business rates tariff	6,751	5,173	5,339	5,529	5,728	
New Homes Bonus Grant	(1,734)	(1,385)	(1,103)	(1,040)	(901)	
Spalding Special Expenses	(201)	(204)	(204)	(206)	(206)	
Town & Parish Councils	(691)	(713)	(728)	(743)	(758)	
Share of Collection Fund Deficit/(Surplus)-NNDR	970	573	0	0	0	
Share of Collection Fund Deficit/(Surplus)-C Tax	(140)	(61)	0	0	0	
SOUTH HOLLAND PRECEPT REQUIREMENT	4,240	4,433	4,613	4,796	4,983	
TAX BASE	26,531	26,892	27,161	27,433	27,707	
SOUTH HOLLAND BAND D COUNCIL TAX	£ 159.84	£ 164.84	£ 169.84	£ 174.84	£ 179.84	
PERCENTAGE Increase	3.23	3.13	3.03	2.94	2.86	

Housing Revenue Account		APPENDIX B			
Area	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Rent Income - Dwellings	(15,233)	(15,024)	(14,850)	(14,711)	(14,607)
Rent Income - Non Dwellings	0	0	0	0	0
Charges for Services & Facilities	(977)	(935)	(935)	(935)	(935)
Contributions to Expenditure	(67)	(134)	(134)	(134)	(134)
Other income	(13)	(13)	(13)	(13)	(13)
Total Income	(16,290)	(16,106)	(15,932)	(15,793)	(15,689)
Repairs & Maintenance	2,727	2,839	2,847	2,855	2,862
Supervision & Management	3,377	2,939	2,967	2,996	3,008
Service charge costs	1,494	1,448	1,455	1,462	1,467
Depreciation (MRA)	1,595	2,300	2,300	2,300	2,300
Provision for Doubtful Debts	100	119	119	119	119
Total Expenditure	9,293	9,645	9,688	9,732	9,756
Contribution from Operations	(6,997)	(6,461)	(6,244)	(6,061)	(5,933)
Financing charges	2,285	2,286	2,286	2,286	2,286
Revenue Contributions (RCCO)	4,712	3,977	3,977	3,977	3,977
Net operating (Surplus) / Deficit	0	(198)	19	202	330
Reserves					
Balance - Brought Forward	(8,968)	(8,968)	(9,166)	(9,147)	(8,945)
Balance - Carried Forward	(8,968)	(9,166)	(9,147)	(8,945)	(8,615)

Appendix C

Draft Spalding Special Expenses 2017 18

	2016/17 Estimates	2017 18 Estimates	2016/17 to 2017/18 Variance £
Spalding Cemetery	53,590	56,600	3,010
Spalding Allotments	2,500	3,700	1,200
Playing Fields at:-			0
Ayscoughfee (excluding gardens)	10,510	26,190	15,680
Halley Stewart	23,070	27,100	4,030
Thames Road	13,580	13,580	0
Fulney Road	10,320	10,380	60
Monkshouse Lane	35,310	30,300	(5,010)
Contribution to Voluntary Car Scheme	8,500	8,500	0
Christmas Decorations	13,600	7,800	(5,800)
Contrib to mt of churchyard St Mary & St Nicolas Parish Church	750	750	0
Administrative Support	4,500	4,500	0
Bus Shelter maintenance	370	370	0
Contribution to play areas	1,000	1,000	0
Spalding Town Centre Promotion	1,500	1,500	0
Crime prevention	7,700	7,700	0
Chairmans contingency	750	750	0
Contribution to Spalding Special Reserve earmarked capital	13,232	3,633	(9,599)
Total Expenditure	200,782	204,353	3,571

Funding

Total Expenditure	200,782	204,353	3,571
Estimated share of Council Tax Support Grant	0	0	0
Capital reserve	0	0	0
Charged	200,782	204,353	3,571
Tax Base	8,733	8,857	124
Band D equivalent	22.99	23.07	

Actual Balances

Balance Brought Forward (17 18 forecast)

Funded From Reserves

Contribution to SSE reserve (forecast)

Forecast reserve carried forward

Earmarked crime prevention

Agreed minimum balance 5% expenditure for contingency

Earmarked capital expenditure

Balance Carried Forward

	(157,349)	(173,481)
	(16,132)	(3,633)
	(173,481)	(177,114)
	4,381	4,381
	10,039	10,218
	79,410	79,410
	(73,224)	(83,105)

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