

South Holland District Council

Financial Report for the Year Ending 31 March 2017

Change to reporting requirements

From 2016/17 local authorities are required to report their expenditure based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the Service Reporting Code of Practice (SERCoP), therefore only controllable costs are reported to management, excluding items such as support services and depreciation. Both management reporting and the service section in the Comprehensive Income and Expenditure Statement is required to be reported in this way, to ensure that it is meaningful to both members and users of the Financial Statements, as it follows the format of budget and performance monitoring. This new format supports accountability and transparency, as it reflects the way in which services operate and manage performance.

General Fund and Housing Revenue Account

Total General Fund (GF) budget requirement for the year was £11.594m as approved by Council on 24th February 2016.

The GF outturn position is a balanced budget after making a transfer to the Council Tax reserve of £756k. When the estimates were prepared for 2016/17 it was anticipated that a £325k contribution to reserves would be made. This is an overall £431k improvement on that position.

The HRA budget for 2016/17 has delivered a balanced outturn position after transferring £4.827m to the Major Repairs Reserve.

Table 2 provides an explanation of the HRA Outturn position.

The significant variances from budget that have contributed to the GF outturn position are detailed in **Table 3** below.

TABLE 1 – SUMMARISED GENERAL FUND OUTTURN	Budget	Actual Outturn	Variance
	£000	£000	£000
Commercialisation			
Commercialisation	(24)	(268)	244
Economic Development	100	200	(100)
Environmental Health	464	574	(110)
Finance	1,045	474	571
Revenues and Benefits	316	208	108
Total - Commercialisation	1,901	1,188	713
Place			
Assets and Property	148	165	(17)
Building Control	42	37	5
Commercialisation	56	83	(27)
Community Development	1,479	1,213	266
Housing	193	154	39
Environmental Services	2,689	3,103	(414)
Planning	(183)	(401)	218
Investment properties	(53)	(63)	10
Total - Place	4,371	4,291	80

TABLE 1 – SUMMARISED GENERAL FUND OUTTURN	Budget	Actual Outturn	Variance
	£000	£000	£000
Strategy and Governance			
Corporate Improvement and Performance	114	124	(10)
Communications	107	126	(19)
Corporate Management	884	809	75
Democratic Services	1,034	994	40
HR	561	318	243
IT and Customer Services	1,317	1,313	4
Total - Strategy and Governance	4,017	3,684	333
Statutory recharge to the HRA for support services	(884)	(884)	-
Internal Drainage Boards and Parish Precepts	2,988	2,981	7
Investment Income	(205)	(148)	(57)
Capital and Other Adjustments	121	9	112
Transfers to/from Reserves	(715)	902	(1,617)
Total Cost of Services	11,594	12,023	(429)
Financing			
Government Grants	(3,558)	(4,013)	455
Council Tax	(5,272)	(5,272)	-
Retained Business Rates	(2,764)	(2,738)	(26)
Total Financing	(11,594)	(12,023)	429
Variance	-	-	-

* Support service recharges are a non-controllable cost to budget holders, and are therefore not reported as part of the service analysis above. An adjusting line has been added to show the value of recharges to the HRA, for support services and corporate management (including the debt management recharge); a corresponding debit entry is showing in the HRA table below.

Housing Revenue Account

The Housing Revenue Account outturn for 2016/17 is a balanced budget as all balances (£4.827m) have been transferred to the Major Repairs Reserve. The HRA estimates for 2017/18 are subject to a major review together with the production of a revised and updated Business Plan.

TABLE 2 – SUMMARISED HRA OUTTURN	Budget £000	Actual Outturn £000	Variance £000	Comments
Rent Income - Dwellings	(15,233)	(15,308)	75	Reduced void levels offset by increased RTB
Charges for Services and Facilities	(1,129)	(1,131)	2	
Contributions to Expenditure	(37)	(29)	(8)	
Total Income	(16,399)	(16,468)	69	
Repairs and Maintenance	2,877	2,232	645	
Supervision and Management	3,989	3,817	172	Unspent General HRA budget contingency offset by Property Maintenance staffing and sheltered housing costs
Rents, rates, taxes and other charges	57	50	7	
Depreciation	1,595	2,296	(701)	Change to method of calculation to reflect “component accounting” requirements
Debt management expenses (included in support service recharge)	-	-	-	
Movement in the allowance for bad debts	-	66	(66)	
Revaluation of non-current assets	-	11	(11)	
Statutory recharge to the HRA for support services	884	884	-	
Total Expenditure	9,402	9,356	46	
Contribution from Operations	(6,997)	(7,112)	115	
Investment Income	(62)	(62)	-	
Interest Payable on £67.456m	2,347	2,347	-	
Transfer to Major Repairs Reserve for Capital Investment	4,712	4,827	(115)	Transfer of HRA underspend to Major Repairs Reserve to fund future capital programme
Net (Surplus)/Deficit	-	-	-	

