

SOUTH HOLLAND DISTRICT COUNCIL

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

To: Cabinet 29 May 2018

Author: Jane Crosby, Head of Finance; Ray Fleming, Interim Strategic Business Partner

Subject: 2017/18 Financial Outturn

Purpose: To provide information on the outturn financial position of the Council as at 31 March 2018.

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 5.5 and **Appendix A, Tables 4 and 5** of this report.
- 3) That the net General Fund underspend of £13,505 be transferred to the Council Tax Reserve.

1.0 BACKGROUND

1.1 This report provides information on the unaudited 2017/18 outturn financial position of the Council in the following areas:

- The Revenue Budget for the General Fund (GF) and Housing Revenue Account (HRA),
- The General Fund and HRA Reserves Position,
- The Capital Programme for 2017/18 (GF and HRA), and
- The Treasury Management 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 2017-18 and to provide an updated financial position on reserves for 2018-19.

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** This report is financial in nature. The outturn position in respect of the General Fund, HRA, Capital Programme, Reserves and Treasury Management are summarised within the following paragraphs with further detail provided at **Appendix A**.

5.2 Statement of Accounts

- 5.2.1** The unaudited Statement of Accounts for the financial year ended 31st March 2018 will be provided to the Council's auditors (KPMG) on 18 June 2018 with the audit due to be completed by the middle of July 2018.

- 5.2.2** The unaudited Statement of Accounts will be published on the Council's website by 31 May 2018 for public inspection, which will continue for a period of 30 days, in line with The Accounts and Audit Regulations 2016.

- 5.2.3** The core Statements of the Accounts and the Annual Governance Statement were presented to the Governance and Audit Committee on 24 May 2018.

- 5.2.4** The Financial Statements have been prepared under The Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

5.3 General Fund Revenue Outturn

- 5.3.1** The Council has achieved a net underspend in the General Fund of £14k after taking account of the use of reserve funding to cover a number of one-off pressures, including

- an additional in-year levy payment of £297k to Government in respect of the updated Business Rates position for 2018/19 primarily due to the withdrawal of one of the power station appeal,
- support for development/delivery of services including Pride (£100k) and the Garden Waste Extension (£59k), and
- a budget adjustment of £359k due to additional pressures identified after the initial 2017-18 budget was set.

- 5.3.2** Further details on the movement in Reserves are set out in **Appendix A - Table 3** to this report.

- 5.3.3** The net underspend of £14k has arisen as a result of a range of variances across services. The revenue outturn position by Directorate is detailed at **Appendix A - Table 1** together with an analysis of service variations. The major variations are as follows:

- An accounting adjustment due to Alarm monitoring income of £151k transferred from HRA,

- Savings assumptions of £127k in the 2017-18 base budget, in excess of Moving Forward targets,
- Increased Housing Benefit Overpayment Recovery in-year (£73k),
- Overspend of £78k within Environmental Services in relation to staff costs to cover sickness and vacancies to maintain core services,
- Loss of car park income of £43k due to theft of car park machine,
- Additional income from Planning Fees (£139k) and Building Control Fees (£44k),
- Initial cost of establishing the contracts and procurements team and slippage in achievement of contracts savings target of £55k,
- Additional income on investments (£86k) arising from increased interest rates and higher levels of reserves than budgeted, and
- Net underspends of (£126k) across other services due to vacancies, additional income achievement and reductions agreed following a series of budget challenge sessions during the year.

5.3.4 It is recommended that the net underspend of £14k be transferred to the Council Tax Reserve.

5.4 Housing Revenue Account (HRA) Revenue Outturn

5.4.1 The HRA delivered an in year underspend of £3,586k. This was mainly due to delays in the affordable housing capital programme which meant that a reduced level of capital spend was approved and there was, therefore, a reduced level of revenue contribution to support capital expenditure required (£3,977k). In addition a budget for alarm monitoring income of £151k which had been transferred to the General Fund in error has now been transferred back to the HRA. These underspends have been offset by an increase in HRA depreciation charges of £607k due to an uplift during the year in the 'social housing factor' used to assess the use for social housing. More detail is provided at **Appendix A - Tables 2**.

