

## South Holland District Council

### Financial Report for the Year ending 31 March 2016

#### Revenue Budget

#### General Fund

Total Budget requirement for the year is £12.402m as approved by Council on 20<sup>th</sup> February 2015.

Draft outturn for the General Fund is £12.071m, before approved movements to reserve, which is £331,000 below budget and an improvement of £87,000 from the previous forecast.

**Table 1 – Revenue Outturn**

Major Variances	Expenditure (Under)/Over Budget £'000	Income (Over)/ under budget £'000	Total (Over) /Under Budget £'000	Comments
<b>Corporate Contingency</b>	1,703	(1,735)	(32)	<b>Brought forward</b>
Homelessness grants budget	(4)		(4)	Commitments review
Lease mowers	(7)		(7)	savings increase
CPBS contract inflation	10		10	Additional works agreed
<b>Recurring savings</b>	(1)	0	(1)	
Planning application income		(58)	(58)	Major applications
Legal services	(8)		(8)	Demand led service.
Funding- Personal search fees	22		22	Costs settlement
Homelessness		(25)	(25)	Prevention activity
Local plan contribution		15	15	professional fees
Premises Insurance		10	10	Premium increase
Additional recharge income		(41)	(41)	Shared mgmt. adjust
<b>One off adjustments</b>	14	(99)	(85)	
<b>Total corporate contingency</b>	1,716	(1,834)	(118)	
<b>Council Tax Reserve</b>		(212)	(212)	<b>Brought forward</b>
NNDR		(1)	(1)	Additional income
<b>Sub total funding adjustments</b>	0	(213)	(213)	
<b>Total Variance to Budget</b>	1,716	(2,047)	(331)	

#### Planning Income – (£58k)

Two major applications were received in the final quarter

#### Personal Search Fees – £22k

The national case has been settled and associated solicitors costs have been estimated at £22k. These costs may be reimbursed which would lead to windfall income in 2016/17.

#### Homelessness – (£25k)

Lower prevention costs as a result of lower overall applications to the service.

### Local Plan - £15k

Additional external expertise was required to finalise amendments to the plan and the overall timetable

### Recharge income – (£41k)

Staff time for Devolution activities, partially recharged under an agreement with Breckland Council.

Overall funding was in line with projections and is summarised in Table 2

**Table 2 - Funding**

	Original Budget 2015/16	Outturn 2015/16	Variance 2015/16
Retained Business Rates	3,696	3,832	136
Council Tax income, including Town and Parish Council and Spalding Special Expenses	4,900	4,963	63
Revenue Support Grant	2,381	2,389	8
Other Non Service specific Grant Funding	1,425	1,419	(6)
<b>Financing of the 2015/16 General Fund</b>	<b>12,402</b>	<b>12,603</b>	<b>201</b>
<b>Other capital grants</b>		269	<b>269</b>
<b>Total</b>	<b>12,402</b>	<b>12,872</b>	<b>470</b>

### Revenues and Benefits

The table below reflects the effect of the welfare reforms against the Revenues and Benefits budgets which is in line with the forecast issued for the year.

**Table 3- Revenues and Benefits**

Revenues and Benefits	2015-16 Budget	2015-16 outturn	Variance
	£'000	£'000	£'000
Court Income NNDR and C Tax	(262)	(231)	31
Housing Benefit overpayments	(400)	(495)	(95)
Impairment for bad debts	166	211	45
Rent allowances and rebates net of subsidy-HRA	56	85	29
Rent allowances and rebates net of subsidy-GF	68	25	(43)
<b>Total</b>	<b>(372)</b>	<b>(406)</b>	<b>(34)</b>

This position is reported from management information systems which will be subject to a separate audit in October / November 2016. The application for Housing Benefit subsidy is based on a Local Authority error rate of 0.36% which is below the minimum threshold of 0.48% and therefore subsidy at 100% is payable. Members should note that the error rate for 2014/15 was 0.62% (£118k) and accordingly no subsidy was payable for these errors as it was above the maximum threshold of 0.54%. The main risk is that the error rate increases after audit, as occurred in 2014/15 which would result in an approximate £150k to £200k loss of subsidy. The systems have been checked and verified by officers looking at major items and testing all audit findings from 2014/15 together with a range of random checks being carried out in all areas. There is an adequate provision within the council tax reserve for this major risk.

