

South Holland District Council

Financial Report for the Quarter Ending 30 June 2018

This report has five sections

- Section 1 – General Fund Revenue budget
- Section 2 - HRA Budget
- Section 3 - Reserves
- Section 4 – Capital budget
- Section 5 – Treasury update

General Fund Revenue Outturn

Based on the information as at 30 June 2018, Table 1 below details the forecast out-turn against the approved budget for 2018-19 of £13m.

Significant variances to the approved budget are detailed in the notes below.

The forecast outturn is estimated at a £58k overspend compared to the revised budget. In addition there is an unallocated Moving Forward savings target of £254k to be met. A Star Chamber process is currently underway to scrutinise embedded savings and to look for further savings.

Table 1 – General Fund Revenue Outturn

Service Area	Note	Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Commercialisation				
Commercialisation	1	310	271	(39)
Economic Development	2	132	131	(1)
Public Protection	3	405	382	(23)
Finance	4	643	643	0
Revenues and Benefits	5	473	479	6
Total – Commercialisation		1,963	1,906	(57)
Place				
Assets and Property	6	207	207	0
Building Control	7	25	(12)	(37)
Communities	8	1,170	1,168	(2)
Environmental Services	9	3,040	3,178	138
Housing	10	181	245	64
Planning	11	(227)	(294)	(67)
Investment properties	12	(152)	(152)	0
Total - Place		4,244	4,340	96
Strategy and Governance				
Corporate Improvement and Performance	13	220	204	(16)
Communications	14	122	128	6
Corporate Management	15	520	527	7
Democratic Services	16	1,023	1,021	(2)
HR	17	741	745	4
IT and Customer Services	18	1,174	1,175	1
Total - Strategy and Governance		3,800	3,800	0

Service Area	Note	Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Statutory recharge to the HRA for support services (*)		(1,332)	(1,332)	0
Internal Drainage Boards & Parish Precepts	19	3,178	3,178	0
Investment Income	20	(196)	(221)	(25)
Capital and Other Adjustments		0	0	0
Transfers to/from Reserves		1,556	1,647	91
Total Cost of Services		13,213	13,318	105
Financing				
Government Grants	21	(2,213)	(2,242)	(29)
Council Tax	22	(5,722)	(5,722)	0
Retained Business Rates	23	(5,024)	(5,042)	(18)
Total Financing		(12,959)	(13,006)	(47)
Net Service Variance		254	312	58
Moving Forward Savings Target (**)		(254)	0	254
Net Variance		0	312	312

(*) 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.

(**) The Moving Forward Service Target represents Moving Forward savings assumptions built into the budget but not yet allocated to services or work streams. Managers will be tasked with identifying projects and activities to meet this savings target, but until then it is a risk to the Council.

Notes to Table 1:

- Commercialisation (£39k)** – Vacant posts in Planning Policy, Housing Development Programme Management and Delivery Unit (partially offset by Agency expenditure).
- Economic Development (£1k)** – vacant post in Economic Development, to be used to fund a Council contribution to Opportunity Peterborough
- Public Protection (£23k)** – salary underspend due to vacant posts (£34k) with offsetting use of external professional staff and increased costs of transport.
- Finance £0k** –. Bank charges to be reviewed in Q2. No material variances.
- Revenues and Benefits +£6k** – No material variance at this stage, however full impact of introduction of Universal Credit not known at this stage. To be reviewed in Q2.
- Assets and Property £0k** – No material variances.
- Building Control (£37k)** – Additional fee income (£20k), (£9k) trainee vacancy, (£8k) additional consultancy fee income.
- Community Development (£2k)** – there are a number of minor over and underspends within the service.

