

SOUTH HOLLAND DISTRICT COUNCIL

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

To: Cabinet 29 October 2019

Author: Carl Holland, Deputy Head of Finance

Subject: 2019/20 Financial Report Quarter 2

Purpose: To provide information on the forecast full year financial position of the Council at 30th September 2019.

Recommendation(s) to Cabinet:

- 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.

Recommendation to Council:

- 3) That the Housing Revenue Account Capital Programme be approved as set out in table 7 of Appendix A.

1.0 BACKGROUND

1.1 Throughout the year quarterly monitoring reports are completed forecasting the expected year end out-turn against the budgets. This report provides information on the forecast full year financial performance at 30th September 2019, in the attached appendix, for the following areas:

- The General Fund Revenue Budget (GF),
- Housing Revenue Account (HRA),
- The General Fund and HRA Reserves Position,
- The Capital Programme for 2019/20 (GF and HRA), and
- The Treasury Management Performance for the year.

2.0 OPTIONS

- 2.1 To note the report detailed at Appendix A.
- 2.2 Do nothing.

3.0 REASONS FOR RECOMMENDATION(S)

- 3.1 To provide timely information to Members on the overall financial position of the Council.

4.0 **EXPECTED BENEFITS**

4.1 To ensure that members are updated regularly on the overall Council financial position.

4.2 To make the best use of the funding available to the Council and allow us to respond quickly to opportunities as they arise.

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 below with further detail at **Appendix A**.

5.2 **General Fund Revenue Outturn**

5.2.1 The full year outturn based on current projections and assumptions is a forecast net service overspend in the General Fund of £541k.

5.2.2 This is made up of a number of variances across services. The main variations arise in respect of : -

a) An increase in temporary accommodation costs as a result of the Homelessness Reduction Act 2018. The year to date costs have been increased for quarter 2 to £280k.

b) Lower than budgeted planning application fee income, this is forecast to be a reduction compared to budget of £300k.

5.2.3 **High Risk** –The Homelessness Reduction Act came into effect in 2018 and since then the costs of temporary accommodation have risen significantly. If homelessness costs continue at the same level for the remainder of the year, the forecast overspend could be £560k, the Council's officers have taken action to mitigate the impact of this legislation and currently forecast that the overspend for the full year will be £450k.

5.2.4 **High Risk** – Income from Planning Applications was budgeted to be £1.07m, Planning Application fees are currently forecast to be £0.77m for 2019/20 based on current year to date income levels and predicted planning applications for the remainder of the year.

5.2.5 The forecast net cost of services overspend is reduced by a forecast saving on the Council's insurance premiums of (£39k) and notification of increased entitlement of (£26k) for Section 31 grant in respect of Business Rates Relief.

5.2.6 The forecast outturn position by Directorate is detailed at **Appendix A – Table 1** together with an analysis of service variations.

5.3 **Housing Revenue Account (HRA) Revenue Outturn**

5.3.1 The HRA is forecasting a £45k increase in its surplus budget, this is mainly due to reduced need for spend on repairs and maintenance, more detail is provided at **Appendix A - Table 2**.

5.4 Reserves (GF and HRA)

5.4.1 As a result of financing the Planned General Fund Capital Programme the General Fund Specific Reserves are forecasting an overall decrease of £4.536m from £8.702m to £4.166m, further details are set out in **Appendix A - Table 3**.

5.4.2 In addition the General Fund Reserve Balance remains at £2.078m.

5.4.3 The HRA General Reserve balance is forecasting an overall decrease of £5.656m from £21.459m to £15.803m. More detail is provided at **Appendix A – Table 4**.

5.5 Capital – General Fund

5.5.1 The total General Fund Capital Programme for 2019/20 is £12.255m. **Appendix A Table 5** and the explanatory notes detail the current forecast outturn £10.943m, a forecast underspend of £1.312m. The main areas of projected variance relate to re-profiling of PSPS Transformation (£67k) and reduced spend by Welland Homes (£1.244m) resulting changes to delivery plan of dwelling acquisitions.

5.6 Capital – HRA

5.6.1 **Appendix A - Table 7** and the explanatory notes provide detail on the forecast outturn expenditure of £9.908m. The total original approved HRA Capital programme for 2019/20 is £13.137m.

5.6.2 **Cabinet are asked to consider Recommendation 3 to the Council, that the HRA Capital Programme be revised as detailed in Appendix A Table 7**

5.7 Treasury Management

5.7.1 Interest earned on investments during to 31 August 2019 was £223k (compared to the profiled budget of £218k), **Appendix A** provides more information on the investments held by the Council at 31st August 2019.

6 Other Key Items

6.1 The Chancellor has recently announced the 2020/21 Finance Settlement technical consultation; the Fair Funding Review has been put back to 2021/22 alongside any further reforms to the Retained Business Rates scheme.

6.2 This continues to be a major area of risk looking forward as part of the Council's Medium Term Financial Planning and is being closely monitored.

7 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

Background papers: The 2019/20 Estimates Report to Council February 2019

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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 2019/20 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.