

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

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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