

SOUTH HOLLAND DISTRICT COUNCIL

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

To: Cabinet 18 June 2019

Author: Carl Holland, Strategic Business Partner

Subject: 2018/19 Financial Outturn

Purpose: To provide information on the outturn financial position of the Council as at 31 March 2019.

Recommendations:

- 1) That the report and **Appendix A** be noted.
- 2) That the contributions to and use of reserves be agreed in line with para 5.5.2 to 5.5.4 and **Appendix A, Tables 3 and 4** of this report.

Recommendations to Council:

- 3) That the net General Fund underspend of £631,859 be transferred to the Council Tax Reserve
- 4) That the revised General Fund capital programme of £8.268m **Appendix A – Table 6** and the revised HRA capital; programme for 2019/20 of £14.875m **Appendix A – Table 8** are approved.

1.0 BACKGROUND

1.1 This report provides information on the unaudited 2018/19 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 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 in 2018-19 and to provide an updated financial position on reserves for 2019-20.

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 2019 will be have been provided to the Council's auditors (Ernst Young), with the audit due to be completed by the end of July 2019.

5.2.2 The unaudited Statement of Accounts were published on the Council's website by 31 May 2019 for public inspection, which will continue for a period of 30 days, in line with The Accounts and Audit Regulations 2015.

5.2.3 The core Statements of the Accounts and the Annual Governance Statement were presented to the Governance and Audit Committee on 6 June 2019.

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 £632k. This has been achieved after contributions to and from the Council's reserves. The 2018/19 budget had built into it some planned use of reserves.

- Repairs and Refurbishment various sites (£64k)
- Green Waste (£250k) phased implementation
- Pride (£100k) original budget plus an extension in year of (£25k), reduced to £9k following receipt in year of government grant £16k.

5.3.2 During the year there were further emerging service requirements which have required the use of reserves. These include:

- Safety and accommodation works at Priory Road (£92k),
- South Holland Centre (£204k)
- Ayscoughfee Hall fire safety works (£53k), and
- Sports buildings and equipment (£82k).

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 on the General Fund of £632k was primarily supported by £582k of additional financing income from Government Section 31 Grants and Retained Business Rates. There were also a number of under and over budget variances across service budgets which provides a net additional underspend of £50k.

5.3.4 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:

- Staffing vacancies ahead of recruitment within Planning Policy and Strategy and Housing Development (£93k),
- Reduced spend on professional fees (£57k) due to re-profiling of projects within the Delivery Unit.
- B&B Accommodation spend has increased in response to the Homelessness Reduction Act and attracts subsidy up to a capped level, the additional net cost to the Council of this is £181k .
- Additional income from Planning Fees (£249k), Building Control Fees (£25K) and Consultancy Fees (£18k). £71k of planning fee income has been moved to reserves as this relates to the amount that must be earmarked for future spend on the planning service.
- Reduced spend on planning employees and professional fees (£92k).
- Environmental Services income lower than budget by £159k across green waste, markets and car parking. Service running costs higher than budget by £157k across fuel premises, insurance and employees.
- Additional costs of £71k incurred on staffing, software and B&B in response to the Homelessness Reduction Act.
- Additional income on investments (£73k) arising from increased interest rates and higher levels of reserves than budgeted.
- A £50k budget correction for the value of Decent Homes work to be funded from reserves.
- A reduction in the value of the allowance for bad debts (£258k) due to a review of significant balances in respect of Housing Benefit overpayments and Council Tax.
- Moving Forward savings target correction and net overspends of £23k across other services due to increased costs.

5.3.5 It is recommended that the net General Fund underspend of £632k 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 £684k. This was mainly due to:

- Additional rental income compared to that budgeted (£101k).
- Reduced costs of repairs and maintenance (£175k) due to some delays in projects and other reduced service costs.
- Supervision and Management costs lower than budget (£179k) due to reduced professional fees, furniture and equipment cost and other net savings.
- Depreciation costs higher than budget by £135k.
- The required bad debt provision was less than budget (£115k). The impact of Universal Credit less than anticipated.
- Additional interest rate income (£68k).