9. **Environmental Services +£138k** - Overspend of £80k in relation to staff costs to maintain core services (additional agency used due to establishment budget issues and to cover sickness and vacancies); Salary Efficiency Target £50k (allocation of this target to services to be reviewed); increased vehicle running costs of £9k due to increased fuel prices and loss of car park income of £27k due to delay in replacement of car park machines. Garden Waste £35k under spent due to not requiring budgeted marketing costs of new rounds and under spends on maintenance; other variances £7k.
10. **Housing £64k** – Resourcing requirements for the team are currently under review. A revised forecast will be presented in the Q2 report.
11. **Planning (£67k)** – forecast additional £70k fee income.
12. **Investment properties £0k** – No material variances.
13. **Corporate Improvement and Performance (£16k)** - Underspend on staff costs.
14. **Communications +£6k** – Agency and staff recruitment costs.
15. **Corporate Management +£7k** – staff costs.
16. **Democratic Services (£2k)** – minor variances in staff costs off-set by additional Legal Services income. Note that the current forecast assumes that the Procurement savings target for the year of £54k will be met. To date savings of £19k have been identified for 2018/19.
17. **HR +£4k** - additional Itrent support with Phase 3 (contract with Breckland and SHDC) to be reviewed for 19-20.
18. **IT and Customer Services +£1k** – additional software license costs partially off-set by additional recharge to Breckland and reserves.
19. **IDB & Parish Precepts £0k** – Forecast to be on budget
20. **Investment Income (£25k)** – Additional income on investments arising from increased interest rates and higher levels of cash balances than budgeted.
21. **Government Grant (£29k)** – Forecast additional s31 grant relating to Business Rates.
22. **Council Tax £0k** – No variance in year.
23. **Retained Business Rates (£18k)** – Renewable energy disregard gain from 2017/18.

Housing Revenue Account

Table 2 – HRA Revenue Outturn

Service Area	Note	Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Rent Income - Dwellings		(14,713)	(14,713)	-
Charges for Services and Facilities	1	(1,154)	(1,156)	(2)
Contributions to Expenditure	2	(37)	(37)	-
Total Income		(15,904)	(15,906)	(2)
Repairs and Maintenance	3	3,285	3,412	127
Supervision and Management	4	2,693	2,660	(33)
Rents, rates, taxes and other charges	5	77	69	(8)
Depreciation	6	2,923	2,923	-
Movement in the allowance for bad debts	7	169	169	-
Statutory recharge to the HRA for support services	8	1,332	1,332	-
Total Expenditure		10,479	10,565	86
Contribution from Operations		(5,425)	(5,341)	84
Investment Income	9	(62)	(79)	(17)
Interest Payable on £67.456m		2,348	2,348	-
Capital expenditure charged in year		-	-	-
Other Adjustments		-	-	-
Net (Surplus)/Deficit		(3,139)	(3,072)	67

Notes to Table 2:

- Charges for Services and Facilities (2k)** –Room hire within sheltered housing is forecast to be £2K up. This is a demand driven income.
- Contributions to Expenditure** – The forecast is as budgeted
- Repairs and Maintenance +£127k** – A series of salary adjustments (£30K) and residual costs on last year's place savings (£83K) accounts for the majority of the projected overspend.
- Supervision and Management (£8k)** –The forecast has been reduced by £30K due to due to a reassessment of the costs of general fund staff charged to the HRA. Furniture & equipment on sheltered housing will generate a saving of £28K. Staff training is expected to increase by £15K, and a General Fund charge for £30K for footpath lighting has been added.
- Rents Rates Taxes and Other Charges (£8k)** – Actual levels for sheltered housing council tax less than budgeted.
- Depreciation** – The forecast is as budgeted
- Movement in the allowance for bad debts +0k** – Provision was set high due to impact of universal credit but could be reassessed following information received regarding the collection of tenants rent post-UC. Forecast kept at budget level - to be reviewed in Q2.
- Statutory recharge to the HRA for support services** – The forecast is as budgeted
- Investment Income (£17k)** - Increased interest rates.

