

South Holland District Council

Financial Report for the Year Ending 31 March 2018

General Fund Revenue Outturn

The total General Fund (GF) budget requirement for the year was £11.4m as approved by Council on 22 February 2017.

The GF outturn position is an underspend of £14k (**Table 1**). This position required some support from reserves for unplanned expenditure and base budget issues. The use of reserves to support the budget is detailed at **Table 4**. The significant variances from budget that have contributed to the GF outturn position are detailed in **Table 2** below.

Table 1 – General Fund Revenue Outturn

Service Area	Note	Budget £'000	Actual Outturn £'000	Variance £'000
Commercialisation				
Commercialisation	1	(10)	93	103
Local Plan	2	6	57	51
Economic Development	3	79	107	28
Public Protection		432	421	(11)
Finance	4	(847)	(510)	337
Revenues and Benefits	5	450	370	(80)
Total – Commercialisation		110	538	428
Place				
Assets and Property	6	148	180	32
Building Control	7	109	61	(48)
Communities	8	1,183	1,078	(105)
Housing	9	182	164	(18)
Environmental Services	10	2,955	3,141	186
Planning	11	(216)	(348)	(132)
Investment properties	12	(62)	(76)	(14)
Total - Place		4,299	4,200	(99)
Strategy and Governance				
Corporate Improvement and Performance		132	141	9
Communications		122	115	(7)
Corporate Management	13	591	556	(35)
Democratic Services	14	1,106	1,032	(74)
HR	15	681	711	30
IT and Customer Services	16	1,166	1,147	(19)
Total - Strategy and Governance		3,798	3,702	(96)
Statutory recharge to the HRA for support services (*)				
		(880)	(1,041)	(161)
Internal Drainage Boards & Parish Precepts	17	3,064	3,051	(13)
Investment Income	18	(88)	(174)	(86)
Capital and Other Adjustments		-	-	-
Transfers to/from Reserves		1,098	1,098	-
Total Cost of Services		11,401	11,374	(27)
Financing				

Service Area	Note	Budget £'000	Actual Outturn £'000	Variance £'000
Government Grants	19	(3,133)	(3,420)	(287)
Council Tax		(5,416)	(5,416)	-
Retained Business Rates	20	(2,852)	(2,552)	300
Total Financing		(11,401)	(11,388)	13
Variance		-	(14)	(14)

(*) 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.

Notes to Table 1:

1. **Commercialisation +£103k** – Accounting adjustment due to alarm monitoring income transferred from HRA of £151k, offset by vacancy savings in Planning Policy.
2. **Local Plan +£51k** – additional professional fees incurred in excess of reserve
3. **Economic Development +£28k** – lower than anticipated rechargeable costs against Grants4Growth grant claims.
4. **Finance +£337k** - savings assumptions of £127k in the base budget, in excess of Moving Forward targets, corporate vacancy factor of £151k (offset by vacancies across service areas), increased banking charges of £28k due to use of Allpay and agency cover within finance team, offset by vacancies in Corporate Management.
5. **Revenues and Benefits (£80k)** – increased housing benefit overpayment recovery.
6. **Assets and Property +£32k** – additional professional fees, repairs and maintenance costs and additional rental payments.
7. **Building Control (£48k)** – additional fee income achieved.
8. **Communities (£105k)** – vacancies across the service area, overachievement of income targets at South Holland Centre, running cost savings at other sites and facilities including Ayscoughfee Hall and reduction in community grant requests.
9. **Housing (£18k)** – additional staff costs due to agency cover and increased B&B costs due to bad weather, offset by additional rent income and increased cost recovery through DFG management fees.
10. **Environmental Services +£186k** - Overspend of £78k in relation to staff costs to cover sickness and vacancies to maintain core services, increased vehicle running costs of £39k (insurance, fuel and maintenance) and loss of car park income of £43k due to theft of car park machine.
11. **Planning (£132k)** – additional fee income achieved.
12. **Investment properties (£14k)** – additional rent following reviews taking effect and planned maintenance savings.
13. **Corporate Management (£35k)** – net staff savings due to vacancies and SHDC share of tax liability.
14. **Democratic Services (£74k)** – vacancies and increased cost recovery for elections (£71k) and legal services savings of (£59k), offset by initial cost of establishing the contracts and procurements team and slippage in achievement of contracts savings target.
15. **HR +£30k** – additional staff training, iTrent costs and Apprentice Levy.
16. **IT and Customer Services (£19k)** – license cost savings of (£31k) offset by other service variations.
17. **IDB & Parish Precepts (£13k)** – IDB levy received after budget set.
18. **Investment Income (£86k)** - Additional income on investments arising from increased interest rates and higher levels of reserves than budgeted,
19. **Government Grants (£287k)** – additional Section 31 grant received.
20. **Retained Business Rates +£300k** – One off tariff payment due to the impact of revaluations from 1 April 2017. Additional renewable energy rate income.