Appeals against rateable value increases of £4.2m for Non-Domestic Rates continue to be examined by the Valuation Office but progress has been slow due to work on a planned revaluation for 2016/17. All appeals have been examined on a regular basis and a provision of £1.62m (40% SHDC share) is held against the outcome of these appeals.

## Members Budgets

Members have a budget of £15,000 for the term of office (£111k p.a. in the budget). These are closely monitored and reported on in the course of the year. Expenditure for the year was £66k and the balance of the budget, £45k has been transferred to an earmarked reserve.

## Housing Revenue Account

Total Budget requirement for the year is £391,000, £147,000 as approved by Council on 20<sup>th</sup> February 2015 and £244,000 of capital expenditure carried forward from the 2014/15 programme approved by council on 24<sup>th</sup> June 2015.

The out turn for 2015/16 is nil as all balances have been transferred to reserves as per the forecast presented in the Quarter 3 2015/16 Finance report.

The forecast for the year was based on a fundamental review of the HRA and this in turn informed the 2016/17 Budget.

There were a number of technical adjustments in the Q3 report which are not replicated here but Table 4 identifies the main variances to forecast and potential impact in 2016/17.

**Table 4 – HRA out turn**

Area	Forecast	Out Turn	Change	Comments
Income	(16,719)	(17,008)	<b>(289)</b>	£184k income for lifeline / Garages transferring to GF in 2016/17. £67k one off misc. income. £38k additional service charges ongoing with accelerated savings to be shown in 2016/17 and MTFP adjusted for 2017/18.
Repairs & Maintenance	3,033	3,210	<b>177</b>	Capital expenditure for Electrical upgrades and boiler replacements £180k was not able to be identified in current CSU system. No change to MTFP required as £1m reduction in costs in this area have been validated by the out turn based on 2015/16 volumes.
Supervision & Management	2,824	3,130	<b>306</b>	Set up costs for Parkside crescent & Severn road £114k awaiting capitalisation if revised WH business plan accepted. One off: pension fund /central services adjustments £60k; Allocations software changes in Northgate £50k; Property / CSU / Tenancy agreement reviews £51k. Additional costs associated with void properties including council Tax £31k are not in the MTFP.
Service charge costs	1,225	1,289	<b>64</b>	£178k costs for lifeline transferring to GF in 2016/17. Utilities accruals regulated with one off £65k benefit. Other employee savings £40k which will be required for vacancy factor savings in 2016/17.
Depreciation (MRA)	1,595	2,288	<b>693</b>	Component accounting introduced and depreciation rates adjusted. MTFP to be adjusted with corresponding reduction in RCCO.
Provision for Doubtful Debts	120	54	<b>(66)</b>	Based on broad brush % which has been in use for several years. Budget includes potential welfare reform costs so no change to MTFP.
Financing charges	2,310	2,283	<b>(27)</b>	Total investment income £64k against forecast of £37K. Budget includes £25k improvement in 2016/17 so no change to MTFP. Allocation between HRA / General fund to be based on full working capital balances from 2016/17.
Revenue Contributions (RCCO)	5,612	4,754	<b>(858)</b>	Depreciation increase (£693k) substituted revenue contributions in capital financing. Capital out turn financing (£365k). £200k additional contribution to reserve for affordable housing in 2016/17.
	<b>0</b>	<b>0</b>	<b>0</b>	

No major issues were identified in the out turn which would give cause for concern on the 2016/17 Budget.

## Spalding Special Expenses

Expenditure relating to Spalding Special expenses forms part of the Council's General Fund budget and is included in Table 1 above. The approved budget for 2015-16 is £218,650 of which £195,000 is funded by Spalding Taxpayers and the remainder by council tax support grant and reserve. The underspend of £5,571 has been transferred to reserves..