RESERVES

Table 3 – General Fund Reserves

Reserve	Balance 31 March 2018 £'000	Contributions to Reserve £'000	Use of Reserve £'000	Balance 31 March 2019 £'000	Comments
Transformation	(599)		420	(179)	Use – Priory Road self-serve portals £10k; GIS system £13k; Car Park machines £34k; Leisure provision £19k; South Holland Centre future options £100k; Moving Forward initiatives to be identified £244k
Investment and Growth	(5,218)	(1,007)	492	(5,733)	Contributions - New Homes Bonus £1,007k Uses – Grounds Maintenance vehicles £46k; HIF programme manager £53k; Kings Road access legal costs £13k Garden Waste vehicles £160k; Growth feasibility/investigations funding £100k; Delivery Unit resourcing £110k (to be reviewed); Priory Road works £10k
Earmarked Grants	(313)		55	(258)	Uses - HCA capacity funding.
Council Tax	(1,299)	(722)	385	(1,636)	Contributions – Business Rates Surplus from 2017/18 £722k Uses – South Holland Centre Emergency Works £250k; Information Governance £28k; Pride in South Holland £85k; Spalding Specials £4k; Castle Sports Complex boiler replacement £18k
Replacement & Refurbishment	(189)	(136)	77	(248)	Contributions – annual budget contribution (£136k). Use - £77k use of Reserve to support in year planned maintenance programme
Total Specific GF Reserves	(7,618)	(1,865)	1,429	(8,054)	
General Reserve	(2,078)			(2,078)	
Total Reserves	(9,696)	(1,865)	1,429	(10,132)	

Table 4 – Housing Revenue Account Reserves

	Balance 31 March 2018	Contributions to Reserve	Use of Reserve	Balance 31 March 2019	Comments
	£'000	£'000	£'000	£'000	
HRA Working Balance:	(12,752)	(3,068)		(15,820)	Transfer to MRR of forecast HRA surplus
HRA Insurance Reserve	(200)	0	0	(200)	
Major Repairs Reserve	(6,435)	(2,923)	4,766	(4,592)	HRA depreciation contribution to MRR is used to fund the capital programme in future years. The transfer from MRR in-year is being used to fund 18/19 capital programme spend
	(19,387)	(5,991)	4,766	(20,612)	

CAPITAL PROGRAMME

The table below and the following notes detail the changes required to the original approved capital programme (as approved at Council in February as part of the budget setting report).

Table 5 – Revised General Fund Capital programme

Project	Note	Original Budget 2018/19 £'000	Amendment £'000	Revised Budget 2018/19 £'000
Disabled Facilities Grants		585	-	585
Decent Homes Unfit and Disrepair		75	-	75
Welland Homes		1,708	-	1,708
GIS System		18	-	18
ICT Infrastructure		205	-	205
Self Serve Reception	1	-	10	10
Smart Screens	2	-	27	27
Garden Waste (vehicle)	3	-	181	181
Car Park Machines	4	-	38	38
Grounds Maintenance Vehicle	5	-	50	50
Grants for Growth		896	-	896
South Holland Centre	6	-	250	250
Warden Tree Industrial Estate	7	47	(47)	-
Fleet Road Industrial Estate	7	55	(55)	-
Railway Lane Industrial Estate	7	65	(65)	-
Priory Road – Heating and Access	8	-	160	160
Shared Public Protection Software	9	-	55	55
Crease Drove Industrial Project	10	-	70	70
Castle Sports Centre Boiler	11	-	18	18
Total Approved Schemes		3,654	692	4,346
Financed By:				
Capital Receipts		372	(70)	302
Capital Grants and Contributions		1,565	-	1,565
Internal Borrowing		1,708	-	1,708
Revenue Resources		9	762	771
		3,654	692	4,346
Schemes Subject to Approval				
Grounds maintenance	12	50	(50)	-
Digital Vision	13	329	(27)	302
Priory Road	14	50	(50)	-
Total		429	(127)	302
Financed By:				
Capital Receipts		329	(27)	302
Revenue Resources		100	(100)	-
		429	(127)	302
Total All Schemes		4,083	-	4,648

Notes to Table:

1. **Self Serve Reception (£10k)** – Scheme originally approved in 2017-18. Additional spend required in 2018-19 to allow self-serve units to function as required. Funded by Transformation Programme Reserve.