TABLE 3 – GENERAL FUND ANALYSIS OF VARIANCES FROM BUDGET

Service Area	Expenditure Over Budget or Income under budget £000	Expenditure under budget or income above budget £000	Total over/(under) Budget £000	Comments
Expenditure Areas				
Staff Costs	95 383	(160)	318	Pay, NI, pension and other costs of directly employed staff, offset by overspends in agency costs below. The budget included a salary efficiency target of £147k which has not been achieved. Shared Management costs (excluding £37k that has been charged to Transformation and funded from reserves). Agency - £66k costs relating to Devolutions work (funded from earmarked reserves), £66k Chief Accountant costs (budgeted within pay above), £60k in Environmental Services, £46k in Housing and £34k in Planning.
Transport Costs	14 14	(16) (2)	10	Fuel Maintenance and tyres Transport insurance Other staff transport costs
Purchase of sacks for waste recycling	40		40	Following public consultation during the year, sacks are now being delivered to houses and levels of usage have increased
Green Bins	17		17	Additional green bins from roll out of service, offset by additional income generated
Furniture and Equipment	12		12	Variiances across services
South Holland Centre Performance	49	(85)	(36)	Increased payments for performers and films Increased levels of income

TABLE 3 – GENERAL FUND ANALYSIS OF VARIANCES FROM BUDGET

Service Area	Expenditure Over Budget or Income under budget £000	Expenditure under budget or income above budget £000	Total over/(under) Budget £000	Comments
Local Plan	57	(33)	24	Professional and contractors fees £49k above budget, other costs £8k above budget, Additional income contributions from Boston and Breckland Councils. The net additional cost has been funded from reserves.
Devolution Contribution	20		20	Contribution to Lincolnshire County Council for devolution work
Members allowances and other member costs	21		21	Allowances increased after budgets set for the year.
Legal Costs	13		13	Across all services Lincolnshire Legal £73k under, other legal costs £86k over. This included a £58k legal cost in Environmental Health.
Telephone Costs	35		35	Costs generally higher than budget. £7k of variance covered by income from CPBS for their element of the costs incurred.
Subscriptions to organisations	12		12	Across a range of services
Parking Charge Notice	14		14	Cost of the licence fee with third party for processing car park enforcement notices. The contract has now ceased.
Banking Charges	32		32	Expenditure in line with previous year but budget not set at appropriate levels in 2016/17 (budget increased for 2017/18)
CPBS Non base contract costs	104		104	Additional payments for activity in Revenues and Benefits £70k (largely funded from additional grant income received) and £25k to support an additional approved HR Business Partner
Compensation Payment	70		70	Planning compensation payment. Was due to be funded from the general reserve – but costs have been absorbed

TABLE 3 – GENERAL FUND ANALYSIS OF VARIANCES FROM BUDGET

Service Area	Expenditure Over Budget or Income under budget £000	Expenditure under budget or income above budget £000	Total over/(under) Budget £000	Comments
				within the service.
Benefits and Subsidy	1,953	(1,995)	(42)	Housing and Council Tax benefit payments less than budgeted levels Subsidy and Admin grants less than budget Net variance
Insurance costs	16		16	General insurance costs across a range of services
Stationery and Postage in Individual Electoral Registration	35		35	Grant income was received but this has not covered all IER costs
Corporate Contingency Savings		(334)	(334)	Corporate budget savings taken across various service budgets mid-year. These were based on year on year underspends.
Impairment Allowances for Bad Debts		(127)	(127)	Adjustments to provisions across Revenues & Benefits and Corporate Finance – based on a review of an age analysis of debts and current levels of provisions made.
Transformation Expenditure		(533)	(533)	Reduced spend on transformation (£164k) compared to budget (£697k). This is offset by a reduced level of funding drawn down from reserves.
External Grant Payments		(276)		Various grant payments as follows: DFG and Decent Homes grants (these do not impact on the General Fund bottom line as they are funded from capital)
		(39)		Homelessness Prevention grants
		(24)		Community grants lower than budget due to uncertainty regarding Call Connect service