Housing Revenue Account

Table 2 – HRA Revenue Outturn

Service Area	Note	Budget £'000	Actual Outturn £'000	Variance £'000
Rent Income - Dwellings		(15,024)	(15,029)	(5)
Charges for Services and Facilities	1	(946)	(1,220)	(274)
Contributions to Expenditure	2	(37)	(22)	15
Total Income		(16,007)	(16,271)	(264)
Repairs and Maintenance	3	3,211	3,188	(23)
Supervision and Management	4	2,965	3,157	192
Rents, rates, taxes and other charges		71	67	(4)
Depreciation	5	2,300	2,907	607
Movement in the allowance for bad debts	6	119	54	(65)
Statutory recharge to the HRA for support services	7	880	1,042	162
Total Expenditure		9,546	10,415	869
Contribution from Operations		(6,461)	(5,856)	605
Investment Income	8	(62)	(87)	(25)
Interest Payable on £67.456m		2,348	2,348	-
Capital expenditure charged in year	9	3,977	-	(3,977)
Other Adjustments	10	-	(189)	(189)
Net (Surplus)/Deficit		(198)	(3,784)	(3,586)

Notes to Table 2:

- Charges for Services and Facilities (£274k)** – accounting adjustment to include £151k alarm monitoring income, previously budgeted in the General Fund (offset by spend in supervision and management below), additional alarm income received in year and an increase in sewerage charge, sheltered housing and room hire income.
- Contributions to Expenditure +£15k** - Reduced repairs charged to outside bodies.
- Repairs and Maintenance (£23k)** - underspend on planned maintenance programme.
- Supervision and Management +£192k** - Inclusion of alarm monitoring spend and agency staff costs.
- Depreciation +£607k** - Budget was based on the social housing factor of 34% (value that the market value of council dwellings is discounted to take into account the existing use as social housing) - this was increased to 42% during the year.
- Movement in the allowance for bad debts (£65k)** - Reduced provision for rent arrears based on year end debt profile (The business plan includes an assumed annual increase in the provision to offset the impact of Welfare Reform).
- Statutory recharge to the HRA for support services +£162k** - Adjustment made to support service recharges to reflect inflationary uplift (prior year charges had been static), and revised facilities and legal charges following service reviews.
- Investment Income (£25k)** - Increased interest rates and revenue reserves
- Capital expenditure charged in year (£3,977k)** - No direct revenue financing of capital required in year
- Other Adjustments (£189k)** - Statutory and non statutory accounting requirements, offset by items within categories above, e.g. gain or loss on sale of non current assets, pensions adjustments etc.

RESERVES

Table 3 – General Fund Reserves

Reserve	Balance 31 March 2017 £'000	Contributions to Reserve £'000	Use of Reserve £'000	Balance 31 March 2018 £'000	Comments
Transformation	(809)	-	210	(599)	Use - To fund expenditure against approved Transformation projects
Investment and Growth	(4,753)	(1,140)	675	(5,218)	Contributions - New Homes Bonus £1,098k and Planning Grant £41k Uses - Green Waste £59k; Delivery Unit £76k; Priory Road £145k; base budget adjustment of £359k
Earmarked Grants	(254)	(139)	80	(313)	Contributions - flexible homelessness grant, custom housebuilding grant, S106 monies. Uses - HCA capacity funding.
Council Tax	(2,082)	(344)	1,127	(1,299)	Contributions – Insurance Reserve balance transferred in £220k; Grants for Growth £124k Uses – HIF Bid; Members’ Designated Budgets; Levy funding £295k; LDF; Spalding Special; Pride £100k; £301k budgeted use of 16/17 surplus, £325k support for increased tariff payments.
Insurance	(220)	-	220	-	Use : Reserve balance transferred to Council Tax Reserve
Replacement & Refurbishment	(225)	(136)	171	(189)	Contributions – annual budget contribution (£136k). Use - £171k use of Reserve to support in year planned maintenance programme
Total Specific GF Reserves	(8,342)	(1,759)	2,483	(7,618)	
General Reserve	(2,064)	-	-	(2,064)	
Total Reserves	(10,406)	(1,759)	2,483	(9,682)	