5.5 Reserves (GF and HRA)

5.5.1 General Fund Specific Reserves have reduced from £8.342m to £7.618m due to their use to support one-off pressures and service requirements. In addition a number of grants received in 2017/18 have been set aside for future allocated uses. Various items of expenditure have also been supported from reserves as previously planned. Further details are set out in **Appendix A - Table 3**.

5.5.1 The General Fund Reserve Balance remains at £2.064m. During 2018/19 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 any change is proposed to the level of this reserve.

5.5.2 The HRA General Reserve balance at 31st March 2018 is £12.752m. The Major Repairs balance has reduced from £6.7m to £6.43m as a result of capital funding requirements in excess of the annual contribution from Depreciation. More detail is provided at **Appendix A – Table 4**.

5.6 Capital – General Fund

5.6.1 The total General Fund Capital Programme for 2017-18 was £5.066m of which £3.687m had received specific scheme approval. Against this approved budget in year spend totalled £2.606m giving an underspend of £1.081m. The main areas of underspend relate to Disabled Facility and Decent Homes Grants, ICT infrastructure, purchase of the new

garden waste vehicle, Digital Vision and Industrial Estate re-roofing schemes. Unspent DFG grant will be carried forward into reserves for future use. Other schemes have experienced delays in scheme starts and will require slippage of £557k into the 2018/19 capital programme. The capital programme in respect of schemes still subject to approval (Growth Fund use, further Digital Vision use and grounds maintenance spend), will be slipped into a revised 2018/19 programme where still required.

5.6.2 Appendix A – Table 5 provides more information on the General Fund capital outturn position, how it was funded and the variances from budget.

5.6.3 Budget slippage from the 2017/18 programme and new emerging capital project funding requirements will require amendments to the 2018/19 programme. A revised capital programme will be presented in the Quarter 1 report for 2018/19.

5.7 Capital – HRA

5.7.1 The total HRA Capital programme for 2017/18 was £10.007m of which £6.156m had received specific scheme approval. Against this approved budget in-year spend totalled £3.369m, an underspend of £2.787m. The main reasons for this underspend relate to delays in the new build affordable housing programme and underspends on the decent homes programme of re-roofing, and kitchen and bathroom replacements.

5.7.2 The HRA capital programme in respect of schemes still subject to approval will be slipped into 2018/19 programme where still required.

5.7.3 Appendix A – Table 6 provides more information on the HRA capital outturn position, how it was funded and the variances from budget.

5.8 Capital - Other

5.8.1 During 2017/18 the Council received £1.539m in capital receipts, £1.318m of which related to the HRA. There were 19 houses sold under Right to Buy. More detail is provided at **Appendix A - Table 7**.

5.8.2 Appendix A - Table 8 also sets out the Council's ongoing capital financing requirement, the measure of the Council's underlying borrowing requirement.

5.9 Treasury Management

5.9.1 Appendix A provides more information on the investments held by the Council at 31 March 2018 (£38.9m). The average investments held during the year were £41.7m.

5.9.2 Interest earned on investments in 2017-18 was £259.3k (compared to the budget of £149.9k). This increase can be attributed to higher levels of investment balances being held and also higher than anticipated interest rate levels during the second half of the financial year.

5.9.3 Members are asked to note the Treasury Management position. More information on Treasury Management is available in the Treasury Annual Report which was considered by Governance and Audit Committee on 24 May, and will be considered by Full Council on 11 July 2018.

5.10 Moving Forward Programme

5.10.1 The Council funded £210k of Moving Forward expenditure from its reserves in 2017/18. This was less than the original estimate for the year due to a re-phasing of spend in line with the current plans for the programme. This programme is currently being reviewed.

5.10.2 The Council will continue to develop and implement its programme of service improvements. It will use its reserves to finance those projects which are aimed at delivering future savings and income generation.

6 WARDS/COMMUNITIES AFFECTED

6.1 Income and expenditure affect all wards of the Council.

7 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 2017/18 Estimates Report to Council February 2017 The 2018/19 Estimates Report to Council February 2018
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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Financial report for 2017/18 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.