TABLE 3 – GENERAL FUND ANALYSIS OF VARIANCES FROM BUDGET

Service Area	Expenditure Over Budget or Income under budget £000	Expenditure under budget or income above budget £000	Total over/(under) Budget £000	Comments
	147			£147k S106 payments (funded from reserves)
	70		(122)	£70k variance on Grants4Growth payments (partly caused by an incorrect income budget.). The £42k additional costs has been funded from reserves.
Members' Grants		(26)	(26)	Net underspend in year has been transferred to reserves to fund future year activity
IDB Levies		(7)	(7)	Levies set lower than anticipated in the approved budget
Income Areas				
Interest on Investments	57		57	Returns on investments reduced due to decisions to maintain funds in short term investment holdings
Land Charges Inspection Fees	16		16	
Garage Rental And Housing Alarm income	26		26	
Court Income and Housing Benefit Overpayments	101		101	Budget set too high for 2016/17 compared to previous years and in year activity.
Government Grants		(386)	(386)	Additional grant income received: £70k in revenues and benefits relating to new burdens activities passed on to CPBS £224k HCA Capacity Funding – moved to reserves for 2017/18 usage £29k Planning Policy Grants – moved to reserves £26k Grants4Growth2 grant income to offset unbudgeted expenditure in 2016/17 £17k Individual Electoral Registration grant offsets unbudgeted stationery & postage in IER shown above £6k in Planning – Self Build register £7k in Community Development – litter grant

TABLE 3 – GENERAL FUND ANALYSIS OF VARIANCES FROM BUDGET

Service Area	Expenditure Over Budget or Income under budget £000	Expenditure under budget or income above budget £000	Total over/(under) Budget £000	Comments
Local Authority Grants		(47)	(47)	Additional grant income received: £15k LCC Health Grant £10k Grant from LCC towards 'smoke free' activities £19k Contribution from Breckland towards FLARE system costs Other LA grants have been netted off against relevant spend above e.g. Local Plan
Building Control Fees		(26)	(26)	Up lift in activity
Planning Fees		(256)	(256)	Up lift in activity
Green Waste Fees		(47)	(47)	Additional fee income offsetting additional costs following successful roll out of new service.
Other Income		(92)	(92)	Above and below budget variances across a number of service areas, e.g. £13k Lincs. Legal surplus refunded - unbudgeted £42k Returned DFG and other Housing grants £23k S106 income in Planning and Environmental Services £14k other variances
Rental Income from Homeless family units		(29)	(29)	
Costs recharged to outside bodies		(37)	(37)	Made up of a number of variances across a range of service areas.
Capital Adjustments	254		254	Variances from budget for capital expenditure funded via revenue. £206k of this variance covered by Gardens of Rest capital grant income shown below.
Other net variances		(82)	(82)	Small variances across a number of income and expenditure budgets
Net Variances across Service Areas	3,677	(4,659)	(982)	

TABLE 3 – GENERAL FUND ANALYSIS OF VARIANCES FROM BUDGET

Service Area	Expenditure Over Budget or Income under budget £000	Expenditure under budget or income above budget £000	Total over/(under) Budget £000	Comments
Transfers to/from reserves	1,039			New Grant funding received, in year surplus transferred in.
Transfers from Reserves	578			Less usage for transformation projects
			1,617	Net Changes in Reserve Movements. See Table 4 below for General Reserve movement explanations.
Net Expenditure Variance	5,294	(4,659)	635	
Funding				
Council Tax		-	-	
Business rates		(421)	(421)	
Government Grants		(8)	(8)	
Capital Grant		(206)	(206)	Gardens of Rest Grant
Net Funding Variance		(635)	(635)	
NET BALANCED POSITION	-	-	-	

