

## South Holland District Council

### Financial Report for the quarter ending March 2015

This report has four sections

- Section 1 – Revenue budget
- Section 2 – Council Tax and Business Rates
- Section 3 – Capital budget
- Section 4 – Treasury update

#### Section 1 - Revenue Budget

##### General Fund

#### Key financial issues during Quarter 4 2014-15 (provisional outturn 14-15)

##### Revenue Budget Provisional Outturn

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 exists within the Council's capital and revenue budgets it is imperative that financial monitoring is closely scrutinised by members and officers throughout the organisation.

The table below details the outturn against the approved budget for 2014-15. This is calculated by taking expenditure and income up to 31<sup>st</sup> March 2015 against the budgeted income and expenditure for the remainder of the year. Significant variances to the approved budget are detailed in Table 2. The actual outturn was £11k over against the original budget, resulting in a reduction in the General Fund balance, which stands at £2.023m at year end.

Compared to last year the Council was still able to contribute to earmarked reserves for use in 2015-16 and also fund cost pressures in the final quarter, however 2013-14 produced a much more favourable financial outturn against budget and gave the Council the opportunity to set aside £200k for Capital and £206K to Organisation Development. In the year ahead the Council is looking to make efficiencies savings of over £600k in 2016-17 and 1.7m by 2018-19 as Government funding reduces. Further pressures are likely to arise as a result of the interim budget in July.

**Table 1a –Revenue Outturn**

General Fund 2014/15	Original Budget	Total	Variance
	£000	£000	£000
Fees, charges & other service income	(4,642)	(5,294)	(652)
Interest and investment income	(95)	(122)	(27)
Government grants and contributions	(19,915)	(20,840)	(925)
Other grants and contributions	(241)	(336)	(95)
<b>Total Income</b>	<b>(24,893)</b>	<b>(26,592)</b>	<b>(1,699)</b>
Employee expenses	6,405	6,482	77
Other service expenses	7,563	8,182	619
Transfer payments	19,842	20,815	973
Pensions accounting adjustments		(77)	(77)
Depreciation, amortisation and impairment	973	647	(326)
Precepts & Levies	2,846	2,846	0
Gain or loss on disposal of fixed assets		58	58
Change in investment property value		6	6
<b>Total expenditure</b>	<b>37,629</b>	<b>38,959</b>	<b>1,330</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,736</b>	<b>12,367</b>	<b>(369)</b>
<b>Other items reported Quaterly</b>			
Capital Expenditure	269	422	153
Statutory Accounting adjustments	(1,142)	(743)	399
Transfers to Earmarked Reserves	1,929	3,628	1,699
Transfers from Earmarked Reserves	(798)	(2,237)	(1,439)
Interest payable and similar charges	34	0	(34)
Other not reported in the resource allocation		6	6
Additional Financing		(404)	(404)
<b>Total</b>	<b>13,028</b>	<b>13,039</b>	<b>11</b>

**Table 1b –Resource allocation**

The following table shows the General Fund resource allocation of income and expenditure for each directorate and how it reconciles to the financial statement. This table is shown under note 27 in the authority's statement of accounts for the amounts reported for resource allocation decisions.

## Amounts reported for resource allocation decisions

Directorate Income and Expenditure	Place and Governance	Commissioning	Total
2014/15	£000	£000	£000
Fees, charges & other service income	(1,232)	(4,131)	(5,363)
Government grants and contributions	(20,315)	(525)	(20,840)
Other grants and contributions	(255)	(81)	(336)
<b>Total Income</b>	<b>(21,802)</b>	<b>(4,737)</b>	<b>(26,539)</b>
Employee expenses	1,583	4,918	6,501
Other service expenses	3,556	4,645	8,201
Transfer payments	20,311	504	20,815
Capital Charges	23	624	647
<b>Total Expenditure</b>	<b>25,473</b>	<b>10,691</b>	<b>36,164</b>
<b>Net Expenditure</b>	<b>3,671</b>	<b>5,954</b>	<b>9,625</b>

## Reconciliation to Subjective Analysis

### Table 1c

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the group Comprehensive Income and Expenditure Statement and other items which are reported quarterly to Cabinet.

General Fund 2014/15	Directorate analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Joint Operation	Cost of Services	Corporate	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(5,363)	-	69		(5,294)		(5,294)
Interest and investment income		-	-		0	(122)	(122)
Government grants and contributions	(20,840)	-	-		(20,840)	0	(20,840)
Other grants and contributions	(336)	-	-		(336)		(336)
<b>Total Income</b>	<b>(26,539)</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>(26,470)</b>	<b>(122)</b>	<b>(26,592)</b>
Employee expenses	6,501	-	(19)		6,482		6,482
Other service expenses	8,201	-	(19)		8,182		8,182
Transfer payments	20,815				20,815		20,815
Pensions accounting adjustments	-	(77)			(77)	0	(77)
Depreciation, amortisation and impairment	647	0			647	0	647
Precepts & Levies	-	-	-		0	2,846	2,846
Gain or loss on disposal of fixed assets	-	-	-		0	58	58
Change in investment property value					0	6	6
<b>Total expenditure</b>	<b>36,164</b>	<b>(77)</b>	<b>(38)</b>	<b>0</b>	<b>36,049</b>	<b>2,910</b>	<b>38,959</b>
<b>Surplus or deficit on the provision of services</b>	<b>9,625</b>	<b>(77)</b>	<b>31</b>	<b>0</b>	<b>9,579</b>	<b>2,788</b>	<b>12,367</b>
<b>Other items reported Quaterly</b>							
Capital Expenditure		Table 3					422
Statutory Accounting adjustments		Table 3					(743)
Transfers to Earmarked Reserves		Table 3					3,628
Transfers from Earmarked Reserves		Table 3					(2,237)
2013-14 Lincolnshire NNDR Pool closure		Table 2.1					(42)
Retained NNDR income and S31 Grant		Table 2.1					(374)
New Homes Bonus (Including adjustment grant)		Table 2.1					30
Council Tax Freeze Grant		Table 2.1					(8)
Transparency grant and rural support		Table 2.1					(10)
Other							6
<b>Total General Fund outturn</b>							<b>13,039</b>

## Table 2 – Significant Variances 2014-15 outturn

The table in Appendix 2 shows a summary of some of the main variances within the General Fund, of which £162k relates to funding and £433k to revenues and benefits. Both areas were subject to significant change since 2013-14 following Central Government policy, case load, rent increases and legislation changes.

