

# South Holland District Council

## Financial report for the Period ended 30 June 2019

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

### Section 1 – General Fund

The full year outturn based on current projections and assumptions is a forecast net service overspend in the General Fund of £67k (0.49%) against the approved budget for 2019-20 of £13.7m, this is comprised as follows:

- Net Service Overspend £ 93k
- Additional Financing Income £(26k)
- **Net Overspend** **£ 67k**

**Table 1 – General Fund Revenue Outturn**

Service Area	Note	Revised Budget at Q1 £'000	Forecast Out-turn at Q1 £'000	Forecast Variance at Q1 £'000
<b>Commercialisation</b>				
Commercialisation	1	439	397	(42)
Economic Development		109	109	-
Finance	2	729	679	(50)
Revenues and Benefits	3	436	422	(14)
<b>Total – Commercialisation</b>		<b>1,713</b>	<b>1,607</b>	<b>(106)</b>
<b>Place</b>				
Assets and Property	4	158	188	30
Building Control		(43)	(43)	-
Community Development	5	975	1,001	26
Environmental Services	6	3,581	3,655	74
Housing	7	250	357	107
Planning	8	(271)	(282)	(11)
Spalding Special Expenses		66	60	(6)
Investment properties		(91)	(91)	-
<b>Total – Place</b>		<b>4,625</b>	<b>4,845</b>	<b>220</b>
<b>Strategy and Governance</b>				
Corporate Improvement and Performance		(23)	(23)	-
Communications		120	128	8
Public Protection		448	444	(4)
Corporate Management		549	549	-
Democratic Services		918	921	3
HR		338	338	-
IT and Customer Services		1,226	1,230	4
<b>Total - Strategy and Governance</b>		<b>3,576</b>	<b>3,587</b>	<b>11</b>
<b>Statutory recharge to the HRA for support services (*)</b>		<b>(1,721)</b>	<b>(1,721)</b>	<b>-</b>

Service Area	Note	Revised Budget at Q1 £'000	Forecast Out-turn at Q1 £'000	Forecast Variance at Q1 £'000
Internal Drainage Boards & Parish Precepts		3,294	3,294	-
Investment Income		(358)	(358)	-
Capital and Other Adjustments		-	-	-
Transfers to Reserves		2,443	2,443	-
Impairment allowance	9	116	84	(32)
<b>Total Cost of Services</b>		<b>13,688</b>	<b>13,781</b>	<b>93</b>
<b>Financing</b>				
Government Grants	10	2,526	2,552	(26)
Council Tax		6,046	6,046	-
Retained Business Rates		5,116	5,116	-
<b>Total Financing</b>		<b>13,688</b>	<b>13,714</b>	<b>(26)</b>
<b>Net Variance</b>			<b>67</b>	

Significant variances are detailed below.

### Salaries

Achieved Vacancy Factor in Quarter 1 is 2.06% against a target for the year of 4%. This is not unreasonable at this point in the year and is dependent upon number vacancies arising in the year.

### Notes to Table 1:

1. **Commercialisation (£42k) underspent.**

- Planning Policy saving achieved as a result of Strategic Planning Manager vacant post, resulting in a forecast salary saving of (£42k).

2. **Finance (£50k).**

- The renewal of insurance for SHDC has resulted in a saving of £50k which will also apply to 2020/21.

3. **Revenues and Benefits (£14k) underspent.**

- The forecast for Council Tax collection court income increased by (£22k) to (£240k) and notification has now been received for subsidy values towards administration of Local Council Tax Support reduces forecast by £8k.

4. **Assets and Property £30k overspent.**

**Pressures.**

Increased forecasts for various costs in relation to management of property assets including increased utility costs, delivery of unplanned property maintenance and a forecast reduction of rental income.