2. **Smart Screens (£27k)** – Element of Digital Vision project (Note 13 - below the line scheme) to be allocated to smart screen upgrade in Meeting Rooms. Funded by Capital Receipts. Digital Vision allocation (note 13) reduced and this element moved to approved schemes.
3. **Garden Waste (£181k)** – Part of the 2017-18 Capital programme. Vehicle delivery delayed and slipped to 2018-19. Funded by Investment and Growth Reserve.
4. **Car Park Machines (£38k)** – £34k agreed at Moving Forward board. Funded by Transformation Reserve. Additional approved for machine upgrade (£4k). Total programme now (£38k).
5. **Grounds Maintenance (£50k)** – Grounds Maintenance Vehicle replacement report agreed at Council – April 2018. Funded by Reserves. Below the line scheme - Note 12 adjusted and moved to approved schemes.
6. **South Holland Centre (£250k)** – Agreed at Council 16th May 2018
7. **Industrial re-roofing** – Schemes to be fundamentally reviewed by the service and revisited with revised costings during 2019-20.
8. **Priory Road (£160k)** – Heating and Access to be funded by the Investment and Growth Reserve.
9. **Shared Public Protection Software** – Joint procurement of Shared Public Protection software with Breckland. Total Capital investment estimated to be £72K of which £55K is forecast for 2018-19. Funded by Transformation Reserve.
10. **Crease Drove Industrial Project** – Scheme originally programmed for 2019-20 and 2020-21. Agreement to accelerate the scheme for planning application and design/ tendering work.
11. **Castle Sports (£18k)** – Replacement of Castle Sports Boiler System to be funded from Council Tax Reserve.
12. **Grounds Maintenance** – See note 5 above.
13. **Digital Vision** – See note 2 above
14. **Priory Road** – Budget to be de-committed, as required works are revenue costs.

It is recommended that Cabinet proposes the revised 2018-19 Capital Programme be approved by Council.

Other potential future schemes identified through Capital Working Group and ICT/Customer Governance Board

Several schemes have been identified at the various working groups which may require the Capital programme to be amended in the future. These include:

1. Replacement of CRM system (2019/20)
2. CSU Vehicle Replacement
3. Member device refresh (2019/20)

Based on the revised capital programme detailed at Table 5 above, Table 6 and its explanatory notes show the current estimated outturn position for the revised General Fund Capital Programme.

Table 6 – General Fund Forecast Capital Outturn

Project	Note	Revised Budget 2018/19 £'000	Forecast Outturn 2018/19 £'000	Variance (under)/ overspend £'000
Disabled Facilities Grants	1	585	400	(185)
Decent Homes Unfit and Disrepair		75	25	(50)
Welland Homes		1,708	1,708	-
GIS System	2	18	21	3
ICT Infrastructure		205	205	-
Self Serve Reception		10	10	-
Smart Screens		27	27	-
Garden Waste (vehicle)	3	181	160	(21)
Car Park Machines		38	38	-
Grounds Maintenance	4	50	46	(4)
Grants for Growth		896	896	-
South Holland Centre		250	250	-
Castle Sports		18	18	-
Shared Public Protection Software		55	55	-
Crease Drove Industrial Project		70	70	-
Priory Road – Heating and Access		160	160	-
Total Approved Schemes		4,346	4,089	(257)
Financed By:				
Capital Receipts		302	302	-
Capital Grants and Contributions		1,565	1,330	(235)
Internal Borrowing		1,708	1,708	-
Revenue Resources		771	749	(22)
		4,346	4,089	(257)
Schemes Subject to Approval				
Digital Vision		302	-	(302)
Total		302	-	(302)
Financed By:				
Capital Receipts		302	-	(302)
Revenue Resources		-	-	-
		302	-	(302)
Total All Schemes		4,648	4,089	(559)

