

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance & Executive Director - Commercialisation (S151)

To: Cabinet 25 July 2017

Author: Jane Crosby Strategic Business Partner

Subject 2016-17 Financial Outturn

Purpose: To provide information on the outturn financial position of the Council as at 31 March 2017. This report is for information and to approve specific recommendations.

Recommendations to Full Council:

- 1) That the report and **Appendix A** be noted.
- 2) That the contributions to and use of reserves be agreed in line with **para 5.1.6** and **Appendix A Tables 4 and 5** of this report.
- 3) That the revised 2017-18 capital programme is approved based on the carry forward and other budget adjustments noted at **para 5.1.6** and **Appendix A Tables 9 and 10**.

1.0 BACKGROUND

1.1 This report provides information on the unaudited 2016/17 outturn financial position of the Council in the following areas:

- The Revenue Budget for the General Fund (GF) and Housing Revenue Account (HRA)
- The Reserves Position
- The Capital Programme for 2016/17 (GF and HRA) and recommended revised Capital Programme for 2017/18.
- The Treasury Performance for the year.

2.0 OPTIONS

- 2.1 To note the report and to approve the recommendations detailed at Appendix A.
- 2.2 To note the report and not approve the recommendations detailed in Appendix A.
- 2.3 Do nothing.

3.0 REASONS FOR RECOMMENDATION (S)

3.1 To provide members with information on the Council's overall financial performance in 2016-17 and to provide an updated financial position on reserves and the capital programme for 2017-18.

4.0 EXPECTED BENEFITS

4.1 To ensure that members are updated regularly on the Council's overall financial position and have the information required to assist in future financial decision making.

5.0 IMPLICATIONS

5.1 Financial

5.1.1 This report is financial in nature and further details are provided at **Appendix A**.

5.1.2 The unaudited Statement of Accounts for the financial year ended 31st March 2017 was provided to the auditors on 26 June 2017. They have also been published on the Council's website for public inspection which will continue until 4th August 2017, in line with The Accounts and Audit Regulations 2016. The external audit of the accounts will commence on 31 July 2017. The Statements can be found here:
<http://www.sholland.gov.uk/article/3523/Financial-Statements>

5.1.3 The core Statements of the Accounts and the Annual Governance Statement were presented to the Governance and Audit Committee on 22 June 2017. The reports were noted without comment and allowed "*that the Executive Management Team approve the Annual Governance Statement and make comments as necessary within the appropriate timeframe*".

5.1.4 The Financial Statements have been prepared under The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the main changes from 2015-16 were presented to the Governance and Audit Committee on 22 June 2017 for information.

5.1.5 Of particular note is a significant change to the format of the Income and Expenditure Statement There is an additional expenditure and funding analysis and their associated disclosure notes and a new streamlined Movement in Reserves Statement (MiRS).

5.1.6 The following are the main points to note with respect to the Outturn position:

General Fund

- The Council has delivered a balanced outturn for the year and in doing so was able to transfer a £755,811 General Fund underspend to the Council Tax Reserve. The council's budget had an assumed £325,000 transfer to this reserve, so this is a net £430,811 improvement. The revenue outturn position by Directorate is detailed at **Appendix A - Table 1**.
- The in-year underspend was supported by increased income in a number of areas e.g. Planning (£256k), building control (£26k) Waste fee income (£47k), through a corporate budget saving process taken across a number of services mid-year

(£334k), and various other expenditure reductions e.g. the impairment allowances for bad debts £127k. These have been offset in part by a number of areas of overspend. The full analysis of budget variations is provided at **Appendix A – Table 3**.

Housing Revenue Account

- The HRA delivered an in year underspend and transferred £7.124m to the Major Repairs Reserve (£464k more than budgeted). More detail is provided at **Appendix A Table 2**.