## Planning Income

The original Planning application income budget was £475,000 and then forecast to have a further £40,000 increase in Quarter three and an extra £15,000 in February (£585,000). The final outturn was £602,430, which was just £17k over the forecast budget. It was agreed as part of budget setting that additional income identified from Q3 onwards, will be invested in Planning Service delivery.

### **Recycling Income**

The forecast at Q3 was highlighting a £12,000 surplus over an original budget of £324,000. The final outturn was £354,300. It was highlighted after the Q3 forecast that there had been a £14k deduction of VAT in error. This has since been resolved and reflected in the final outturn of £17k additional income.

### **Recycling and Refuse Fleet**

During the year it has been reported there had been a delay in the delivery of the new waste vehicles. All the vehicles have now been delivered. Budgets were estimated on the provision of new vehicles and cessation of the old contracts, which included leased costs and maintenance savings. There are ongoing negotiations with the supplier to see if compensation will be made for late supply. The service forecast a cost pressure of £65k following continued delays. Maintenance costs were also forcing a cost pressure of £56k. The final outturn provided £27k budget savings less than the cost pressure that was previously reported.

### **Personal Search Fees**

The personal search fee case has been ongoing for a number of years. Lawyers from Bevan Brittan are acting for local authorities in a similar position. DCLG have advised there may be a settlement to cover some of the costs during 2015-16. This will be treated as windfall income as the certainty and timing cannot be ascertained at the time of writing. An amount of £70k has been accrued in the accounts in line with legal advice. This has been partially offset by in year budget savings and remaining reserve after the Tinklers 'case was settled earlier in the year.

### **Legal Fees**

Legal fees have been included in the accounts for a food safety and a health safety court case, which has resulted in a cost pressure of £37k above that reported in Quarter Three. If the costs are recovered in 2015-16 they will be treated as windfall income.

### **Leisure Works**

Business Rates savings for works for the leisure trust since it was formed, have previously been treated as capital spend, but recent expenditure £84k has been revenue. The scheme was funded by Direct Revenue Funding, so although funded from the general fund it shows as a revenue cost pressure as opposed to increased DRF for the Capital programme. A reserve has been set up for any agreed business rates savings not yet spent. The amount the trust is entitled to receive reduces down over the MTFs.

### **Premises costs**

Electricity, Gas and Water outturn has highlighted a further £51k of budget savings against those forecast at Quarter 3. A review was carried out during 2015-16 estimate setting to reduce budgets where outturn had shown a surplus.

### **Funding**

Table 2.1 shows the outturn for the funding element of the General Fund and the variance against the 2014-15 budget, which includes Business Rates and additional funding from the various Government departments. The funding, collection fund and business rates has been monitored in year. It was expected a more accurate position would be available at Quarter Three following the outcome from the power companies' valuation appeals. However the final decision has yet to be announced.

During the year we reported Renewable energy disregard (£193k) as released into the general fund from 2013-14, due to accounting treatment being clarified. This is offset by reduced s31 grant, reduced levy and new homes bonus adjustment grant £30k. Additional

funding has come from the 2013-14 Lincolnshire Business Rates Pool closure payment £42k and additional council tax freeze grant £8k and additional new burdens grant £10k. This gives net budget savings of £404k. At quarter three we reported savings of £63k, the difference being mainly due to retained business rates, of which £261k has been transferred to reserves for a provision on appeals.

**Table 2.1**

Funding	2014-15 Budget	2014-15 q3 forecast	2014-15 Outturn	Variance to original budget
	£'000	£'000	£'000	£'000
Business Rates Retained Gov baseline	(2,980)	(2,980)	(2,980)	0
Revenue Support Grant	(3,392)	(3,392)	(3,392)	0
2013-14 Lincolnshire NNDR Pool closure		(24)	(42)	(42)
Retained NNDR income and S31 Grant	(763)	(823)	(1,137)	(374)
<b>Other Government Funding</b>				0
New Homes Bonus (Including adjustment grant)	(1,114)	(1,084)	(1,084)	30
Council Tax Income	(3,980)	(3,980)	(3,980)	0
Council Tax Freeze Grant	(39)	(47)	(47)	(8)
Transparency grant and rural support			(10)	(10)
New Burdens Grant	(17)	(17)	(17)	0
<b>Total Funding (Exc Spalding Special and Parishes)</b>	<b>(12,285)</b>	<b>(12,347)</b>	<b>(12,689)</b>	<b>(404)</b>
Parish Precepts	(603)	(603)	(603)	0
Spalding Special Expenses	(193)	(193)	(193)	0
Collection Fund surplus/deficit	53	53	53	0
	<b>(13,028)</b>	<b>(13,090)</b>	<b>(13,432)</b>	<b>(404)</b>

### New Homes Bonus

The New Homes bonus does not support the base budget and the movement to reserves.

### Revenue and Benefits

Table 2.2 below reflects the effect of the welfare reforms against the Revenues and Benefits budgets, showing outturn against a revised budget. Recovery of Housing benefits overpayments and court income has risen over the last two years and has been monitored throughout the year. Since the Q3 forecast a further £115k has been identified (£579k). As a result of increasing court income in relation to the Revenues and Benefits service, the bad debt allowance has been increased by £156k.