Notes to Table 6:

1. **Disabled Facilities Grants (£185k)** – Forecast expenditure is based on current scheme referrals from LCC. (Any unused grant will be transferred to the capital grants unapplied reserve for future spend).
2. **GIS System +£3k** – Upon system implementation further requirements were identified. 50% of the overspend funded by a capital contribution from Breckland.
3. **Garden Waste (£21k)** – Vehicle costs less than estimated.
4. **Ground Maintenance Equipment (£4k)** – Grounds Maintenance Equipment less than estimated.

Table 7 – Revised HRA Capital programme 2018-19

Project	Note	Original Budget 2018/19 £'000	Amendment £'000	Revised Budget 2018/19 £'000
Central Heating Upgrade	1	1,481	133	1,614
Kitchen and Bathroom Replacement		1,169	-	1,169
Electrical Upgrade	2	122	34	156
Renewable Energy/Energy Efficiency	1	133	(133)	-
Gutters		263	-	263
Council House – Re-Roofing		425	-	425
Doors and Windows		3	-	3
Chimneys		252	-	252
Paths and Drives		36	-	36
Boundary Walls		90	-	90
Smoke Alarms	2	34	(34)	-
Fees		201	-	201
Decent Homes		4,209	-	4,209
Sewerage Treatment Plant		100	-	100
Car Parks		65	-	65
Trinity Court	3	50	(50)	-
The Square		187	-	187
Major Area Schemes		402	(50)	352
Housing IT System		150	-	150
ICT Strategy		51	-	51
IT/System		201	-	201
Major Adaptions		408	-	408
Aids & Adaptions		408	-	408
Weston Redevelopment Scheme	4	1,000	(750)	250
Purchase of Units		2,000	-	2,000
Severn Road Development Scheme	4	1,000	(970)	30
Affordable Housing		4,000	(1,720)	2,280
Total Approved Schemes		9,220	(1,770)	7,450
Financed By:				
Capital Receipts		1,120	(516)	604
Direct Revenue Funding			-	-
Major Repairs Reserve		8,100	(1,254)	6,846
Grants and Contributions		-	-	-
		9,220	(1,770)	7,450

Notes to Table 7:

1. **Central Heating Upgrade** – Renewable Energy scheme part of 2018-19 Central Heating Programme.
2. **Electrical upgrade** – Smoke Alarm scheme part of 2018-19 Electrical Upgrade programme
3. **Trinity Court** – Work carried out in 2017-18.
4. **New Build** – Based on revised Business Plan. Remaining budget to be slipped into 2019-20

It is recommended that Cabinet proposes the Trinity Court HRA Capital programme be de-committed due to work having been completed in 17-18

Table 8 – Housing Revenue Account Forecast Capital Outturn

Project	Note	Revised Budget 2018/19 £'000	Forecast Outturn £'000	Variance (under)/ overspend £'000
Central Heating Upgrade	1	1,614	1,414	(200)
Kitchen and Bathroom Replacement		1,169	1,113	(56)
Electrical Upgrade		156	150	(6)
Gutters		263	263	-
Council House – Re-Roofing		425	425	-
Doors and Windows	2	3	3	-
Chimneys	2	252	252	-
Paths and Drives	2	36	36	-
Boundary Walls	2	90	90	-
Fees		201	201	-
Decent Homes		4,209	3,947	(262)
Sewerage Treatment Plant		100	100	-
Car Parks		65	65	-
The Square		187	187	-
Major Area Schemes		352	352	-
Housing IT System		150	150	
ICT Strategy		51	-	(51)
IT/System		201	150	(51)
Major Adaptions		408	350	(58)
Aids & Adaptions		408	350	(58)
Weston Redevelopment Scheme		250	250	-
Purchase of Units	3	2,000	-	(2,000)
Severn Road Development Scheme		30	30	-
Affordable Housing		2,280	280	(2,000)
Total Approved Schemes		7,450	5,079	(2,371)
Financed By:				
Capital Receipts		604	313	(291)
Direct Revenue Funding			-	-
Major Repairs Reserve		6,846	4,766	(2,080)
Grants and Contributions		-	-	-
		7,450	5,079	(2,371)