Reserves

- The General Fund Specific Reserves have increased from £7.4m to £8.3m. The growth represents both the transfer of the year end underspend and an additional number of grants received in 2016/17, but which have been set aside for future allocated uses. Various items of expenditure have also been supported from reserves as previously planned. Further details are in **Appendix A Table 4**
- The General Fund remains at £2.064m. As part of the Q3 report presented to members it was anticipated that £64k of this reserve would be used to fund a Planning compensation claim, however, the service has been able to support this cost without use of this reserve. During 2017/18 a review of the level of the General Fund Reserve will be carried out relative to the Council's overall risks and members will be informed if a change is proposed to the level of this reserve.
- The HRA Major Repairs Reserve has increased from £5.3m to £6.7m. The increase comes from a revenue underspend during the year and reduced capital funding requirements. More detail is provided at **Appendix A – Table 5**.

Capital – General Fund

- The GF Capital expenditure in 2016/17 was £1.947m. This was a £1.63m underspend compared to budget. **Appendix A Tables 6 and 8** provide more information on the outturn position, how it was funded and the variances from budget.
- As a result of the outturn position some elements of capital budget need to be carried forward into a revised 2017/18 capital programme and £1.055m of slippage is recommended.
- Other changes to the 2017/18 capital programme arise due to
 - The value of the DFG money to be paid from LCC to SHDC is higher than the original estimate, a further £260,287 in grant has been awarded and this is included in the revised 2017/18 programme.
 - Council on 12 April 2017 approved a £350k investment in Priory Road ahead of co-location with the DWP. Members should note that further reports are due on additional planned and minor works to Priory Road. Any impact on the capital programme will be covered in future reports to members.
- The revised Capital Programme for 2017/18 of £4.310m is detailed at **Appendix A table 9**, and which members are asked to approve and recommend to Council.

Capital – HRA

- The HRA capital expenditure in 2016/17 was £3.052m compared to the budget of £7.179m, a £4.127m underspend. **Appendix A tables 7 and 8** provide more information on the HRA capital outturn position, how it was funded and the variances from budget. This issue has already been addressed in terms of reporting for 2017/18.
- A carry forward of £1.558m is required into the revised 2017/18 Capital Programme and the revised HRA capital programme for 2017/18 of £10.06m is detailed at **Appendix A table 10**, and which members are asked to approve and recommend to Council.
- During 2017/18 the Council received £1.467m in capital receipts. These all related to the HRA and a total of 24 houses were sold. This is detailed at **Appendix A table 11**.
- **Appendix A table 12** also details the Council ongoing capital financing requirement, the measure of the Council's underlying borrowing requirement.

Treasury Management

- **Appendix A** provides more information on the investments held by the Council at 31 March 2017 (£38.3m). The average investments held during the year were £38m.
- Interest on investments was £211k (compared to the budget of £268k). The reduction was due to a change in the investment policy during the year, to hold investments for shorter periods of maturity and also due to the generally lower levels of return available in the market.
- Members are asked to note the Treasury Management position. More information on Treasury Management is available in the Treasury Annual Report which was reported to Governance and Audit Committee on 22 June 2017 and will be considered by Full Council on 27 July 2017.

5.2 Transformation Programme

5.2.1 The Council funded £164k of transformation spend from its reserves in 2016/17. This was significantly less than the original estimate for the year. A complete review of these budgets has already been undertaken to address this issue in future years.

5.2.2 The Council will continue to develop and implement its Transformation Programme. It will use its reserves to finance those projects which are aimed at delivering future savings and income generation.

6.0 WARDS/COMMUNITIES AFFECTED

6.1 Income and expenditure affect all wards of the Council.

7.0 ACRONYMS

7.1 GF General Fund
HRA Housing Revenue Account
CPBS Compass Point Business Services

RTB Right to Buy
ICT Information and Communications Technology
MTFP Medium term Financial Plan

Background papers:- The 2016/17 Estimates
The 2017/18 estimates.....

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service / Discretionary Service

Appendices attached to this report:

Appendix A Financial report for 2016/17 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.