

SOUTH HOLLAND DISTRICT COUNCIL

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

To: Cabinet 11 September 2018

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

Subject: Q1 Finance Report 2018-19

Purpose: This report provides information on Quarter 1 (to 30 June 2018) and forecast full year financial position of the Council

Recommendations to Cabinet:

- 1) That the report and **Appendix A** be noted.
- 2) That the revised General Fund and HRA Capital Programmes be approved and recommended to Council
- 3) That the contributions to and use of reserves be agreed in line with para 5.4 and **Appendix A, Tables 3 and 4** of this report.

1.0 BACKGROUND

1.1 This report provides information on the full year financial forecasts at 30th June 2018 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 2018/19 (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 to date in 2018-19, to recommend an adjusted capital programme 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 forecast 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 General Fund Revenue Outturn

5.2.1 The Q1 report is currently forecasting a net service overspend in the General Fund of £58k. This is made up of a number of variances across services. The forecast outturn position by Directorate is detailed at **Appendix A – Table 1** together with an analysis of service variations. The main estimated budget variations are :

- A net service pressure of £138k in Environmental Services resulting from:
 - Staff cost pressures due to the level of demand in the Waste service and the need to cover sickness and vacancies.
 - Income pressures in the area of car parking
 - Vehicle running cost pressures from increased fuel cost pressures.
 - Offsetting savings in green waste due to not needing marketing spend for the promotion of the new service.
- Additional Fee income forecast in Planning (£70k) and Building Control (£28k)
- Additional Investment Income of £25k
- Additional Government S31 grant income and renewable energy income of £46k
- Potential staff cost pressures in Housing £64k – to be reviewed
- Corporate Management operating costs £7k
- Various other forecasted pressures and savings across a number of services giving a net £58k pressure, as detailed in **Appendix A**.

5.2.2 In addition, £254k of potential pressures in Moving Forward savings that have been built into the budget but which have currently not been allocated to specific projects

5.2.3 The position above also assumes that a number of moving forward savings that have been built into service budgets will be fully delivered. More detail on the Moving Forward programme is provided below.

5.3 Housing Revenue Account (HRA) Revenue Outturn

5.3.1 The HRA is forecasting a £67k reduction in its surplus budget. This is mainly due to cost pressures on repairs and maintenance. More detail is provided at **Appendix A - Table 2**.

5.4 Reserves (GF and HRA)

5.4.1 General Fund Specific Reserves are currently forecast to increase from £7.6m to £8.1m based on a reduced forecast use of reserves in 2018/19. However, at this stage in the year this position is likely to change depending upon future changes in revenue and capital commitments. Further details are set out in **Appendix A - Table 3**.

5.4.2 The General Fund Reserve Balance remains at £2.078m. 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.

5.4.3 The HRA General Reserve balance is forecast to increase from £12.752m to £15.798m. The Major Repairs balance is forecast to reduce from £6.4m to £4.6m as a result of capital funding requirements in excess of the annual contribution from Depreciation. More detail is provided at **Appendix A – Table 4**.

5.5 Capital – General Fund

5.5.1 The total original approved General Fund Capital Programme for 2018-19 was £4.083m of which £3.654m had received specific scheme approval. Since the programme was approved at Council in February there have been a number of changes to the programme. Some of these schemes have been reported and approved through Council and some approved through delegated authority. **Appendix A Table 5** details the changes required to the capital programme and the funding of the programme. The new programme requiring approval totals £4.648m of which £4.346m is aligned to specific schemes and a balance of £302k relates to potential Digital Vision schemes which still need to be developed and approved.

5.5.2 Cabinet are asked to recommend that Council approves this revised capital programme.

5.5.3 There are a number of potential capital schemes that are being developed and which may come forward for inclusion in the 2018/19 or 2019/20 capital programme. These include:

- Replacement of CRM system (2019/20)
- CSU Vehicle Replacement
- Member device refresh (2019/20)

5.5.4 **Table 6** and the explanatory notes details the current forecast outturn (£4,079m) against the revised capital programme of approved schemes (£4.346m). The main areas of projected underspend relate to DFGs and the purchase cost of the new garden waste vehicle.

5.6 Capital – HRA

- 5.6.1** The total original approved HRA Capital programme for 2018/19 was £9.22m. **Table 7** details the changes required to the capital programme and the funding of the programme. The new programme requiring approval totals £7.45m. The reduction is due to the slippage of the Weston and Severn Road Schemes.
- 5.6.2** Table 8 and the explanatory notes provides detail on the forecast outturn expenditure of £5.079m, and the projected underspend of £2.371m. The main reasons for this projected underspend related to the Purchase of Units Scheme.
- 5.6.3** It is recommended that approval be given to move £300K from the affordable housing budget for 2020/21 into 2019/20. This is to support the proposed acquisition of s.106 affordable housing units from a local developer. Together with the £2M in the 2018-19 budget this will give £2.3M to service the proposed investment in 24 properties through the developer.

5.7 Capital - Other

- 5.7.1** To date the Council has received £414k in capital receipts, from 7 right to buy sales.

5.8 Treasury Management

- 5.8.1** **Appendix A** provides more information on the investments held by the Council at 30 June 2018 (£40.8m). The average investments held during the year were £42.6m.
- 5.8.2** Interest earned on investments during Quarter 1 was £84.1k compared to the profiled budget of £64.3k. This increase can be attributed to higher levels of investment balances being held and also higher than anticipated interest rate levels in the market. Investment earnings will need to be reviewed quarter 2 due to the base rate increase on 2 August 2018.
- 5.8.3** The 2018/19 budget for investment interest was set at £258k and the estimated outturn is £300k.
- 5.8.4** Members are asked to note the Treasury Management position. A mid-term treasury report will be submitted to the Governance and Audit Committee on 18 October 2018.

5.9 Moving Forward Programme

- 5.9.1** The Moving Forward Programme has a savings target of £985k in 2018-19. Of this, £731k has been allocated to services as savings or additional income targets. The largest area of risk in this total is in procurement and contract management, where a saving of £54k is required in 2018/19, rising to £171k by 2020/21.
- 5.9.2** The balance of £254k is sitting in Corporate Improvement as an unallocated savings target. A Star Chamber process is currently underway to scrutinise embedded savings and to look

for further savings. Managers will be tasked with identifying projects and work streams to meet this target.

5.9.3 The Council's 2018-19 budget includes £343k of Moving Forward expenditure funded from reserves. The current forecast assumes that this budget will be spent in-year. The Moving Forward programme is currently being reviewed.

5.9.4 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 2018/19 Estimates Report to Council February 2018

Lead Contact Officer:

Name and Post: Jane Crosby, Head of Finance

Telephone Number

Email: jane.crosby@cpbs.com, ray.fleming@cpbs.com

Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Q1 Financial report for 2018/19 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.