Additional new burdens grants not estimated for at budget setting resulted in an additional (£11k) which may be called upon by the Revenues and Benefits department for additional case load and ICT, not yet paid over.

In addition to £40k reported in Q3 for the old scheme council tax benefit, a further £4k has been received. There are also two amounts accrued in the accounts for housing benefit qualified subsidy of £98k (2013-14) and an estimated £116k (2014-15), which is reflected in the rent allowances and rent rebates net of subsidy figures for HRA and GF shown below. This, combined with the impairment allowance, gives net budget deficit of £404k above savings reported in Quarter Three.

The rise in difference between rent rebates and allowances net of subsidy are due to caseload, private and social rent increases and changes with supporting housing where some of the service charges are not eligible for benefit. In addition the system had to accommodate a 53 rent year week year in 2013-14, which for benefits purposes HRA rent free weeks had to straddle 2013-14 and 2014-15, with 3 rent free weeks in 2013-14 and 1 rent free week in 2014-15.

**Table 2.2**

Revenues and Benefits	2014-15 Revised Budget	2014-15 Outturn	Variance
	£'000	£'000	£'000
Court Income NNDR and C Tax	(242)	(221)	21
Housing Benefit overpayments	(464)	(579)	(115)
Impairment for bad debts	166	322	156
Council Tax Benefit adjustment	(40)	(44)	(4)
Additional new burdens (not in funding)	(100)	(112)	(12)
Business rates new burdens admin grant (not in funding)		(11)	(11)
Rent allowances and rebates net of subsidy-HRA	49	179	130
Rent allowances and rebates net of subsidy-GF	65	333	268
<b>Total</b>	<b>(566)</b>	<b>(133)</b>	<b>433</b>

**Table 3 – Other Budget Items**

Other budget items are shown in the table below:

	Original Budget £'000	Revised Budget £'000	Outturn £'000	Variance to revised budget £'000	Variance to Original budget £'000
Parish Precepts	603	603	603	0	0
Internal Drainage Board Levies	2,243	2,243	2,243	0	0
Investment Income	(95)	(112)	(122)	(10)	(27)
Capital Expenditure Financed from Revenue Resources	269	452	422	(30)	153
Statutory Accounting Adjustments	(1,142)	(1,108)	(743)	365	399
Efficiency Support Grant -moved to funding	0	(4)	0	4	0
Transfers to Earmarked Reserves	1,929	2,993	3,628	636	1,699
Transfers from Earmarked Reserves	(798)	(2,247)	(2,237)	10	(1,439)
<b>Total</b>	<b>3,009</b>	<b>2,820</b>	<b>3,794</b>	<b>974</b>	<b>785</b>

Table 3 shows a variance of £974k to the revised budget at Quarter 3. This is due to reserves transfers in the final quarter, the final capital programme revenue contribution and statutory accounting adjustments which includes the opposite entry to depreciation.

### Actions/Decisions

**To note the draft year end position on the 2014-15 revenue budget.**

This is subject to any final adjustments identified during the finalisation and audit of the authority's Financial Statements

### **Recommendations**

- There are no recommendations at Quarter Four

## Table 4 – General Fund Reserve Balances

The table below shows the unallocated reserve balance as at March 2015. 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. This excludes Spalding Special Expense reserve.

Budget Managers were asked to confirm their intended use of earmarked reserves during 2014-15 and budget virements were made to revise the budget in year. This is monitored in year by the S151 Officer and Finance Manager.

<b>Reserve Description</b>	<b>Balance 31.3.15 £'000</b>
Affordable Housing Reserve	118
Capital Reserve	762
Climate Change Reserve	47
Council Tax Reserve	4,480
Emergency Planning Reserve	10
Insurance Reserve	257
Organisational Development Reserve	1,819
Planning Reserve	367
Replacement and Refurbishment Reserve	201
Community Cohesion	19
Property Aquisition Reserve	1,000
Section 106 earmarked reserve	40
<b>Sub total</b>	<b>9,120</b>
General Fund	2,023
<b>Reserve Outturn</b>	<b>11,143</b>

The council tax reserve balance of £4.480m in the table above, includes the transfer of new homes bonus grant £2.831m, which has accumulated in this reserve since the new homes bonus scheme was introduced in 2011.

### Actions/Decisions

**To note that expenditure has been drawn down from reserves, in line with actual spend in year. Movements to reserves are in line with the 2014-15 budget setting process or agreed in accordance with the in year Quarterly reports, other than new movements which are shown below.**

The following projects and schemes have been identified as being essential to be carried over to this financial year. All schemes are to be funded within 2014-15 budget or windfall income.

- £8,663 to be transferred to the Organisational Development reserve for a markets and car parks feasibility study, from external income.



- £10,000 to be transferred to the Organisational Development reserve for a contribution to the LEP, agreed as part of an Economic Development report.
- £1,200 to be transferred to the Organisational Development reserve for video camera equipment for the CX, requested by the Communications team.
- £3,930 to be transferred to the Council Tax reserve in respect of new burdens funding, agreed to be paid over to CPBS as part of a contract variation.
- £21,607 to be transferred to the Organisational Development reserve for grounds maintenance commuted sums.
- £8,000 to be transferred to the Organisational Development reserve for community and voluntary support, from resource savings made in year.
- £3,000 to be transferred to the Organisational Development reserve for an uncommitted smoke free grant from LCC.
- £110,000 for Disabled Facilities Grant contribution from the Council, committed and not spent during 2014-15. This will be transferred to the Council Tax reserve and support the Better Care funding scheme (LCC), which commences in 2015-16.
- £66,441 (cumulative savings not yet spent) and £11,515 (energy savings generated by the Trust) to the organisational development reserve for the Leisure Trust repairs and renewals works programme to the swimming pool and Castle sports centre. This was previously treated as a revenue funded in the capital programme by savings on business rates . All spend will now be treated as revenue and drawn down from reserve.
- £21,070 to the organisational development reserve for additional resource towards contaminated land projects, from resource savings made in year.
- £3,780 for additional resources to the organisational development reserve from maternity leave savings for back filling of food safety resources.
- £12,900 to the organisational development reserve for Civica system software development, from supplies and services savings within Environmental protection.
- £3,185 to the planning reserve for the aged Habitats grant not committed.
- £7,130 to the planning reserve for the Aspire grant, for computer software and hardware
- A contribution to the Planning reserve for £85,175 as a remaining amount agreed for additional staff resources in year from additional planning income and £15,000 towards additional resources for the Environmental protection team.
- £5,615 to the Council Tax reserve for a Transparency grant, for use in 2015-16.
- £13,960 to the Council Tax reserve for the remaining Pride in South Holland budget, for use in 2015-16. (£100k approved from in year budget savings).