Notes to Table 8:

1. **Central Heating (£200k)** – Programme valuation reduced.
2. **Chimneys, Paths/Drives, Boundary Walls, Car Parks, Smoke alarms and The Square** – Contracts on procurement planner, intention to spend the budget but will need monitoring to see when the works start on site and revising this figure if necessary. Smoke alarms forecast included in electrical upgrade programme resulting in variance.
3. **Purchase of Units – (£2,000k)** Offer made for acquisition of units.

Capital Receipts

They have been 7 right-to-buy receipts in the year to date, resulting in total receipts of £414k.

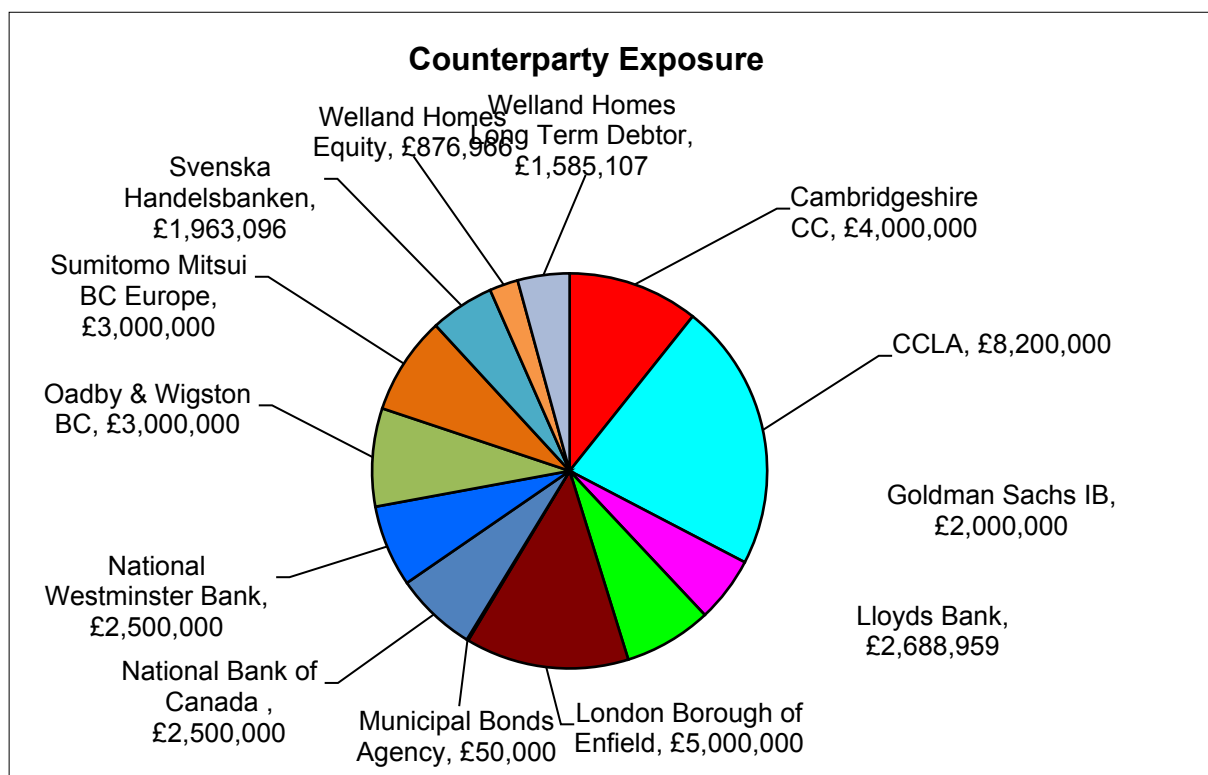
Treasury

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 Link 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.