Table 4 – Housing Revenue Account Reserves

	Balance 31 March 2017	Contributions to Reserve	Use of Reserve	Balance 31 March 2018	Comments
	£'000	£'000	£'000	£'000	
HRA Working Balance:	(8,968)	(3,784)	0	(12,752)	Transfer of HRA surplus to reserve
HRA Insurance Reserve	(200)	0	0	(200)	
Major Repairs Reserve	(6,696)	(2,907)	3,168	(6,435)	HRA depreciation contribution to MRR is used to fund the capital programme in future years. The transfer from MRR in-year was used to fund 17/18 capital programme spend
	(15,864)	(6,691)	3,168	(19,387)	

CAPITAL PROGRAMME

Table 5 – General Fund Capital Outturn

Project	Note	Budget 2017/18 £'000	Actual Outturn 2017/18 £'000	Variance (under)/ overspend £'000
Disabled Facilities Grants	1	585	377	(208)
Decent Homes Unfit and Disrepair	1	75	36	(39)
Welland Homes	2	1,007	1,121	114
Travellers Sites	3	201	-	(201)
ICT Infrastructure	4	336	127	(209)
Council Chamber Conference System		28	28	-
Grants for Growth	5	371	452	81
Garden Waste (bins and vehicle)	6	240	59	(181)
SHDC Self Service Reception		51	51	-
Digital Vision	4	182	10	(172)
Warden Tree Industrial Estate	7	47	-	(47)
Fleet Road Industrial Estate	7	55	-	(55)
Railway Lane Industrial Estate	7	65	-	(65)
Appropriation of Land	8	94	-	(94)
Priory Road DWP Works		350	345	(5)
Total Approved Schemes		3,687	2,606	(1,081)
Financed By:				
Capital Receipts		807	165	642
Capital Grants and Contributions		1,233	1,065	168
Internal Borrowing		1,006	1,121	(115)
Revenue Resources		641	255	386
		3,687	2,606	1,081
Schemes Subject to Approval				
Grounds maintenance	9	50	-	(50)
Digital vision	10	329	-	(329)
Growth Fund	11	1,000	-	(1,000)
Total		1,379	-	(1,379)
Financed By:				
Capital Receipts		329	-	329
Revenue Resources		1,050	-	1,050
		1,379	0	(1,379)
Total All Schemes		5,066	2,606	(2,460)

Notes to Table 5:

- 1. Disabled Facilities Grants (£247k)** - Scheme referrals from LCC less than available LA funding (unused balance to capital grants unapplied reserve for future spend). Additional Grant funding received from Government fully used.
- 2. Welland Homes +£114k** - Issue of Development Loan in 2017-18 as per revised Business Plan approved by Council in March 2018.
- 3. Travellers Sites (£201k)** - No spend against the provision for Travellers' Sites while the project is re-assessed. Scheme to be removed from capital programme and then reinstated in 2018/19 when clearer plans exist.
- 4. ICT Infrastructure and Digital Vision (£381k)** - Slipped Digital Vision 2016-17 budget (£172k) not fully utilised. Underspend of the ICT Infrastructure investment (£206k) to be slipped into 2018-19 due to a delay in device refresh and Office 365 work.
- 5. Grants for Growth +£81k** - Additional spend supported by grant income.

6. **Garden Waste bins and vehicles (£181k)** - Bins procured. Garden Waste vehicle now due to be delivered during 2018-19.
7. **Property (£167k)** - Industrial Units re-roofing now scheduled for 2018-19.
8. **Appropriation of Land (£94k)** - No monetary transaction – transfer from HRA to General Fund and subsequently sold for development.
9. **Environmental Services (£50k)** - Revised vehicle/plant replacement programme has been agreed by Council and due to commence during 2018-19.
10. **Digital Vision (£329k)** - 2017-18 Digital Vision not allocated to a project. Budget will be slipped into 2018-19 with new projects for spend to be approved.
11. **Growth Fund (£1,000k)** - Not allocated to a specific scheme.