- The following Community Development grants to be transferred to the Organisational Development reserve:
  - £6,975 LITC grant committed not spent on young people's activity.
  - £5,000 community facility grant, not yet spent due to the nature of the bids received in 2014-15.
  - £9,480 aged remaining Migration Impact Fund grant. There is no awarding body for this to be returned to and therefore has been earmarked as a contribution towards CCTV in 2015-16
- £5,000 to the Organisational Development reserve from an agency staff budget. To be used as a contribution towards a full time Communications Team Leader post.
- £5,000 to the Organisational Development for web development for the South Holland Centre, from additional film income.
- £260,891 to the Council Tax reserve for business rates provision for appeals.
- **The following items to be earmarked in reserve for use in 2015/16**
- Repairs and renewals reserve not used in 2014-15 be rolled over and transferred out in 2015-16 for £14,942 for Balcony balustrade works to South Holland Centre.
- Repairs and renewals reserve not used in 2014-15 be rolled over and transferred out in 2015-16 for £16,000 for Riverside brickwork, approved in year but not able to be completed due to the winter weather.
- Repairs and renewals reserve not used in 2014-15 be rolled over and transferred out in 2015-16 for £3,000 for the portico roof at Priory Road.
- Repairs and renewals reserve not used in 2014-15 be rolled over and transferred out in 2015-16 for £5,000 for Damp proof at the Pop in Centre.
- Repairs and renewals reserve not used in 2014-15 be rolled over and transferred out in 2015-16 for £1,500 for Albion Street car park works.
- £18,000 for South Holland Pride budget to be funded from New Homes Bonus, to be committed for use in 2015-16.

## **Recommendations**

**To recommend to Council the following movements to specific reserves and to earmark expenditure for 15-16 within specific reserves:**

- 1) To transfer £704,517 into reserve for use in 2015-16**
- 2) To earmark £58,442 in reserves for use in 2015-16**

## 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 2014-15 is £206,405 of which £193,100 is funded by Spalding Taxpayers and the remainder by council tax support grant. The Band D charge for the financial year being £23.22. This is detailed in table 6 below.

Spalding Special Expenses Draft outturn is £214,583. The under spend of £1,282 will remain in the Spalding Special reserve.

**Table 5 –Revenue Outturn**

Spalding Special Expenses 2014/15	2014/15 Estimates £	2014/15 Revised estimate £	2014/15 outturn £	2014/15 Outturn to revised budget Variance £
Spalding Cemetery	45,900	45,900	56,202	10,302
Spalding Allotments	1,800	1,800	2,123	323
Playing Fields at:-				0
Ayscoughfee (excluding gardens)	11,710	11,710	10,136	(1,574)
Halley Stewart	30,200	30,200	28,125	(2,075)
Thames Road	13,470	13,470	8,970	(4,500)
Fulney Road	10,320	10,320	10,320	0
Monkshouse Lane	37,310	37,310	34,532	(2,778)
Contribution to Voluntary Car Scheme	8,500	8,500	8,500	0
Christmas Decorations	13,200	22,660	23,079	419
Contrib to mt of churchyard St Mary & St Nicolas Parish Church	750	750	750	0
Administrative Support	4,690	4,690	4,040	(650)
Bus Shelter maintenance	370	370	370	0
Contribution to play areas	1,000	1,000	1,000	0
Spalding Town Centre Promotion	2,930	2,930	2,930	0
Crime prevention	7,700	7,700	7,700	0
Contribution to Spalding Special Reserve earmarked capital	15,805	15,805	15,805	0
Chairmans contingency	750	750	0	(750)
<b>Net Expenditure</b>	<b>206,405</b>	<b>215,865</b>	<b>214,583</b>	<b>(1,282)</b>
<b>Funding</b>				
Total Expenditure	206,405	215,865	214,583	
use of reserve		(9,460)	(9,460)	
underspend to reserve			1,282	
Share of Council Tax Support Grant	(13,305)	(13,305)	(13,305)	
Charged	193,100	193,100	193,100	
Tax Base	<b>8,316</b>	<b>8,316</b>	<b>8,316</b>	
Band D equivalent	23.22	23.22	23.22	
<b>Actual Balances</b>				
<b>Balance Brought Forward 1from 2013-14</b>	<b>(128,195)</b>	<b>(128,195)</b>	<b>(128,195)</b>	
<b>Provisional outturn</b>			(1,282)	
christmas lights approved from reserve		9,460	9,460	
<b>Contribution to SSE reserve (Capital Expenditure)</b>	(15,805)	(33,805)	(33,805)	
Balance Carried Forward	<b>(144,000)</b>	<b>(152,540)</b>	<b>(153,822)</b>	
Earmarked crime prevention	4,381	4,381	4,381	
Earmarked Christmas Decorations-underspend to approved	5,710	0	0	
Agreed minimum balance 5% expenditure for contingency	10,320	10,320	10,320	
Earmarked capital expenditure	41,130	74,935	74,935	
Uncommitted balance	<b>(82,459)</b>	<b>(62,904)</b>	<b>(64,186)</b>	

## **Reserves**

The Council maintains an earmarked reserve relating to Spalding Special Expenses. The unspent budget at the year end is transferred into the reserve which can then be used to meet expenditure arising from unexpected events and to cover any future deficit which may arise. Notional depreciation is shown in the above relevant Spalding Special accounts budgets, which is then earmarked in reserve for future capital expenditure. The earmarked capital reserve is set up to fund future capital expenditure. Depreciation is notionally charged to Spalding Special against the relevant service headings and then as part of the accounting treatment is transferred to the capital reserve. £33,805 from the individual budget headings has been transferred to the earmarked reserve at the end of the year.