5. **Community Development £26k overspent.**

**Pressures.**

- Business rates are being charged on the dry side leisure centre. The budget was based on an assumed 80% charity exemption instead of the current entitlement to 40% exemption. Eligibility for Charity status has not yet been determined and therefore the forecast includes a provision of £13k for quarter 1. If the 100% exemption is not achieved then this provision will need to increase to £51k for the full year.
- Other forecasted variances that collectively amount to an additional cost of £13k have been forecast.

**6. Environmental Services £74k overspent.**

**Pressures.**

- Car parking income is forecast to be down by £23k for the year based on reduced income in quarter 1.
- Markets income is forecast to be £15k less due to continuing reduction in stall holders.
- Additional £38k for staff overtime, standby payments, NI and Pension contributions in some service areas, which was omitted when the budget was set.
- External payment for street cleansing costs of £12k which relate to 2018/19 have been paid out of this year's budget.
- Other adverse impacts amounting to £5k have been forecast.

**Additional income/savings.**

- The income from grass cutting is forecast to increase by (£19k) based on Parish Council requests.

**7. Housing £107k overspent.**

- Following the Homelessness Reduction Act which came into effect in 2018, the costs of providing temporary accommodation have risen significantly. The forecast reflects the impact for quarter one only of £107k. If this trend continues and there are no mitigating actions, the pressure on the Homelessness Budget by 31<sup>st</sup> March will be circa £517k. There are a number of steps being taken to mitigate this.
  - i. The primary task is homelessness prevention, which would reduce the need for short term bed and breakfast.
  - ii. Secondly steps need to be taken to ensure all those who can make a contribution to the accommodation costs do so.
  - iii. Thirdly, the backlog of claimants need to be reduced, which is part of a larger long term project.
  - iv. Discretionary Housing Payment grant is being reviewed to see how much of this can be used to support homelessness costs.
  - v. Finally options are being explored to increase our provision of temporary accommodation.

**8. Planning (£11k) underspent.**

- As a result of the new Development and Planning Enforcement structure not being fully recruited to from the 1<sup>st</sup> April this has resulted in a one-off in year saving of £34k, from which £19k has been apportioned to the Salary efficiency target. Additional costs are forecast amounting to £4k.

**9. Impairment Allowance (£32k) reduction.**

- Impairment allowance for bad debts has been reviewed to consider the impact of changes now that Universal Credit has been in effect for more than a year, which has resulted in a reduction in the bad debt provision of (£32k).

**10. Government Grants (£26k) increase.**

- The Council has received notification of entitlement to Section 31 grant for Business Rates Retail Relief.

## Section 2 – Housing Revenue Account

**Table 2 – Forecast Revenue Outturn**

Service Area	Note	Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Rent Income – Dwellings		(14,646)	(14,646)	-
Charges for Services and Facilities		(1,169)	(1,169)	-
Contributions to Expenditure		(327)	(27)	-
<b>Total Income</b>		<b>(15,842)</b>	<b>(15,842)</b>	<b>-</b>
Repairs and Maintenance	1	2,871	2,919	48
Supervision and Management	2	3,023	3,015	(8)
Rents, rates, taxes and other charges		76	76	-
Depreciation		3,124	3,124	-
Movement in the allowance for bad debts		221	221	-
Statutory recharge to the HRA for support services		1,648	1,648	-
<b>Total Expenditure</b>		<b>10,963</b>	<b>11,003</b>	<b>40</b>
<b>Contribution from Operations</b>		<b>(4,879)</b>	<b>(4,839)</b>	<b>40</b>
Investment Income		(161)	(161)	-
Interest Payable on £67.456m		2,347	2,347	-
Capital expenditure charged in year		-	-	-
Other Adjustments		-	-	-
<b>Net (Surplus)/Deficit</b>		<b>(2,693)</b>	<b>(2,653)</b>	<b>40</b>

**Notes to Table 2:**

- Repairs and Maintenance £48k overspent –** The Housing Repairs team are in the process of purchasing new vehicles through the capital programme, the existing lease vehicles are at the end of their useful life and present increased operational costs. In some cases it has been more cost effective to de-hire existing vehicles and use short terms rental vehicles instead. In returning some of the existing fleet, charges have become due under the terms of the lease hire agreement. There are currently some vacancies within the team which are being temporarily fulfilled through agency staff, presenting additional costs.
- Supervision and Management – (£8k) underspent –** Less requirement for repairs budget in Community Facilities