**Table 5 – Spalding Special Expenses Out turn**

	Estimates	Outturn	Variance
	£	£	£
Spalding Cemetery	54,160	54,056	(104)
Spalding Allotments	2,500	711	(1,789)
Playing Fields at:-			0
Ayscoughfee (excluding gardens)	11,510	10,152	(1,358)
Halley Stewart	48,400	42,820	(5,580)
Thames Road	13,480	9,860	(3,620)
Fulney Road	10,320	10,320	0
Monkshouse Lane	37,710	35,755	(1,955)
Contribution to Voluntary Car Scheme	8,500	8,500	0
Christmas Decorations	13,200	10,916	(2,284)
St Mary & St Nicolas Parish Church maintenance	750	750	0
Administrative Support	4,000	4,000	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	7,473	(227)
Chairman's contingency	750	0	(750)
Contribution to earmarked capital	2,800	14,896	12,096
<b>Total Expenditure</b>	<b>218,650</b>	<b>213,079</b>	<b>(5,571)</b>
<b>Funding</b>			
Transfer to reserve-under spend v budget		3,731	
Estimated share of Council Tax Support Grant	(6,650)	(6,650)	
From capital reserve-HS gates	(17,000)	(15,160)	
<b>Special Expenses income</b>	<b>195,000</b>	<b>195,000</b>	

## Balance Sheet

### General Fund Reserve Balances

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

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

The structure of the reserves has now been completed so that it more closely aligns with a range of operational risks and the objectives of the Council.

**Table 6 - Reserve movements**

	Balance 31st March 2015	Contributions	Expenditure	Transfers	Balance 31st March 2016	Change from previous forecast
Council Tax	(4,480,129)	(1,502,836)	1,382,711	1,896,025	(2,704,228)	(358,877)
GF Insurance	(256,767)	0	36,767	0	(220,000)	0
Transformation	(1,818,940)	(102,895)	882,623	66,441	(972,770)	43,293
Repair & Renewal	(200,924)	(202,441)	164,855	0	(238,511)	(89,487)
Investment and Growth	0		411,060	(3,716,230)	(3,305,170)	(5,000)
Planning Reserve	(366,872)	0	236,872	130,000	0	0
Section 106	(40,080)	0	0	40,080	0	0
Spalding Special Exps	(153,823)	0	0	153,823	0	0
Property Acquisition	(1,000,000)	0	0	1,000,000	0	0
Affordable Housing	(118,000)	0	0	118,000	0	0
Capital Reserve	(761,708)	(110,000)	607,000	264,708	0	0
Climate Change	(47,154)	0	0	47,154	0	0
Community Cohesion	(19,189)	0	19,189	0	0	0
Emergency Planning	(10,000)	0	10,000	0	0	0
<b>Total GF Specific Reserves</b>	<b>(9,273,585)</b>	<b>(1,918,172)</b>	<b>3,751,077</b>	<b>0</b>	<b>(7,440,679)</b>	<b>(410,072)</b>

The increase in General Fund reserves is analysed in Table 7 below

**Table 7- Earmarked Reserves Variances to Quarter 3 forecast**

Increased funds assigned to Capital Financing	190,675
Lower Repairs costs from R & R reserve	89,487
Revenue grant commitments	85,200
Members budget	44,856
Additional in year savings	45,720
iTrent installation (funded from Transformation)	(43,293)
Additional cost of Haley Stewart gates (Spalding Special)	(2,573)
<b>Change in Earmarked reserves</b>	<b>£410,072</b>
General Fund Reserve – Additional income	£46,000
	<b>£456,072</b>

The increase of funds assigned to Capital Financing will be used to reduce revenue funding in 2016/17 or working capital for invest to save projects whenever they are approved.

Project costs and programme for iTrent are in progress to allow 2016/17 monitoring. Status of ELDC involvement in the project is currently unknown but a contribution is being sought to enable them to utilise the system.

### HRA Reserve Balances

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

The out turn position shows an overall improvement of £200k which reflects reduced expenditure on the capital programme.

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

**Table 8: Projection of Reserve Balances**

Housing Revenue Account Reserves	Total £000's
Cumulative Working Balance	8,968
Budget 2015-16	(147)
Rollover of capital programme from 2014-15 approved	(244)
<b>Forecast outturn variance</b>	<b>391</b>
<b>Forecast balance on the HRA at 31.3.16</b>	<b>8,968</b>
Insurance Reserve	200
Major Repairs Reserve	2,609
<b>Total HRA reserves at 31.3.16</b>	<b>11,777</b>

The Major repairs balance has been provisionally assigned to the Affordable Housing programme and recommendations for it to be used to acquire units as they become available are to be submitted in the New Year. As an example there is a potential site in Holbeach which is available off plan which could deliver 25- 35 additional dwellings.