## **Cemetery**

The Cemetery budget was forecast to overspend by £5k at Quarter 3, due to a shortfall in income and hardwiring testing. Essential tree works not included in the forecast, increased the outturn position by £5k, to a £10k overspend. £2,500 notional depreciation has been transferred to reserve, shown in the Cemetery budget, but forecast within the contribution to reserves (£33,805).

## **Ayscoughfee Playing Field**

Additional income from putting, bowls and tennis and café rental income brought in £1500 over the income budget, due to a higher footfall than expected.

## **Halley Stewart**

As per the forecast in Quarter three, Health and safety works to the Halley Stewart playing field were contained within existing budgets, from utilities savings and additional income from floodlights.

## **Thames Road**

Thames road playing field shows an underspend of £4,500. This relates to a tree work budget which is only used for essential works.

## **Monkshouse Playing Field**

Response maintenance at Monkshouse playing field includes expenditure due to vandalism, including roller shutters £1.9k. Savings were made in utilities and additional income of £500 achieved for hire fees. £2,300 notional depreciation has been transferred to reserve, shown in the Monkshouse budget, but shown within the contribution to reserves (£33,805).

## **Contingency**

The reserve balance also includes a contingency equal to 5% of 2014-15 budgeted expenditure. Any variations from the budget or use of the Spalding Special Expenses Reserve recommended from the Spalding Town Forum would need to be approved by Cabinet/Council.

## **Actions/Decisions**

- To note the draft outturn on Spalding Special Expenses for 2014-15

## **Recommendations**

- There are no recommendations

## Housing Revenue Account (HRA)

The 2014-15 original budget was set at decrease in the HRA working balance for the year, of £0.830m. Capital schemes were rolled over in excess of £2m which with the remainder of the capital programme led to a significant underspend forecast at Quarter 3. This in turn has increased in HRA The outturn position shows an increase to HRA balances of £2.133m, after accounting adjustments of £2.754m, representing an in year surplus of £4.887m.

One of the most significant costs budgeted for within the HRA was the use of revenue resources to finance capital investment.

The Housing Revenue Account working balance at the end of the financial year was £8.968m (£6.835m in 2013/14). The current minimum working balance for the Housing Revenue Account is set at £1.5m. Earmarked HRA reserves of £200,000 have been set aside for risk management and insurance purposes.

**Table 6a**

HRA 2014/15	Original Budget	Total	Variance
	£000	£000	£000
Fees, charges & other service income	(16,700)	(16,842)	(142)
Interest and investment income		(49)	(49)
Government grants and contributions		0	0
Other grants and contributions	(3)		3
<b>Total Income</b>	<b>(16,703)</b>	<b>(16,891)</b>	<b>(188)</b>
Employee expenses	2,310	2,079	(231)
Other service expenses	5,272	4,446	(826)
Pensions accounting adjustments		10	10
Depreciation, amortisation and impairment	1,600	1,547	(53)
<b>Total expenditure</b>	<b>9,182</b>	<b>8,082</b>	<b>(1,100)</b>
<b>Surplus or deficit on the provision of services</b>	<b>(7,521)</b>	<b>(8,809)</b>	<b>(1,288)</b>
<b>Other items reported Quaterly</b>			
HRA share of other operating profit	2,350	2,160	(190)
Statutory Accounting adjustments	6,001	2,753	(3,248)
Revaluation Losses on Assets		1,714	1,714
Reversal of investment income		49	49
<b>Total</b>	<b>830</b>	<b>(2,133)</b>	<b>(2,963)</b>

The following table shows the Housing Revenue Account resource allocation of income and expenditure and how it reconciles to the financial statement. This table is shown under note 27 in the authority's statement of accounts for the amounts reported for resource allocation decisions.

### Amounts reported for resource allocation decisions

**Table 6b**

Directorate Income and Expenditure		Housing Revenue Account
2014/15	£000	
Fees, charges & other service income	(16,842)	
Government grants and contributions	-	
Other grants and contributions	0	
<b>Total Income</b>	<b>(16,842)</b>	
Employee expenses	2,079	
Other service expenses	4,446	
Capital Charges	1,547	
<b>Total Expenditure</b>	<b>8,072</b>	
<b>Net Expenditure</b>	<b>(8,770)</b>	

### Reconciliation to Subjective Analysis

The following reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the group Comprehensive Income and Expenditure Statement and other items which are not specifically reported quarterly to Cabinet.

**Table 6c**

HRA 2014/15	Original Budget	Directorate analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Joint IOperation	Cost of Services	Corporate	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(16,700)	(16,842)	-			(16,842)		(16,842)
Interest and investment income	-	-	-	-		0	(49)	(49)
Other grants and contributions	(3)	0	-			0	-	0
Gain or loss on disposal of fixed assets	-	-	-	-		0		0
<b>Total Income</b>	<b>(16,703)</b>	<b>(16,842)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,842)</b>	<b>(49)</b>	<b>(16,891)</b>
Employee expenses	2,310	2,079	-			2,079		2,079
Other service expenses	5,272	4,446	-			4,446		4,446
Pensions accounting adjustments	-	-	10	-		10	0	10
Depreciation, amortisation and impairment	1,600	1,547	-			1,547	0	1,547
<b>Total expenditure</b>	<b>9,182</b>	<b>8,072</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>8,082</b>	<b>0</b>	<b>8,082</b>
<b>Surplus or deficit on the provision of services</b>	<b>(7,521)</b>	<b>(8,770)</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>(8,760)</b>	<b>(49)</b>	<b>(8,809)</b>
<b>Other items not included in resource allocation</b>								
HRA Share of Other Operating Income and Expenditure	2,350							2,160
HRA Statutory and Non Statutory Adjustments	6,001							2,753
Revaluation Losses on Assets								1,714
Reversal of investment income								49
<b>Total HRA (surplus) deficit</b>	<b>830</b>							<b>(2,133)</b>

The table below details the full year outturn against the original budget for 2014-15.