TABLE 4 – GENERAL FUND RESERVES

Reserve	Balance 31 March 2016 £	Contributions to a Reserve £	Use of a Reserve £	Balance 31 March 2017 £	Comments
Transformation	972,770	-	(163,532)	809,238	Use of Reserve - To fund expenditure against approved Transformation projects
Investment and Growth	3,305,170	1,447,748	-	4,752,918	Contributions - New Homes Bonus added to reserve
Earmarked Grants	-	253,645	-	253,645	Contributions - New reserve established to receive Government grants allocated for specific activity (HCA Capacity Funding and Planning initiatives).
Council Tax	2,704,228	793,011	(1,415,202)	2,082,037	Contributions – Underspend on delegated members budgets (£30k), LCC Health Grant unused balance (£7k), General Fund Surplus (£756K). Use – £1.238m NNDR Surplus added to reserves in 2015/16 to fund <u>one off costs</u> in 2016/17 arising from assumptions built into the NNDR1 return. Other expenditure on areas such as the Local plan, Pride, Grants for Growth, community grants and leisure in the community.
Insurance	220,000	-	-	220,000	No required use or contributions
Replacement & Refurbishment	238,511	136,000	(149,892)	224,619	Contributions – base budget annual contribution (£136k) Use - £150k of unbudgeted spend in services
Total Specific GF Reserves	7,440,679	2,630,404	(1,728,626)	8,342,457	
General Reserve	2,064,000	-	-	2,064,000	
Total Reserves	9,504,679	2,630,404	(1,728,626)	10,406,457	

TABLE 5 HRA RESERVES	2016/17 Budget	2016/17 Outturn	2016/17 Variance
	£000	£000	£000
HRA Working Balance:			
Balance b/f	(8,968)	(8,968)	-
Net Movement in Year	-	-	-
Balance c/f	(8,968)	(8,968)	-
HRA Insurance Reserve:			
Balance b/f	(200)	(200)	-
Movement in Year	-	-	-
Balance c/f	(200)	(200)	-
Major Repairs Reserve:			
Balance b/f	(2,609)	(2,609)	-
Paid in (Depreciation)	(6,660)	(7,124)	(464)
Capital Programme Funding	3,914	3,036	(878)
Balance c/f	(5,355)	(6,697)	(1,342)

TABLE 6 - GENERAL FUND CAPITAL OUTTURN			
Project	Budget 2016/17 £000	Actual Outturn 2016/17 £000	Actual (under)/overspend £000
Disabled Facilities Grants	458	236	(222)
Decent Homes Unfit and Disrepair	75	22	(53)
New Gardens of Rest – Sutton Bridge PC	-	143	143
Growth Fund	50	-	(50)
Welland Homes	2,051	1,286	(765)
Travellers Sites	408	206	(202)
Council Chamber Conference System	28	-	(28)
Broadband Lincolnshire	36	36	-
Digital Vision	200	18	(182)
System Back up	30	-	(30)
Network Upgrades	25	-	(25)
Disaster Recovery	50	-	(50)
ICT Infrastructure	166	-	(166)
Asset Management System	-	(24)	(24)
Total General Fund	3,577	1,923	(1,654)
Financed By:			
Capital Receipts		(6)	
Capital Grants and Contributions		607	
Internal Borrowing		1,286	
Revenue Resources		36	
		1,923	

TABLE 7 - HRA CAPITAL OUTTURN			
Project	Budget 2016/17	Actual Outturn	Actual (under)/overspend
	£000	£000	£000
Central Heating Upgrade	1,293	1,153	(140)
Kitchen and Bathroom Replacement	1,410	639	(771)
Electrical Upgrade	106	49	(57)
Renewable Energy and Energy Efficiency	105	73	(32)
Decent Homes Component Replacements	230	-	(230)
Council House – Re-Roofing	639	403	(236)
Decent Homes	3,783	2,317	(1,466)
Sewerage Treatment Plant	65	73	8
The Square	263	308	45
Off Street Parking	60	58	(2)
Major Area Schemes	388	439	(51)
Allocation & Lettings	18	-	(18)
Asset Management	70	-	(70)
ICT Strategy	10	-	(10)
IT/System	98	-	98
Major Adaptions	450	243	207
Aids & Adaptions	450	243	207
New Build	1,375	53	1,322
Purchase of Units – Ex Council	920	-	920
Buy Back – Shared Ownership	165	-	165
Affordable Housing	2,460	53	2,407
Total HRA	7,179	3,052	4,127
Financed by:			
Capital Receipts		16	
Major Repairs Reserve		3,036	
		3,052	