### Total Resources

Reserves are reported on a core statement to the annual statement of accounts, **Movement in reserves Statement** which includes £25.6m of usable reserves of the council including Balances in the HRA. Future reports will include movements in the reserves analysed in Table 9 on a quarterly basis.

**Table 9 – Council reserves**

	Balance 31st March 2015	Movement	Balance 31st March 2016
	£000's	£000's	£000's
GF Balance	2,055	46	2,101
Earmarked - Table 6 above	9,274	(1,833)	7,441
HRA Balance -Table 7 above	9,168	2,609	11,777
Capital Receipts	1,907	672	2,579
Capital Grants	1,522	166	1,688
<b>Total Usable Reserves</b>	<b>23,926</b>	<b>1,660</b>	<b>25,586</b>

Capital receipts can be used for any capital purpose which will include certain transformation activities from 1<sup>st</sup> April 2016 under newly introduced flexible financing arrangements as part of our four year government settlement.

Capital Grants are specific to projects including items such as Developer contributions (Section 106 obligations) Travellers sites, Grants for Growth, Disabled Facilities Grants and Private Sector, Decent Homes, loans.

The Grants for Growth in South Holland was delivered under Resource for Growth and a dispute with the auditors has arisen. They are querying the funding of new vehicles, in South Holland and several local authorities across England. Based on the Grant conditions maximum exposure for the council is £130,000 and this has been retained in the Capital grants unapplied account to cover any repayment demand that may be received following finalisation of the Audit report. The overall position is currently unclear as local guidance from

DCLG appeared to suggest this expenditure would be classified as authorised but this is a direct contradiction of the Grant conditions. Local guidance has previously been used by Auditors when assessing claims.

In addition the Statement of accounts also identifies total resources used in the provision of services and a comparison to 2014/15 is included in Table 10 for information.

**Table 10: Total Resources**

	2014/15	2015/16	Variance
Strategy & Governance	1,699	1,802	103
Commercialisation	2,440	2,906	466
Place	5,486	5,666	180
<b>Resource Allocation Total</b>	<b>9,625</b>	<b>10,374</b>	<b>749</b>
Items not included in resource allocation	(98)	(171)	(73)
precept and levies	2,846	2,926	80
capital expenditure	422	1,089	667
Statutory accounting adjustments	(743)	445	1,188
To and from reserves	1,391	(1,833)	(3,224)
Additional financing	(404)	(469)	(65)
<b>Total</b>	<b>13,039</b>	<b>12,361</b>	<b>(678)</b>

This Table is not reported during the year as it has a mix of funding sources which are derived on a different basis to the annual budget. However a management version will be introduced as part of the quarterly Financial Forecast report in 2016/17.

### Council Tax Collection

At the end of March 2016, the collection rate for council tax was 98.05% against a collectable debit of £39.1m

**Table 11 - Annual Collection**

	January	February	March
Year	% Collected	% Collected	% Collected
2015-16	94.94%	96.84%	98.05%
2014-15	95.11%	96.74%	97.86%

### Business Rates Collection

At the end of March 2016 the collection rate was 98.64% against a collectable debit of £27.4m.

**Table 12 - Annual Collection**

	January	February	March
Year	% Collected	% Collected	% Collected
2015-16	92.93%	96.05%	98.64%
2014-15	93.13%	95.83%	98.37%

### Housing Rent Collection (HRA)

At week 52 the collection rate was 99.59% against a collectable debit of £17.5m.

**Table 13 - Annual Collection**

Key performance Indicator	2014-15	2015-16
% of income collected	99.55%	99.59%
Bad Debt write off	£18,260	£33,266

All debt owing to the council was reviewed in preparation for the end of the financial year utilising standard provisioning techniques. An additional 100% collectability review has since been introduced and a separate report on findings will be issued in September 2016.