**Table 7 –Forecast Revenue Outturn**

HRA significant Variances	2014-15 £'000	Comments
<b>Approved HRA deficit</b>	<b>830</b>	
<b>Capital Expenditure Financed from</b>		
Revenue Resources	(1,733)	The capital programme was reprofiled at Q3 after rolling over £2.315m in Q1. There are schemes to be rolled forward into 15-16
<b>Service Variances</b>		
Sheltered Housing ( new and old service)	53	The original budget was set for the first year of the new service as £79k surplus against an outturn of £82k surplus. £53k costs for the old service, including expenditure associated with the refurb of Glenhaven not included in previous year
Housing allocations	(71)	Professional and contractors fees and software purchase budget underspend mainly due to a number of projects which were not able to progress as planned, including choice based lettings, housing allocations and a document scanning project.
Rent income and subsidies	(299)	Contribution to bad debt provision (£279k) less than budgeted, additional court income net of costs (£10k), garages and tv aerials £10k additional income
Rent income and subsidies	(334)	additional rent income to budget (£334k). Rent collected over 51 weeks with 1 rent free period, as opposed to two rent free as per budget. This was to accommodate 13-14 53 week year with 3 rent free weeks.
Estate management	76	Footway lighting recharge £38k, backfill of vacant post £37k, council tax on voids £14k, premises costs £7k, income budgets no longer used £14k, reallocation of shared management (£16k) and pensions (£8k) and an underspend on grounds maintenance (£14k)
Tenant Participation	(57)	Tenant participation group ceased . £20k returned to the Council. Supplies and services budgets not spent and contribution to group £10k not required. New Governance arrangements are being reviewed
Housing Strategy Professional and contractors fees and software purchase	(172)	Projects were not able to be progressed as planned but this has been addressed with housing growth projects for 2014-15. This has been reported in year
Housing supervision and management	(33)	Past service pension budget reallocated £20k and other supplies and services budgets not spent
Housing Sewage works	(53)	Works were not completed as expected in year by the Contractor. Budget savings were in 48k in premises expenses
Housing Void Repairs	187	Housing Voids included kitchen and bathroom upgrade expenditure charged to the capital programme.
Response Repairs	(233)	Savings made on salary vacancies and materials
Planned Repairs-Internal	48	Supplies and services overspends and £42k recharge budget not used
Planned Schemes-External	(331)	Includes variances on external painting and repairs gas servicing and gas repairs, professional and contractor fees and £90k on electrical upgrades. Projects not progressed as budgeted
Property maintenance support	38	Vehicle software reallocated to this budget £32k
Interest payable and similar charges	(49)	Income surplus to budgeted income (£50k) and other misc expenses £34k
<b>Draft Outturn</b>	<b>(2,133)</b>	
<b>Adjustments between accounting basis and funding basis under statute</b>	<b>(2,754)</b>	
<b>Draft surplus for the year</b>	<b>(4,887)</b>	



### General variances

The HRA shows a surplus outturn of £4.887m in the table above. Set against the original budget deficit of £830k and approved capital rollover of £2.253m and £62k additions in year.

### Housing Rents

Housing rents returned a £334k surplus above budget. Impairment allowance of bad debts returned a surplus of £279k.

### Sheltered Housing

2014-15 is the first year of the new sheltered housing service, no longer being financed by supporting people grant. Prior year scheme expenditure on Glenhaven refurbishment, see the final outturn with a budget overspend of £53k.

### Housing Strategy

Housing strategy budgets have been reported in year as not being spent. The final outturn returned budget savings of £172k, mainly due to projects not being carried out as originally budgeted.

### Construction Services Unit

The Construction Services Unit reported an increase in kitchen and bathroom upgrade work on void properties. Even though voids showed a significant increase since Christmas, the CSU returned a budget surplus of £300k, some of which is due to projects not completed for electrical upgrades and reflected in reprofiling the capital programme.

### Table 7a-Key performance Indicators (HRA)

The following table shows the percentage of income collected at week 52

Key performance Indicator	Current months target	Collection performance 2013-14 Week 52	Collection performance 2014-15 Week 52
% of income collected	97%	98.31%	99.55%
Bad Debt write off		£25,940	£18,260

The HRA Capital Programme is reported in Table 11 within the Approved Capital Programme.

### Table 8 – Unallocated HRA Revenue Reserves

The table below shows the unallocated reserve balance as at 31<sup>st</sup> March 2015. 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.

<b>Housing Revenue Account Reserves</b>	<b>Unallocated Amount Available £'000</b>
Balance brought forward	6,835
Approved HRA budget 2014-15	(830)
Rollover of capital programme from 2013-14 approved and revisions to 14-15 (DRF)	(2,315)
Forecast Surplus (investment income)	18
Quarter 3 forecast net budget savings	110
Revision to capital programme Q3	4,180
Additional capital to revised programme	60
Additional income due to 53 week year in 13/14 and rent free periods £334K, supplies and services, csu £300k and impairment allowance £279K not required	910
	8,968
Insurance Reserve	200
	9,168

### Actions/Decisions

To note the outturn position on the 2014-15 Housing Revenue Account.

