

SOUTH HOLLAND DISTRICT COUNCIL

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

To: Cabinet – 16 February 2016

(Author: Ken Trotter-Interim Chief Accountant)

Subject: Financial Forecast Outturn Quarter Three 2015-16

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

Recommendations to Full Council:

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

1.0 BACKGROUND

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

2.0 OPTIONS

- 2.1 To note the report and to approve the recommendations detailed in appendix 1 with amendments; and
- 2.2 To note the report and not approve the recommendations detailed in appendix 1.
- 2.3 Do Nothing

3.0 REASONS FOR RECOMMENDATIONS

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

4.0 EXPECTED BENEFITS

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

5.0 IMPLICATIONS

5.1 Financial

- 5.1.1 The report is of a financial nature and financial details are included within the appendix.
- 5.1.2 The Draft Budget and Medium Term Financial plan were presented to a Joint meeting of the Performance Monitoring Panel & the Policy Development panel on 14th December 2015. A presentation was also given which explained the history of the acquisition of the refuse vehicles in 2014/15 and why a minimum revenue provision was necessary in future years. The committee reviewed the use of usable capital receipts and recommended that *“in the absence of a policy on how the Council will use residual receipts from Right to buy sales, £164,000 useable capital receipts from housing sales be utilised towards the capital expenditure costs for the refuse vehicles”* as identified in Table 2 of Appendix 1
- 5.1.3 The Housing Revenue Account quarter two financial forecast together with the draft 2016/17 budget & Medium Term Financial Plan were presented to a special meeting of the Governance and Audit committee on 21st January 2016. The Forecast report was noted with no concerns recorded by the committee. In respect of the Draft Budget & Medium Term Financial Plan it was agreed the following outcomes be reported back to Cabinet: *“That the HRA draft capital and revenue budget estimates, the medium term financial plan and the capital strategy be forwarded for consideration by the Cabinet; That with regard to the National Rent Policy, it be recommended to the Council that it do nothing until the Welfare Reform & Work Bill had gone through Parliament and the National Rent Policy had been set; and That it be recommended to the Council that the revisions to the Asset Management Plan, particularly in respect of useful life changes proposed for current and future use, be adopted.”*
- 5.1.4 A report on the history of the weekly waste collection support grant was also reviewed by the Governance & Audit Committee and it was agreed that the following outcomes be reported back to the Cabinet: *“that the Committee considered that the scheme conditions had been fulfilled and that monies had been expended in line with these conditions; and that the Committee considered that the remaining balance of funds should be released from Reserves in the 2015/16 financial year.”* A presentation on the workings of the prudential borrowing code was also given which supplemented the Treasury management strategy

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

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

5.2 **Risk Management**

- 5.2.1 Risks are highlighted within the appendix.

6.0 **WARDS/COMMUNITIES AFFECTED**

- 6.1 Budget implications affect all wards.

7.0 ACRONYMS

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

Background papers:- None

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Key Decision: No

Exempt Decision: No

This report refers both Mandatory Service and Discretionary Services

Appendices attached to this report:

Appendix 1 - Financial Report for the quarter ending 31st December 2015