## Capital Programme

**Table 14 – Summary Financial Data**

Activity	Approved Budget £000	Slippage £000	Revised Budget £000	Actual £000	Variance £000
ICT	354	(305)	49	34	(15)
Economic Development	1,180	(36)	1,144	1,187	43
Asset and Property	321	(28)	293	95	(198)
Growth Fund	316	-	316	311	(5)
Housing	625	(408)	217	151	(66)
Disabled Facilities Grants	325	(133)	192	192	-
<b>General Fund Programme</b>	<b>3,121</b>	<b>(910)</b>	<b>2,211</b>	<b>1,970</b>	<b>(241)</b>
HRA Programme	7,500	-	7,500	4,450	(3,050)
<b>Total</b>	<b>10,621</b>	<b>(910)</b>	<b>9,711</b>	<b>6,420</b>	<b>(3,291)</b>

## Project Status

9 General Fund Projects were completed in year at a cost of £1,027k which was £11k lower than Budget. 4 projects were in progress at the end of the year with total expenditure of £943k and an estimated cost to complete of £605k (£527k in 2016/17 & £78k in 2017/18). 4 ITC projects are due to start in 2016/17 following revisions to the project specifications in respect of Transformation with an estimated cost to complete of £305k. 8 projects were closed and £274k of funding has been made available for other future projects.

The HRA programme for the year was completed, using the revised asset management guidelines as approved by council in February 2016, at a cost of £4,450k which was £3,050k lower than budget. No projects are being carried forward to 2016 as the new programme has been compiled using revised asset management detail which identified existing potential changes to dwelling components.

## Slippage

Projects in progress or due to start in 2016/17 are identified in table 15 overleaf. Approval to carry forward appropriate budgets is being requested as a recommendation from Cabinet to Council.

**Table 15 – Carry Forward Budget**

Activity	Project Number	Carry Forward Budget £	2016/17 Expenditure	2017/18 Expenditure
ICT – Digitalisation	741	200,000	200,000	
ICT – System backup upgrade	740	30,000	30,000	
ICT – Network upgrades	743	25,000	25,000	
ICT – Disaster recovery	744	50,000	50,000	
Economic Development - Broadband	738	36,330	36,330	
Asset and Property – Chamber upgrade	70E	27,875	27,875	
Housing - Travellers sites	776	407,792	330,000	77,792
Disabled Facilities Grants	750	133,316	133,316	
<b>Total</b>		<b>910,313</b>	<b>832,521</b>	<b>77,792</b>



<b>Funding</b>				
Grants		541,108	463,316	77,792
Capital Receipts		305,000	305,000	-
Revenue Contributions		64,205	64,205	-
<b>Total</b>		<b>910,313</b>	<b>832,521</b>	<b>77,792</b>

ICT projects, funded from capital receipts, are due to commence in July 2016. Project plans have been agreed and will be tracked by the programme manager and Finance as appropriate. Requirements for digitalisation are being reworked in line with latest progress on other transformation projects. Expenditure has been based on using external consultants as capability in the council is not yet available. A training programme is included in these projects to increase in house expertise and reduce dependence on external resource.

The Lincolnshire Broadband project, funded from revenue contributions, is in progress with measured installations 94% complete.

Chamber upgrades, funded from revenue contributions, in respect of microphones have been completed and Audio Visual upgrades including enhance projection equipment will be completed in the first half of 2016/17

The Spalding Travellers site project, Grant funded is in progress and forecast to be complete by July 2016. 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 are an ongoing statutory, mandatory service. This is demand lead and is funded by the Better Care fund administered by Lincolnshire County Council. Discussions are in progress with Adult social care about early intervention changes to the programme going forward. Additional funding is expected from 2017/18 to fund these activities.

## **Project management**

All projects in the 2016/17 programme including those with a carry forward request have been reviewed by Finance, Programme & Performance management.

Project plans identifying key dates and project milestones are being reworked in line with progress and Budgets have been phased in line with current projections.

Future reports will include the information as per table 16 overleaf together with a narrative on progress towards outcomes. This narrative will also include any timing / Budget issues with recommendations on a quarterly basis.

Cabinet are asked to advise if £ 000's would be a sufficient level of detail for this report in the future.

