

SOUTH HOLLAND DISTRICT COUNCIL

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

To: Cabinet 12 February 2019

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

Subject: Q3 Finance Report 2018-19

Purpose: This report provides information on Quarter 3 (to 31 December 2018) and forecast full year financial position of the Council

Recommendations:

- 1) That the report and **Appendix A** be noted.
- 2) That the estimated position with regard to the contributions to and use of Reserves be noted.

Recommendations to Council:

- 3) That an increase in the General Fund Capital programme is approved in accordance with para. 5.5.2 and Appendix B.
- 4) Recommend the approval of the revised 2018-19 capital programme for the General Fund and HRA

1.0 BACKGROUND

1.1 This report provides information on the full year financial forecasts at 31st December 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 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 Q3 report is currently forecasting a net service underspend in the General Fund of £436k. This represents a favourable movement £251k on the overspend position of £185k reported in Q2.

5.2.2 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 :

Pressures

- A net service pressure of £276k 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 costs;
 - Garden waste income below budget due to lower-than-expected demand as a result of seasonal variation.
- Staff cost pressures in Housing £38k.
- Corporate Management staff and operating costs £24k.
- A pressure of £5k in Spalding Special Expenses due to re-wiring costs for the Halley Stewart Pavilion.
- A net service pressure in IT Services of £11k due to additional hardware maintenance and contractor costs.

Savings/ Additional Income

- Additional Fee income forecast in Planning of £170k and savings in agency and contractor costs of £109k;
- Additional Building Control fee income of £34k;
- Additional Investment Income of £70k;
- Additional Government S31 grant income and renewable energy income of £161k;
- A £347k beneficial position on Business Rates, the main element being the accounting relating to a £331k additional tariff payment to the Government.

Various other forecast pressures and savings across a number of services giving a net £436k service underspend, as detailed in **Appendix A**.

- 5.2.3 There are £105k of potential pressures in Moving Forward savings that have been built into the budget but which have currently not been allocated to specific projects.
- 5.2.4 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.
- 5.2.5 The following revenue budget journals have been processed during Quarter 3 and reflected in the outturn report:

| Service | Detail | Amount (£) |
|-----------------|---|-------------------|
| Delivery Unit | Asset Review – Resourcing Budget Stage 2 Technical Advice and Project Support funded from Investment and Growth Reserve | £68,000 |
| Human Resources | Additional phase 3/ITrent work funded from Transformation Reserve for 18-19 | £5,400 |
| ICT | Innovation and Change programme manager funded for 24 months from 03/09/18 from Transformation Reserve | £19,000 |
| ICT | Office 365 Additional Revenue Spend | £2,500 |
| Total | | £94,900 |

5.3 Housing Revenue Account (HRA) Revenue Outturn

- 5.3.1 The HRA is forecasting an £81k reduction in its surplus budget. This is mainly due to cost pressures in supervision and management and Depreciation, off-set by additional investment and service charges income. 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 reduce from £7.6m to £7.0m based on the 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 In addition 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 £12.8m to £15.8m. The Major Repairs balance is forecast to reduce from £6.4m to £4.2m 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 revised approved General Fund Capital Programme for 2018-19 is £5.5m of which £5.2m has received specific scheme approval. **Appendix A Table 5** and the explanatory notes detail the current forecast outturn (£4.896m) against the revised capital programme of approved schemes (£5.165m), a forecast underspend of £269k. The main areas of projected underspend relate to DFGs, the purchase cost of the new garden waste vehicle and reduced spend by Welland Homes.

5.5.2 There have been some recommended changes to the capital programme since it was last reported to cabinet, that will require approval by Council, these are as follows:

- a) Asset Investment - £143k
- b) Members ICT refresh - £45k

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 the CRM system (2019/20)
- Implementation of vehicle Charging Points
- LED Lighting upgrades
- Digitalisation programme – funding requirements

5.6 Capital – HRA

5.6.1 **Table 6** and the explanatory notes provide detail on the forecast outturn expenditure of £5.3m, and the projected underspend of £2.4m. The main reasons for this projected underspend relate to the revised profiling/phasing of the Purchase of Units Scheme, a prior year adjustment and underspend on Chimneys expenditure for Decent Homes. IT plans are still being worked through with a view to implementation on 2019/20.

5.8 Capital - Other

5.8.1 To date the Council has received £865k in capital receipts, from 14 right to buy sales.

5.9 Treasury Management`

5.9.1 **Appendix A** provides more information on the investments held by the Council at 31 December 2018 (£46.4m). The average level of investments held during the year was £44.7m.

5.9.2 Interest earned on investments at the end of Quarter 3 is expected to be approximately £301k compared to the profiled budget of £194.4k. This increase can be attributed to higher levels of investment balances being held and also higher than anticipated interest rate levels in the market, in particular the inter-authority rates which are now higher than those offered by financial institutions.

5.9.3 The 2018/19 budget for investment interest was set at £258k and the estimated outturn is £410k.

5.9.4 Members are asked to note the Treasury Management position. A mid-term treasury report was submitted to the Governance and Audit Committee on 18 October 2018 and Council on 28 November 2018.

5.10 Moving Forward Programme

5.10.1 The Moving Forward Programme has a savings target of £985k in 2018-19. As at Q2, £880k has been allocated to services as savings or additional income targets and we anticipate these will be achieved.

5.10.2 The target has been reviewed and a balance of £105k is sitting in Corporate Improvement, an unallocated target is as a result of double counting and savings already being built into the base budget, this position will be continuingly reviewed throughout the year and resolved as part of the year end process.

5.10.3 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 and a process is in place to facilitate this.

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

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Q3 Financial report for 2018/19 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.

(Please note that the following appendix is not for publication by virtue of Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).

Appendix B Asset Investment (Exempt)