## Section 3 – Reserves

**Table 3 - General Fund Reserves**

Reserve	Balance 31 March 2019 £'000	Contribution to Reserve £'000	Use of Reserve (Capital) £'000	Use of Reserve (Revenue) £'000	Balance 31 March 2020 £'000	Comments
<b>Transformation</b>	(299)		36	61	(202)	<p><b>Uses</b>  <b>Capital</b> - £3k Self-service portal; £33k Public Protection Software.  <b>Revenue</b> - £31k interim programme manager; £30k National Graduate Trainee;</p>
<b>Investment and Growth</b>	(5,489)	(1,083)	2,980	1,094	(2,498)	<p><b>Contributions</b> - £52k Green Waste Revenue; £1,002k New Homes Bonus; £29k Leisure Management return.  <b>Uses</b> –  <b>Capital</b> – £1,000k Capital Investment fund; £213k PSPS Transformation; £835k Crease Drove Industrial Units; £300k Food Enterprise Zone contribution; £20k Garden Waste capital; £35k Grounds maintenance equipment; £143k Leisure Management mobilisation; £324k Priory Road Accommodation; £65k ICT infrastructure; £45k Office 365;  <b>Revenue</b> - £500k Community Investment Fund; £60k asset review programme; £147k Digital Strategy; £75k Executive Programme Manager (HIF); £22k Shared External Grants Officer; £120k Delivery Unit resourcing; £13k Kings Road access legal costs; £10k Priory Road Accommodation; £95k Northern Spalding SUE; £20k Ocella Development Control Software; £32k Office 365;</p>

<b>Earmarked Grants</b>	(394)	-	-	95	(299)	<b>Uses</b> <b>Revenue</b> – £95k Homelessness Reduction;
<b>Council Tax</b>	(2,348)	(1,276)	487	403	(2,734)	<b>Contributions</b> – NDR Surplus on collection fund. <b>Uses</b> <b>Capital</b> – £64k Members IT refresh; £377k Grants for Growth; £46k South Holland Centre. <b>Revenue</b> - £3k Ayscoughfee Hall Portraits; £4k Welland Homes Project; £247k Pride in South Holland; £19k Shared Information Governance Officer; £130k District Election;
<b>Replacement and Refurbishment</b>	(172)	(141)	-	100	(213)	<b>Contributions</b> - £5k Power Station equipment contribution; £136k Revenue contribution to Replacement and Refurbishment Reserve. <b>Uses</b> <b>Revenue</b> - £23k Condition Surveys; £77k contribution to programmed maintenance spend.
<b>Total Specific General Fund Reserves</b>	<b>(8,702)</b>	<b>(2,500)</b>	<b>3,503</b>	<b>1,753</b>	<b>(5,946)</b>	
General Reserve	(2,078)	-	-	-	(2,078)	
<b>Total Reserves</b>	<b>(10,780)</b>	<b>(2,500)</b>	<b>3,503</b>	<b>1,753</b>	<b>(8,024)</b>	

**Table 4 – Housing Revenue Account Reserves**

	<b>Balance 31 March 2018 £'000</b>	<b>Contributions to Reserve £'000</b>	<b>Use of Reserve £'000</b>	<b>Balance 31 March 2019 £'000</b>	<b>Comments</b>
HRA Working Balance:	(16,575)	(2,653)	3,710	(15,518)	Transfer of HRA surplus to reserve
HRA Insurance Reserve	(200)	0	0	(200)	
Major Repairs Reserve	(4,684)	(3,124)	7,808	-	
	<b>(21,459)</b>	<b>(5,777)</b>	<b>11,518</b>	<b>(15,718)</b>	

## Section 4 – Capital

The Budget presented at June Cabinet showed expenditure of £7,477k, the following items have been agreed at Council since that report:

**Table 5 – General Fund Capital Programme additions**

	Movement £'000
<b>2019/20 Capital Programme Budget as at 18<sup>th</sup> June 2019</b>	<b>7,477</b>
Priory Road Fire Doors & Access	12
Inclusion of additional approved spend for Food Enterprise Zone	800
Operational Acquisition	2,500
Capital Acquisitions re Growth and Commercialisation	225
HIF Funding	1,000
Fleet Maintenance Vehicles	170
<b>Net Movement</b>	<b>4,707</b>
<b>2019/20 Revised Capital Programme as at 10<sup>th</sup> September 2019</b>	<b>12,184</b>

**Table 6 – General Fund Progress against 2019/20 approved capital programme**

	Note	Revised Budget £'000	Forecast Out-turn £'000	Forecast (under)/ overspend £'000
<b>ICT</b>				
ICT Infrastructure		82	82	-
Self Service SHDC Reception		3	-	(3)
Shared Public Protection Software		67	67	-
Office 365 Additional Spend		45	45	-
PSPS Transformation Investment 60%GF	1	213	146	(67)
Members ICT Equipment Refresh		19	19	-
<b>Total ICT</b>		<b>429</b>	<b>359</b>	<b>(70)</b>
<b>Assets and Property</b>				
Priory Road – Heating & Access		68	68	-
Priory Road - Central Heating		65	65	-
Priory Road- Fire Doors & Access		36	36	-
Priory Road – Toilets		30	30	-
Priory Road - Lift		42	42	-
South Holland Centre		46	46	-
Priory Road – LCC Registrars		83	83	-
Operational Acquisition		2,500	2,500	-
<b>Total Assets and Property</b>		<b>2,870</b>	<b>2,870</b>	<b>-</b>
<b>Commercialisation</b>				
Capital Acquisitions re Growth & Commercialisation		1,225	1,225	-
Electric Vehicle Charging	2	17	27	10
<b>Total Commercialisation</b>		<b>1,242</b>	<b>1,252</b>	<b>10</b>
<b>Economic Development</b>				
Crease Drove Industrial Units		1,195	1,195	-
Grants for Growth		377	377	-
Food Enterprise Zone		1,100	1,100	-
HIF Funding		1,000	1,000	-
<b>Total Economic Development</b>		<b>3,672</b>	<b>3,672</b>	<b>-</b>
<b>Environmental services</b>				
Garden Waste		21	21	-
Grounds Maintenance		35	37	2



Fleet Maintenance Vehicles (3)		170	170	-
<b>Total Environmental Services</b>		<b>226</b>	<b>228</b>	<b>2</b>
<b>Housing</b>				
Disabled Facilities Grants – Private Sector Housing		585	585	-
Decent Homes Unfit and Disrepair		75	75	-
Welland Homes	3	2,942	1,698	(1,244)
<b>Total Housing</b>		<b>3,602</b>	<b>2,358</b>	<b>(1,244)</b>
<b>Loans</b>				
Asset Investment		143	143	-
<b>Total Loans</b>		<b>143</b>	<b>143</b>	<b>-</b>
<b>TOTAL</b>		<b>12,184</b>	<b>10,882</b>	<b>(1,302)</b>
<b>Financing of Approved Schemes</b>				
Borrowing		(5,442)	(4,198)	1,244
Capital Receipts		(360)	(360)	-
Grants & Contributions		(1,088)	(1,098)	(10)
Direct revenue Financing		(5,295)	(5,226)	68
<b>Total Financing of Approved Schemes</b>		<b>(12,184)</b>	<b>(10,882)</b>	<b>1,302</b>

The Capital Programme above reflects the funds that have been brought forward from 18/19 and is monitored monthly with programme managers.