**Table 16 – Capital Summary Report**

**South Holland District Council - Capital Programme 2015/16**

Project	Revised Budget	Actual to date	(Under spend)	Over spend	Slippage	Released	Out turn	Spend profile		
								2015/16 Out turn	2016/17 Forecast	2017/18 Forecast
	£	£	£	£	£	£	£	£	£	£
								0		
Strategy & Governance	416,000	76,567	(32,058)	29,500	(332,875)	(4,000)	76,567	76,567	332,875	-
Commercialisation	1,556,000	1,498,063	(19,556)	57,949	(36,330)	(60,000)	1,498,063	1,498,063	36,330	-
Place	1,149,000	395,657	(2,663)	0	(541,108)	(209,572)	395,657	395,657	463,316	77,792
Housing Revenue Account	7,500,000	4,449,504	(44,093)	0	0	(3,006,403)	4,449,504	4,449,504	-	-
<b>Capital Programme</b>	<b>10,621,000</b>	<b>6,419,791</b>	<b>(98,370)</b>	<b>87,449</b>	<b>(910,313)</b>	<b>(3,279,975)</b>	<b>6,419,791</b>	<b>6,419,791</b>	<b>832,521</b>	<b>77,792</b>

Grants & Contributions	(1,510,000)	(818,606)	2,663	(57,949)	541,108	205,572	(818,606)	(818,606)	(463,316)	(77,792)
Capital Receipts	(697,000)	(101,067)	32,058	(20,000)	305,000	278,875	(101,067)	(101,067)	(305,000)	0
s106	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	(8,414,000)	(5,500,118)	63,649	(9,500)	64,205	2,795,528	(5,500,118)	(5,500,118)	(64,205)	0
Borrowing	0	0	0	0	0	0	0	0	0	0
<b>Capital Financing</b>	<b>(10,621,000)</b>	<b>(6,419,791)</b>	<b>98,370</b>	<b>(87,449)</b>	<b>910,313</b>	<b>3,279,975</b>	<b>(6,419,791)</b>	<b>(6,419,791)</b>	<b>(832,521)</b>	<b>(77,792)</b>

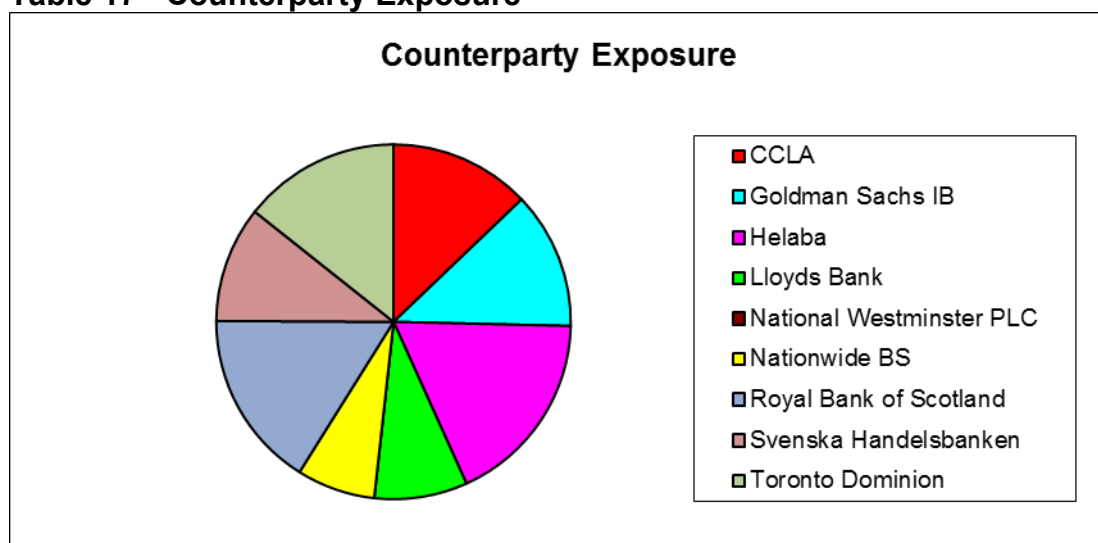
## Treasury

### Security

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

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

**Table 17 - Counterparty Exposure**



### Cash

As at 31<sup>st</sup> March 2016 the Council had total deposits of £28m including accrued interest of which £7.4m was held in instant access accounts to meet cash flow requirements.

The Council's average level of deposits during 2015/16 was £32.8m.

### Yield

Budget Interest 2015-16	£154,800 (£126,000 Gen. Fund & £28,800 HRA)
Actual Interest 2015-16	£233,902 (£170,002 Gen. Fund & £63,900 HRA)
Target yield (Average 3 month LIBID)	0.46%
Actual Yield achieved to 31/03/16	0.71%
Actual Yield in 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 or is planned this financial year.