### **Recommendations**

Please see the HRA recommendations under the Capital Programme (Section 3)

### **Section 2- Council Tax and Business Rates**

#### **2014-15 In-Year Collection**

The impact on in-year collection rate due to changes to the Council Tax Support scheme at the beginning of 2014-15 was not as significant as anticipated on the collection rates..

At the end of March 2015, the collection rate was 97.86% against a collectable debit of £37.8m.

Table 3 below, compares the collection rate against last financial year

**Table 9 –2015 in-year collection position against 2013-14**

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
	<b>% Collected</b>	<b>% Collected</b>	<b>% Collected</b>
<b>2013-14</b>	<b>95.19%</b>	<b>97.94%</b>	<b>97.94%</b>
<b>2014-15</b>	<b>95.11%</b>	<b>96.74%</b>	<b>97.86%</b>

## Business Rates

### 2014-15 In-Year Collection

At the end of March 2015, as shown in Table 3 below, the collection rate was 98.37% against a collectable debit of £26.4m.

This is the first year businesses have been able to choose to pay their business rates over 12 monthly instalments, rather than the usual statutory 10 months. Due to a number of ratepayers, with large rateable assessments, opting to do this impacted on the cash flow and monthly collection rates compared to the previous year. This is reflected in the performance in the following table.

**Table 10- 2015 in-year collection position against 2013-14**

	Jan	Feb	Mar
Year	% Collected	% Collected	% Collected
2013-14	96.95%	98.21%	98.86%
2014-15	93.13%	95.83%	98.37%

### Actions/Decisions required

That the outturn position at Quarter Four for the Council's 2014-15 Council Tax and Business Rates to be noted.

### Recommendations

There are no recommendations as at Quarter Four

## Section 3 – Capital Budget

This section reports on:

- Quarter Four outturn against 2014-15 approved capital programme
- Risks, issues and key messages

**Table 11 – Quarter 4 expenditure against 2014-15 approved capital programme**

	Original Budget	Latest Approved Budget	Quarter 4	Variance
	2014-15 £'000	2014-15 £'000	Actuals £'000	(Under)/over Spend £'000
<b>Commissioning</b>				
Priory Road	0	20	20	0
Assets and Property - Other	0	0	0	0
ICT Schemes	80	262	232	30
Housing - Gypsy and Travellers Sites	0	84	84	0
Private Sector Housing	441	371	271	100
Environmental Services	2,112	2,122	2,086	36
Environmental Health	0	54	0	54
Planning	0	22	22	0
<b>Total Commissioning</b>	<b>2,633</b>	<b>2,935</b>	<b>2,715</b>	<b>220</b>
<b>Place and Governance</b>				
Community Development - Leisure	49	255	98	157
Economic Development	0	60	0	60
Corporate Finance	0	50	50	0
<b>Total Place and Governance</b>	<b>49</b>	<b>365</b>	<b>148</b>	<b>217</b>
<b>HRA</b>				
<b>Public Sector Housing</b>				
Improvements & Enhancements of Council	7,153	5,299	5,419	-120
Improvements to Waste water Treatments	60	42	43	-1
Other	0	18	0	18
Disabled Adaptations - Public	385	324	236	88
ICT Schemes	125	194	117	77
<b>Total HRA</b>	<b>7,723</b>	<b>5,877</b>	<b>5,815</b>	<b>62</b>
<b>Grand Total</b>	<b>10,405</b>	<b>9,177</b>	<b>8,678</b>	<b>499</b>

**This is to be resourced by:**

Source of Financing	Latest Approved £'000	2014-15 Outturn £'000	2014-15 Variance £'000
Use of Capital Receipts	220	20	(200)
Capital Grants and Contributions	1,137	913	(224)
Direct Revenue Funding/Use of Reserves	6,279	6,238	(41)
Borrowing	1,541	1,507	(34)
<b>Total</b>	<b>9,177</b>	<b>8,678</b>	<b>(499)</b>

The original budget was approved at Council in February 2014. Further amendments have subsequently been made to the revised budget (Latest Approved), reflecting previous year incomplete schemes brought forward and changes to schemes during quarter 1, 2 and 3 and to reflect the forecast outturn position.

Spend against latest approved 94.6%

Outturn £8,678,058.60

**Explanation of variances**

- The table below identifies the schemes to be approved for carrying forward into 2015-16
- Fulney Field Skate Park anticipated to be spent during 2015-16

- The Environmental Health shared project with SHDC and Breckland is progressing and projected to be completed during 2015-16.
- Crease Drove project not commenced as soon as originally expected
- CCTV new scheme approved Feb 14 Cabinet
- ICT Strategy Projects committed spend but projects not commenced yet
- PAYE/MOTO final payment due in 2015-16
- Construction of off street parking areas delayed due to development issues
- Purchase of Housing Related IAM software system being procured
- Disabled adaptations – Public money required for committed schemes
- Housing Allocations and lettings software system being procured

## Rollovers into 2015-16

Scheme to be carried forward from 2014-15 to 2015-16	Budget 2014-15 into 2015-16 £'000
<b>General Fund</b>	
Fulney Field Skate Park	10
Environmental Health Restructure	53
Crease Drove	60
CCTV	10
ICT Strategy Projects	24
PAYE.net/MOTO replacement	5
<b>GF Total</b>	<b>162</b>
<b>HRA</b>	
Construction of Various off Street Parking Areas	80
Purchase of Housing Related IAM Software System	75
Disabled adaptations – Public	71
Housing Allocations and Lettings software system	18
<b>HRA Total</b>	<b>244</b>
<b>Grand Total</b>	<b>406</b>

Funding of Schemes to be carried forward from 2014-15 to 2015-16	£'000
Capital Receipts	89
Capital Grants and Contributions	10
Direct Revenue Funding/Use of Reserves	307
<b>Total</b>	<b>406</b>

## Actions/Decisions

To note the 2014-15 capital programme outturn

## Recommendations

- The financing of the 2014-15 Capital Programme be approved.
- The Capital Programme for 2014-15 and associated financing be amended to reflect the schemes requested to be carried forward from 2014-15 to 2015-16