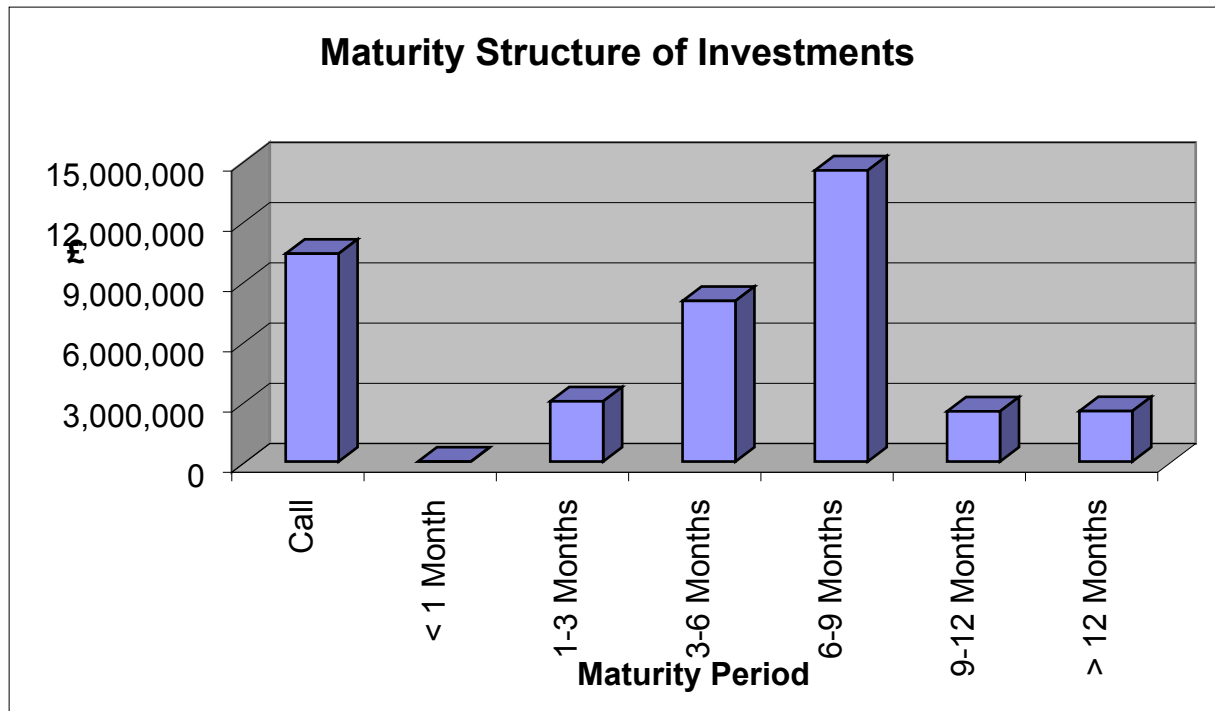


Cash

The Council's average level of deposits during 2018/19 to date was £42.6m. As at 30 June 2018 investments held were £40.8m of which £10.4m was instant access cash available to meet cash flow requirements. Longer term investments were made up of:

- £28m - short term investments up to 12 months
- £877k - Welland Homes equity
- £50k – Municipal Bond Agency Equity
- £1.585m - loans to Welland Homes

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



Yield

Budgeted Interest 2018/19	£258k (£196k GF, £62k HRA)
Actual Interest achieved 2018/19	£84,127 (£60,762 Gen.Fund, £23,365 HRA)
Target yield (Average 3 month LIBID)	0.553%
Actual Yield achieved for 2018/19	0.79%
Actual Yield achieved for 2017/18	0.662%

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 since the original budget was agreed. The projected investment income will be reviewed in quarter 2 due to the base rate increase on 2 August 2018.

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.