TABLE 8 CAPITAL VARIANCES AND BUDGET CARRY OVER REQUIREMENTS

Project/Scheme	Over/ (under) spend £000	Carry over 2017/18 £000	Explanation/Comments
General Fund			
ICT	(453)	166	Several 16/17 ICT schemes no longer required (£105k). ICT Infrastructure programmed approved by Council requires a £166k carry over for 17/18. Digital Vision resulted in £182k underspend, but this budget has already been included in the approved 17/18 Capital Programme.
Council Chamber System	(28)		Budget already part of the 2017/18 Capital Programme.
Travellers Sites	(202)	124	Awaiting decision on final site. £78k already included in 2017/18. £124k to be carried over from 2016/17.
Disabled Facilities Grants and Decent Homes	(275)		The 16/17 underspend has been transferred to Capital Grants Unapplied. The balance from previous years underspends is now £325k. South Holland has received increased funding for 2017/18 of £585k and the revised Capital programme below has been adjusted to reflect the additional income.
Welland Homes	(765)	765	This budget predated the approval of the revised business plan (approved Feb 2017). Budget slipped into 2017/18 for the purchase of properties.
New Gardens of Rest - Sutton Bridge Parish Council	143		Funded by S106 income
Growth Fund	(50)		Growth provision not used in year.
Asset Management System	(24)		Asset Management System over accrued in 2015/16
Total General Fund Programme	(1,654)	1,055	
Housing Revenue Account			
Decent Homes	(1,466)	236	Central Heating underspend following budget realignment and large reduction in response boiler failures. Kitchen and Bathroom contract started late resulting in only a small amount of upgrades being carried out. Re-roofing delays due to electric main works beyond the authorities control, and availability of tiles due to demand. Works continuing into 2017/18. Request for Re-roofing underspend to be slipped into new financial year.

TABLE 8 CAPITAL VARIANCES AND BUDGET CARRY OVER REQUIREMENTS

<i>Project/Scheme</i>	Over/ (under) spend £000	Carry over 2017/18 £000	Explanation/Comments
Major Area Schemes	51		Sewerage Treatment overspend due to major storm damage to North Road site, some of the value will be recovered from insurance. Additional unforeseen work encountered and budget over adjusted.
ICT	(98)		PIMMS (Asset Management Software) budget no longer required as costs accrued in 2015/16
Aids and Adaptations	(207)		Disabled adaptations underspent. Sufficient budget available in 2017/18.
Affordable Housing			
New Build	(1,322)	1,322	Report to members regarding HRA proposals planned for September 2017 to include Welland Homes.
Purchase of Units	(920)		Officers are presently developing a number of proposals that will bring about opportunities for the council to invest its capital affordable housing budgets into new stock that will service the council's Housing Revenue Account.
Buy Back Shared Ownership	(165)		Please see above
Total HRA Programme	(4,127)	1,558	

TABLE 9 REVISED 2017/18 GENERAL FUND CAPITAL PROGRAMME			
Scheme Description	Original Budget	Adjustments	Revised 17/18 Budget
	£000	£000	£000
Digital Vision	182		182
ICT Infrastructure	170	166	336
Council Chamber Mic System	28		28
Wardentree Lane – Re-roofing	47		47
Fleet Road – Re-roofing	55		55
Railway Lane – Re-roofing	65		65
Traveller Sites	78	124	202
Disabled Facilities Grants	325	260	585
Decent Homes	75		75
Priory Road (DWP co-location)*	0	350	350
Welland Homes	241	765	1,006
TOTAL APPROVED SCHEMES	1,266	1,665	2,931
Schemes Subject to Approval			
ICT Digital Vision	329		329
Priory Road*	2,700	-2,700	0
Growth Fund	1,000		1,000
Grounds Maintenance Replacement	50		50
Total Revised General Fund Capital Programme	5,345	(1,035)	4,310
Financed By:			
Capital Receipts	876	166	1,042
Borrowing	241	765	1,006
Grants and Contributions	478	384	862
Direct Revenue Financing	3,750	(2,350)	1,400
Total General Fund	5,345	(1,035)	4,310

*Council on 12 April 2017 agreed to a co-location project with the DWP at Priory Road. This scheme utilised £350k of funding from the provisional sum in the capital programme. Members should note that further reports setting out a five year programme of works in respect of planned maintenance and renewal at Priory Road are being prepared. Members will be asked to consider this at a future date and the capital programme will be updated as required at that time.