**Notes to Table 6:**

1. **PSPS Transformation Reserve - (£67k)** – £146k (60% of total spend) is forecasted this financial year, with the balance likely to be carried over to 2020/21
2. **Electric Vehicle Charging – £10k Under budgeted but fully funded by Grant.**
3. **Welland Homes – (£1,244k)** Original Budget in Line with Business plan but no fixed plan for 10 properties budgeted at the end of the year. A new scheme has recently been approved at Bentley close for the purchase of 5 dwellings and is included in the revised forecast.

## HRA Progress against 2019/20 approved capital programme

The Budget presented at June cabinet showed expenditure of £14,875k, the following items have been agreed at Council since that report:

**Table 7 – HRA Capital Programme additions**

	<b>Movement £'000</b>
<b>2019/20 Capital Programme Budget as at 18<sup>th</sup> June 2019</b>	<b>14,875</b>
Additional Spend on CSU vans	16
CSU Vans Spend reprogrammed	(253)
Purchase of Units Reprogrammed	(1,501)
<b>Net Movement</b>	<b>(1,738)</b>
<b>2019/20 Revised Capital Programme as at 10<sup>th</sup> September 2019</b>	<b>13,137</b>

**Table 8 – HRA Capital Programme**

	Note	Revised Budget £'000	Forecast Out-turn £'000	Forecast (under)/ overspend £'000
<b><u>Decent Homes</u></b>				
Central Heating		1,054	1,054	-
Kitchen / Bathroom		1,192	1,192	-
Electrical Upgrade		75	75	-
Gutters	1	268	200	(68)
Roofs & Gutters		525	525	-
Chimneys		177	177	-
Paths and Drives		36	36	-
Boundary Walls		92	92	-
Fees		206	206	-
Flat Entrance Doors – Sheltered Schemes		150	150	-
Fire Doors - Lansdowne court		75	75	-
<b>Total Decent Homes</b>		<b>3,850</b>	<b>3,782</b>	<b>(68)</b>
<b><u>Major Area Schemes</u></b>				
Sewage Treatment Plant		204	204	-
The Square		338	338	-
Car Parks		65	65	-
<b>Total Major Area Schemes</b>		<b>607</b>	<b>607</b>	<b>-</b>
<b><u>IT / Systems</u></b>				
ICT Strategy		86	86	-
Housing IT Systems Upgrade		359	359	-
CPBS Transformation Investment 40% HRA	2	142	98	(44)
<b>Total IT / Systems</b>		<b>587</b>	<b>543</b>	<b>(44)</b>
<b><u>Aids &amp; Adaptations</u></b>				
Major Adaptations		383	383	-
<b>Total Aids &amp; Adaptations</b>		<b>383</b>	<b>383</b>	<b>-</b>
<b><u>Vehicles</u></b>				
CSU Vehicle Replacement		269	269	-
<b>Total Vehicles</b>		<b>269</b>	<b>269</b>	<b>-</b>
<b><u>Environmental services</u></b>				
Grounds Maintenance		12	13	1
<b>Total Environmental services</b>		<b>12</b>	<b>13</b>	<b>1</b>
<b><u>Affordable Housing</u></b>				
Weston Redevelopment Scheme – Small drove	3	3,716	3,716	-

Severn Road Development Scheme		2,930	2,930	-
Purchase of Units – Ashwood Homes	4	783	808	25
<b>Total Affordable Housing</b>		<b>7,429</b>	<b>7,454</b>	<b>25</b>
<b>TOTAL</b>		<b>13,137</b>	<b>13,051</b>	<b>(86)</b>
<b>Financing of Approved Schemes</b>				
Capital Receipts		(223)	(223)	
Shared Ownership Sale Proceeds		(210)	(210)	
Grants & Contributions		(1,100)	(1,100)	
Major Repairs Reserve		(7,808)	(7,808)	
Direct revenue Financing		(3,796)	(3,710)	86
<b>Total Financing of Approved Schemes</b>		<b>(13,137)</b>	<b>(13,051)</b>	<b>86</b>