More detail is provided at **Appendix A - Tables 2**.

5.5 Reserves (GF and HRA)

- 5.5.1 General Fund Specific Reserves have increased by £1.084m from £7.618m to £8.702m. £632k of this increase relates to the transfer of the year end underspend to the Council Tax reserve.
- 5.5.2 Reserves were used to support a number of planned expenditure items and to support new budget pressures. There were also areas where reserves were not used as budgeted, such as for Moving Forward expenditure and where additional unbudgeted contributions were made to reserves, such as through grant money (G4G and homelessness) and the movement of some planning income to reserves. Further details are set out in **Appendix A - Table 3**.
- 5.5.3 The General Fund Reserve Balance remains at £2.078m. During 2019/20 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.
- 5.5.4 The HRA General Reserve balance at 31st March 2019 is £16.575m. The Major Repairs balance has reduced from £6.43m to £4.68m 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 2018/19 was £5.522m of which £5.220m had received specific scheme approval. Compared to the approved budget, in year spend totalled £3.678m, giving an underspend of £1.542m. The main areas of underspend relate to Disabled Facility and Decent Homes Grants, Welland Homes, Grants for Growth, Leisure Management and provisional investment in capital acquisitions for commercial growth. 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 budget into the 2019/20 capital programme. Revisions totalling £1.38m are recommended for approved schemes giving a revised 2019/20 programme of £7.394m. The capital programme has been revised to reflect the status of planned programmes at 31st March 2019 and is included at Appendix A.
- 5.6.2 **Appendix A – Table 5** provides more information on the 2018/19 General Fund capital outturn position, how it was funded and the variances from budget. **Table 6** provides details of the revised 2019/20 capital programme as a result of required slippage of underspent budgets.
- 5.6.3 It is recommended that Council approves the revised 2019/20 General Fund Capital Programme, as set out at **Appendix A table 6**, of £8.185m.
- 5.6.4 During 2019/20 there will be new emerging capital project funding requirements. Any required amendments to the capital programme will be presented in the Quarter 1 report for 2019/20.

5.7 Capital – HRA

5.7.1 The total HRA Capital programme for 2018/19 was £7.715m all of which had received specific scheme approval. Against this approved budget in-year spend totalled £4.885m, an underspend of £2.83m. The main reasons for this underspend relate to delays in the new build affordable housing programme (£1.564m), underspends of (£0.641m) on the decent homes programme (mainly heating, electrical and chimneys) and delayed delivery of CSU vehicle replacements (£0.253m).

5.7.2 **Appendix A – Table 7** provides more information on the HRA capital outturn position, how it was funded and the variances from budget. The revised HRA capital programme for 2019/20 as a result of required slippage in unspent budget (£2.343m) is provided at **Table 8** and totals £14.875m.

5.7.3 It is recommended that Council approves the revised 2019/20 HRA Capital Programme, as set out at **Appendix A table 8**, of £14.875m

5.8 Capital - Other

5.8.1 During 2018/19 the Council received £1.381m in capital receipts, £1.341m of which related to the HRA. There were 21 houses sold under Right to Buy. More detail is provided at **Appendix A**.

5.8.2 **Appendix A - Table 9** also sets out the Council's ongoing capital financing requirement, the measure of the Council's underlying borrowing requirement. This has increased due to major capital programmes for Welland Homes, Crease Drove Industrial Units and additional funding for Growth and commercialisation projects.

5.9 Treasury Management

5.9.1 **Appendix A** provides more information on the investments held by the Council at 31 March 2018 (£42.9m). The average investments held during the year were £43.2m.

5.9.2 Interest earned on investments in 2018/19 was £431k (compared to the budget of £258k). This increase can be attributed to higher levels of investment balances being held, higher than anticipated interest rate levels during the second half of the financial year and interest income from additional loans to Welland Homes.

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 6 June, and will be considered by Full Council on 31 July 2019.

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
	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 2018/19 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.
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