TABLE 10 REVISED 2017/18 HRA CAPITAL PROGRAMME			
Scheme Description	Original Budget	Adjustments	Revised 17/18 Budget
	£000	£000	£000
Central Heating	1,254		1,254
Kitchen and Bathroom	1,354		1,354
Electrical Upgrade	102		102
Renewable Energy	120		120
Decent Homes component Replacement	200		200
Roofs	465	236	701
Fees	416		416
Decent Homes	3,911	236	4,147
Sewerage Treatment	65		65
The Square	50		50
Major Area Schemes	115		115
ICT Infrastructure	184		184
Major Adaptions	400		400
Weston Redevelopment Scheme	1,145		1,145
Buy Back	165		165
Affordable Housing	1,894		1,894
TOTAL APPROVED SCHEMES	5,920	236	6,156
Schemes Subject to Approval			
Affordable Housing	2,529	1,322	3,851
Total HRA	8,449	1,558	10,007
Financed By:			
Capital Receipts	765	397	1,161
Major Repairs Reserve	3,708	1,161	4,869
Direct Revenue Financing	3,977		3,977
	8,449	1,558	10,007

Capital Receipts

TABLE 11 CAPITAL RECEIPTS	
Description	£000
Right to Buy	1,443
Land Sales	23
Mortgages repaid	1
Town Husband Repaid	1
Total	1,468

The actual receipts for 2016/17 were £1.467m before administration costs and Pooling payments compared to a budget of £1.244m. All Capital Receipts relate to the HRA.

Capital Financing Requirement (CFR)

Table 12 below shows the CFR which is a prudential indicator and shows the underlying need to borrow, based on the actual position at the end of 2016/17. Where the CFR is positive it denotes the need to borrow.

TABLE 12 CAPITAL FINANCING REQUIREMENT				
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
CFR – Non HRA	1,593	1,834	2,311	2,788
CFR – HRA	69,583	69,583	69,583	69,583
Total	71,176	71,417	71,894	72,371
Movement in CFR	1,286	241	477	477

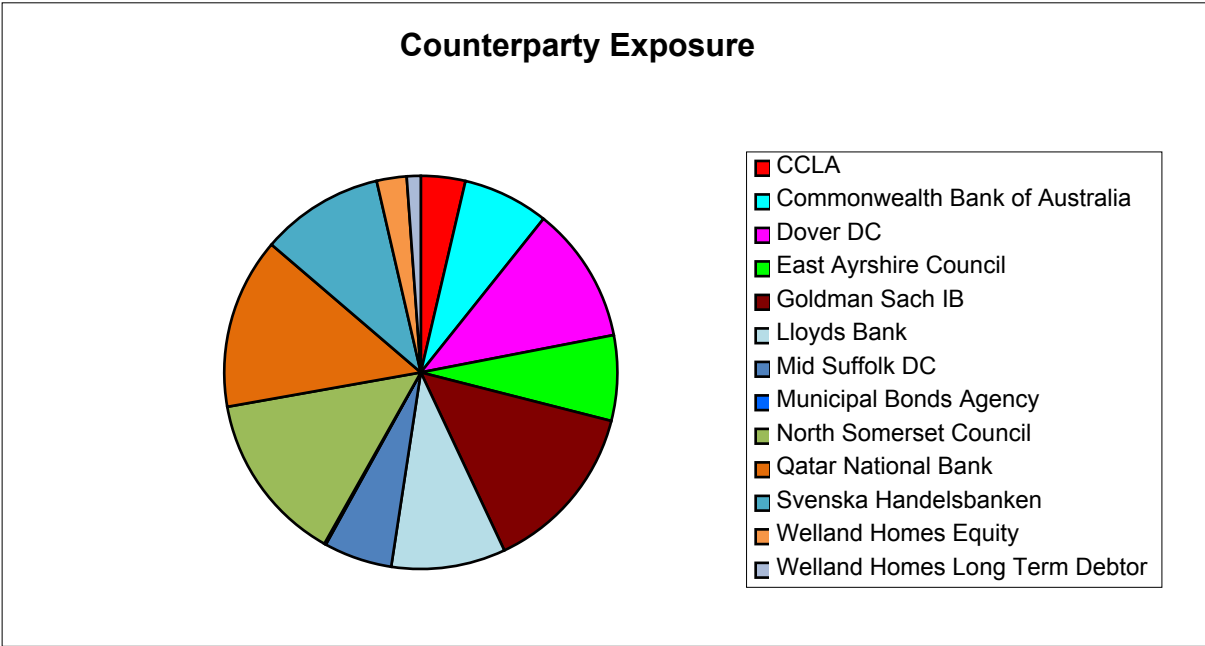
Treasury

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 were within the recommended maximum duration at the time the investment was made.