Table 6 – Housing Revenue Account Capital Outturn

Project	Budget 2017/18 £'000	Actual Outturn £'000	Variance (under)/ overspend £'000	Note
Central Heating Upgrade	1,317	1,341	24	1
Kitchen and Bathroom Replacement	1,454	1,043	(411)	1
Electrical Upgrade	107	77	(30)	1
Renewable Energy/Energy Efficiency	125	128	3	1
Other Component Replacements	211	-	(211)	1
Council House – Re-Roofing	701	146	(555)	1
Fees	219	-	(219)	1
Decent Homes	4,134	2,735	(1,399)	
Sewerage Treatment Plant	65	25	(40)	2
The Square	63	5	(58)	2
Major Area Schemes	128	30	(98)	
ICT Infrastructure	184	186	2	
IT/System	184	186	2	
Major Adaptions	400	346	(54)	3
Aids & Adaptions	400	346	(54)	
New Build	1,145	-	(1,145)	4
Buy Back – Shared Ownership	165	72	(93)	5
Total Approved Schemes	6,156	3,369	(2,787)	
Financed By:				
Capital Receipts	528	186	342	
Direct Revenue Funding	759	-	759	
Major Repairs Reserve	4,869	3,168	1,701	
Grants and Contributions	-	15	(15)	
	6,156	3,369	2,787	
Schemes Subject to Approval				
Affordable Housing	3,851	-	(3,851)	6
Financed By:				
Capital Receipts	633	-	633	
Direct Revenue Funding	3,218	-	3,218	
	3,851	-	3,851	
Total HRA	10,007	3,369	(6,638)	

Notes to Table 6:

1. **Decent Homes (£1,399k)** – Schemes not progressed as planned. Assumed roof lives extended and new contract let in 2017 for replacement of concrete gutters, contractual issues in relation to the Kitchen and Bathrooms programme and slippage in the component replacement programmes.
2. **Major Area Schemes (£98k)** – Delays in tender for The Square and only one sewerage treatment completed, project to be continued in 2018/19.
3. **Aids & Adaptations (£54k)** – Programme is demand-led due to the nature of the works.
4. **New Build (£1,145k)** – Weston Development and Seven Road – phasing for delivery of schemes.
5. **Buy Back Shared Ownership (£93k)** – One shared ownership property purchased during 2017-18.
6. **New Build (£3,851k)** - Balance carried over from 2016/17 - new build programme currently being reviewed.

Capital Receipts

Table 7 – Capital Receipts 2017-18

There were 19 right-to-buy sales during the year. The total receipts for 2017/18 were £1.5m, before administration costs and pooling payments, compared to a budget of £1.2m. All Capital Receipts relate to the HRA with the exception of the repayment of Decent Homes loans (£26k) and land sales (£195k)..

Description	2017-18 Receipts £'000
Right to Buy	(1,240)
Land Sales	(195)
Mortgages repaid	(1)
Town Husband Repaid	(1)
Repayment of RTB Discount	(76)
Repayment of Grants (GF)	(26)
Total	(1,539)

Capital Financing Requirement (CFR)

Table 8 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 2017/18. Where the CFR is positive it denotes the need to borrow.

Table 8 – Capital Financing Requirement

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
CFR – Non HRA	2,557	3,847	5,555	8,615
CFR – HRA	68,609	68,439	68,439	68,439
Total	71,166	72,286	73,994	77,054
Movement in CFR	1,274	1,120	1,708	3,060