**Notes to Table 1:**

1. **Decent Homes Gutters (£68k)** – Work required less onerous than forecasted therefore spend will be less.
2. **PSPS Transformation Reserve (£44k)** – £98k (40% of total spend) is forecasted this financial year, with the balance likely to be carried over to 2020/21
3. **Weston Redevelopment Scheme** – This project has been delayed due to a technical issue, as yet we have been given no indication of the effect of the delay in terms of costs or timing of spend
4. **Purchase of Units Ashwood Homes (£25k)** – Timing Difference – no change to total project cost

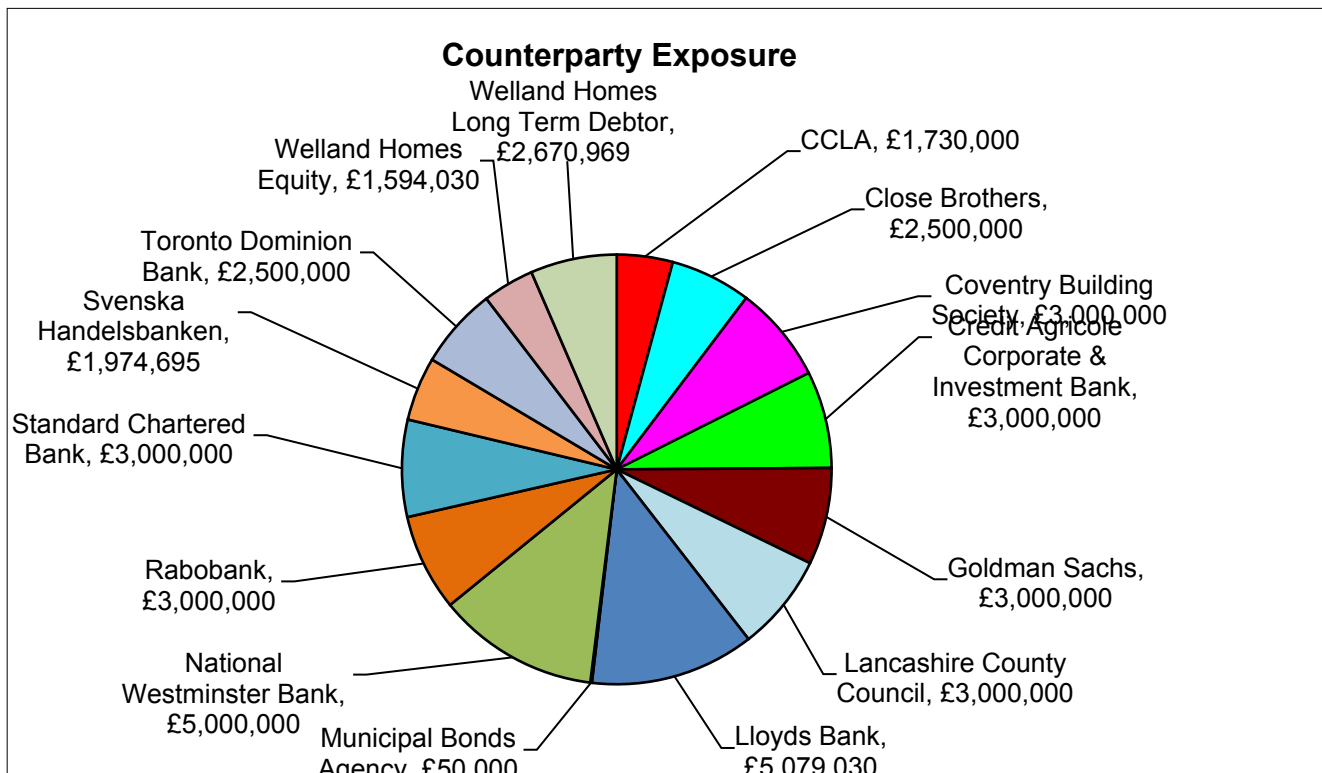
## Section 5 – Treasury

### 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 excluding accrued interest.



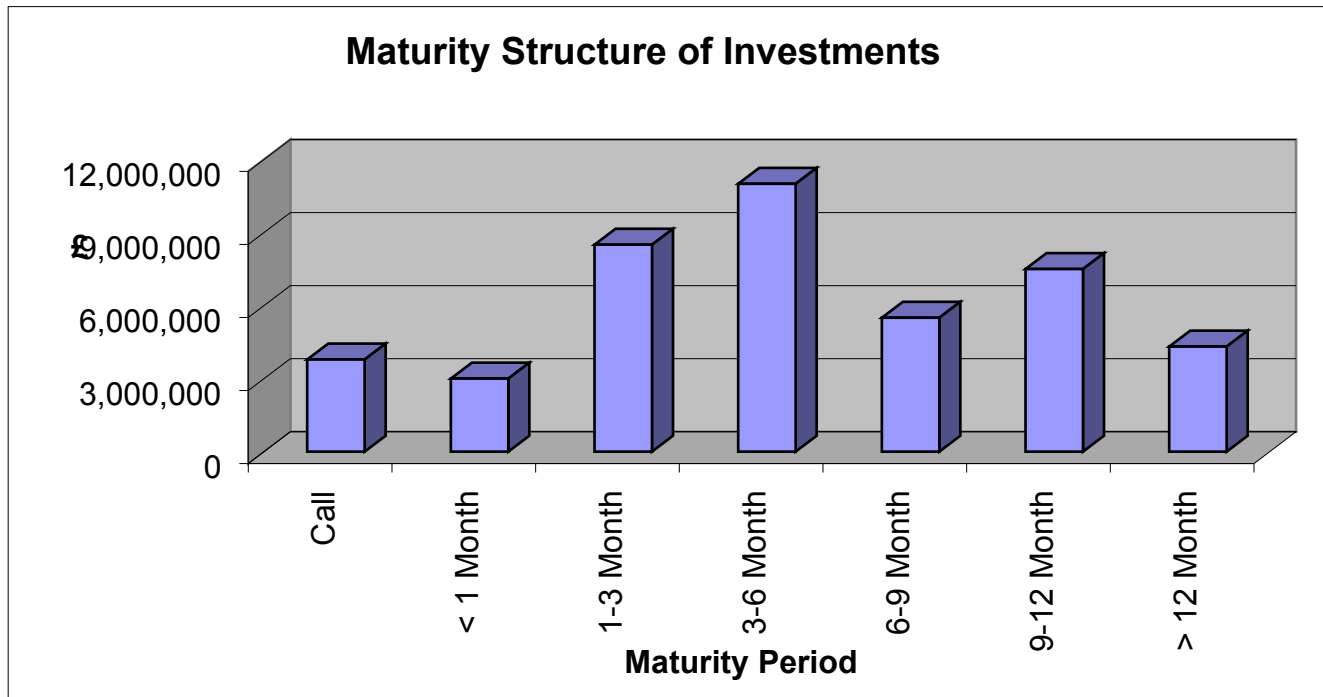
### Cash

The Council's average level of treasury deposits during 2019/20 was £42.5m and non-treasury deposits was £4.3m.

As at 30 June 2019 investments held were £43.65m of which £3.8m was instant access cash available to meet cash flow requirements. Other investments based on cost were made up of:

- £35.5m - short term investments up to 12 months
- £1.6m - Welland Homes equity
- £50k – Municipal Bond Agency Equity
- £2.7m - loans to Welland Homes

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



#### Yield

Budgeted Interest 2019/20	£520k (£359k GF and £161k HRA)
Actual Interest achieved Q1 2019/20	£133k
Profiled budget Q1 2019/20	£130k
Target yield (Average 3 month LIBID)	0.679%
Actual Yield achieved for 2019/20	1.180%
Actual Yield achieved for 2018/19	0.956%

As at Q1 investment interest was £3k above the profiled budget.

#### External Borrowing

The Council borrowed £67.456m from the PWLB on 28<sup>th</sup> 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.

For reference purposes, the chart below shows the PWLB borrowing rates for new loans over the last year.