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



Cash

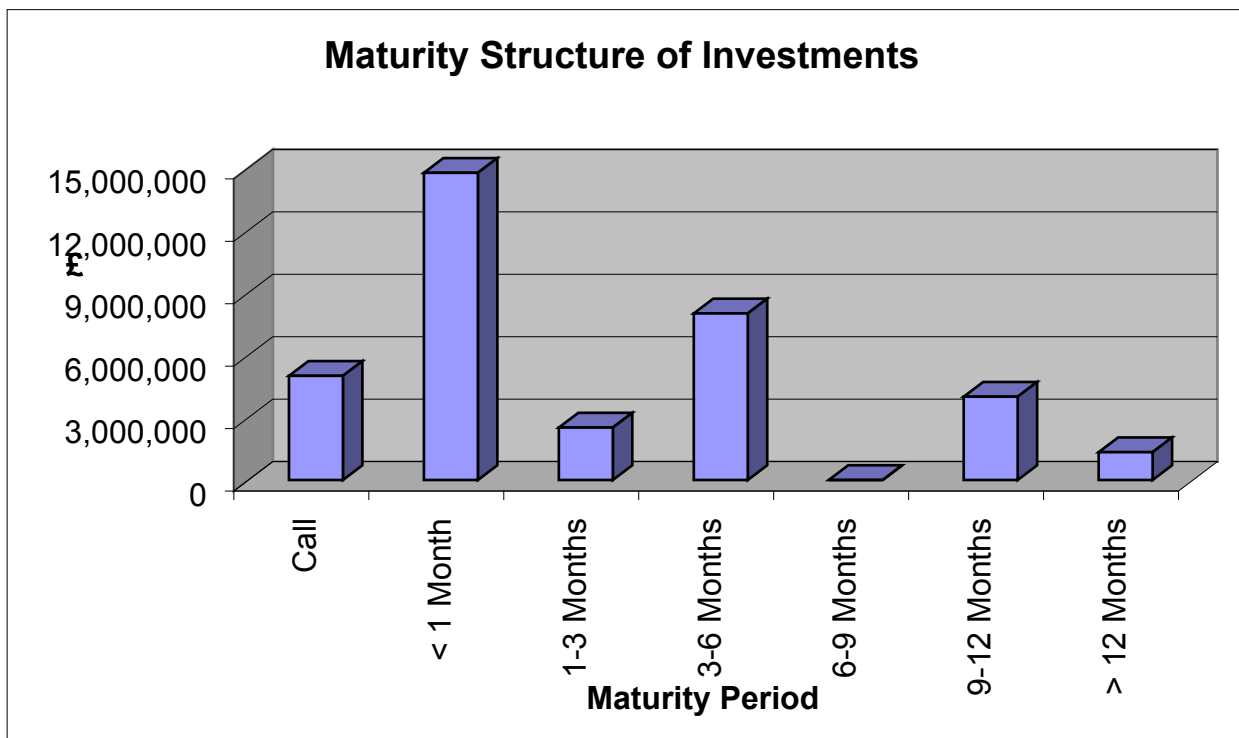
The Council's average level of deposits during 2016/17 was £38m. As at 31 March 2017 investments held were £35.3m of which £4.9m was instant access cash available to meet cash flow requirements. Longer term investments were made up of:

£29m - short term investments up to 12 months

£927k - Welland Homes equity

£408k - loan to Welland Homes

The chart below shows the amounts held in relation to the remaining period to maturity.



Yield

Budgeted Interest 2016/17	£267,600 (£205.6k General Fund and £62k HRA.)
Actual Interest achieved 2016/17	£210,776
Target yield (Average 3 month LIBID)	0.320%
Actual Yield achieved for 2016/17	0.554%
Actual Yield achieved for 2015/16	0.710%

The main reasons for the reduced investment returns are lower than anticipated rates in the markets and also the reduction of the maximum investment duration agreed as part of the interim investment strategy.

External Borrowing

The Council borrowed £67.456m from the PWLB on 28th 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.