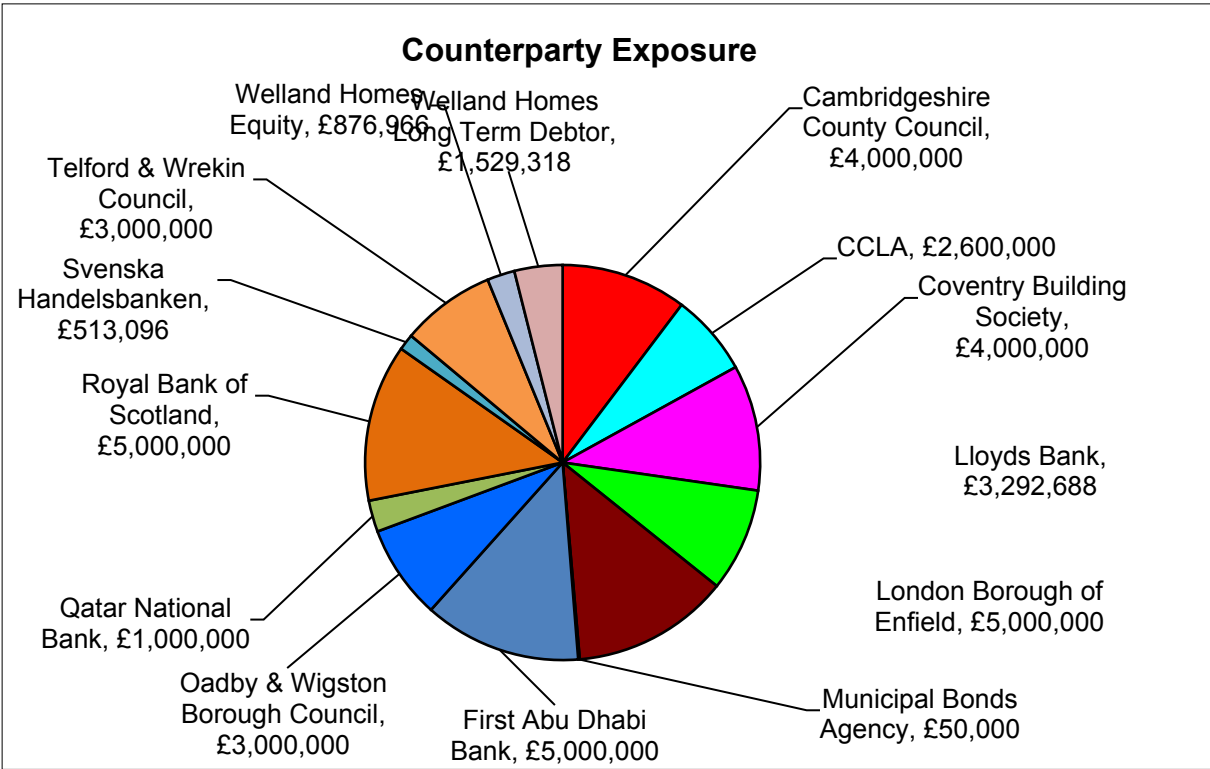
Treasury

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.

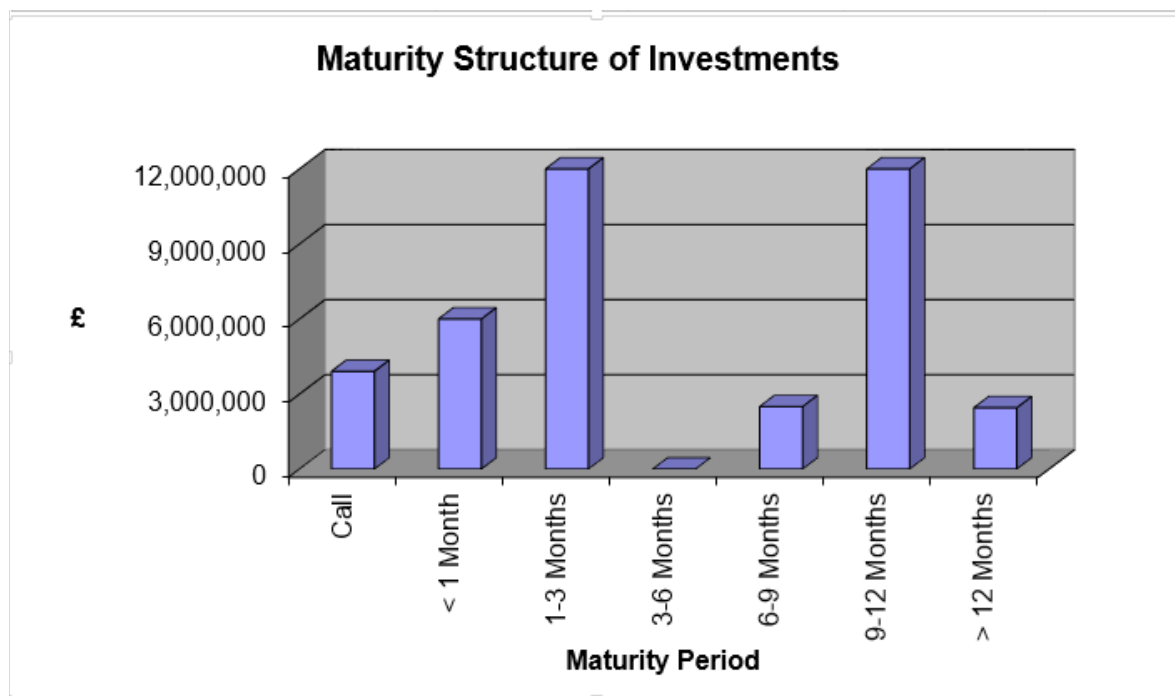


Cash

The Council's average level of deposits during 2017/18 was £41.7m. As at 31 March 2018 investments held were £38.9m of which £3.9m was instant access cash available to meet cash flow requirements. Longer term investments were made up of:

- £32.5m - short term investments up to 12 months
- £877k - Welland Homes equity
- £50k – Municipal Bond Agency Equity
- £1.529m - loans to Welland Homes

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



Yield

Budgeted Interest 2017/18	£149.9k (£87.9k Gen.Fund and £62k HRA)
Actual Interest achieved 2017/18	£259.3k (£172.8k Gen.Fund and £86.5k HRA)
Target yield (Average 3 month LIBID)	0.286%
Actual Yield achieved for 2017/18	0.622%
Actual Yield achieved for 2016/17	0.554%

The increased levels of investment interest achieved 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.

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.