# Section 4 – Treasury

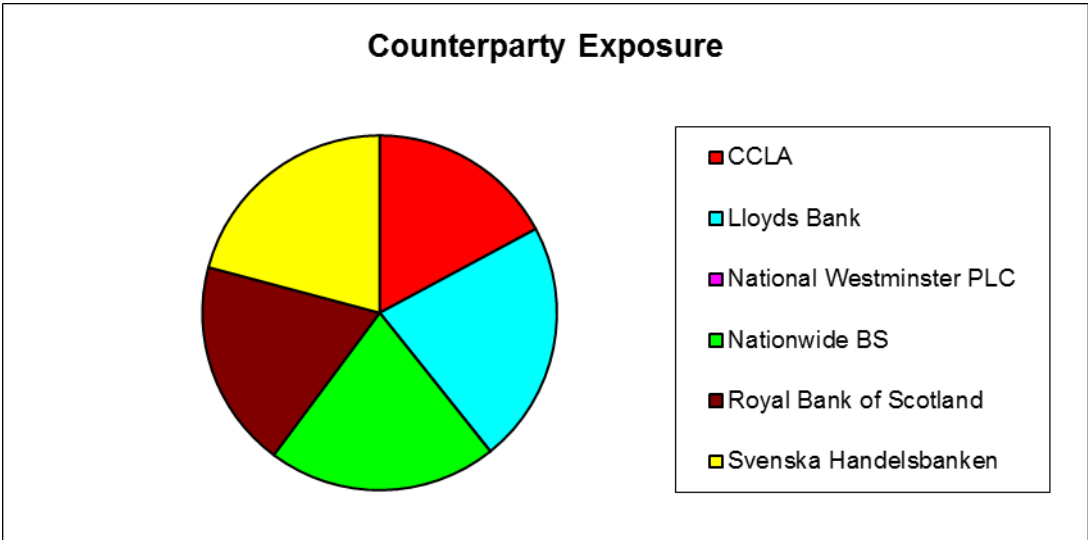
This section reports on:

- 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 are within the recommended maximum duration.

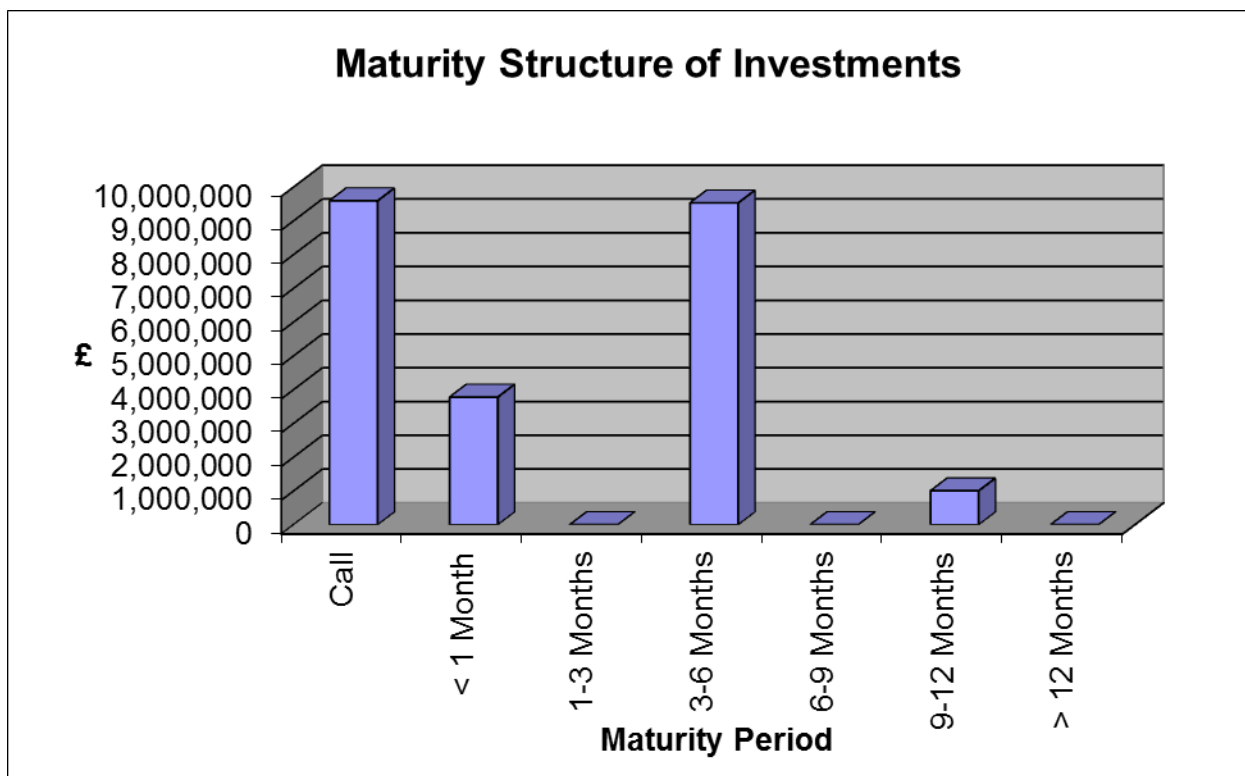
The chart below shows how the Council’s funds are spread between differing counterparties.



## Liquidity

### Cash

The Council’s average level of deposits during the financial year was £26.3m. As at 31 March the Council had £9.6m 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 2014-15	£114,300
Actual Interest 2014-15	£169,529

The actual Interest earned has been apportioned £122k General Fund and £48k HRA.

Target yield (Average 3 month LIBID)	0.43%
Actual Yield for 2014/15	0.645%

## External Borrowing

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

## Actions/Decisions required

That the outturn position for 2014-15 be noted.

## Recommendations

There are no recommendations as at Quarter 4.

