

South Holland District Council

Financial report for the Period ended 30 September 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 £541k (3.95%) against the approved budget for 2019/20 of £13.7m, this is comprised as follows:

- Net Service Overspend £ 570k
- Additional Financing Income £(29k)
- **Net Overspend** **£ 541k**

Table 1 – General Fund Revenue Outturn

	Note	Revised Budget at Q2 £'000	Forecast Out-turn at Q2 £'000	Forecast Variance at Q2 £'000
Commercialisation				
Commercialisation	1	439	418	(21)
Economic Development	2	109	123	14
Finance	3	729	690	(39)
Revenues and Benefits	4	436	422	(14)
Total – Commercialisation		1,713	1,653	(60)
Place				
Assets and Property	5	147	180	33
Building Control		(43)	(45)	(2)
Community Development	6	975	1,013	38
Environmental Services	7	3,592	3,641	49
Housing	8	250	530	280
Planning	9	(271)	(7)	264
Spalding Special Expenses		66	66	-
Investment properties		(91)	(91)	-
Total – Place		4,625	5,287	662
Strategy and Governance				
Corporate Improvement and Performance		(23)	(23)	0
Communications		120	120	0
Public Protection		448	444	(4)
Corporate Management		549	549	0
Democratic Services		918	918	0
HR		338	338	0
IT and Customer Services		1,226	1,230	4
Total - Strategy and Governance		3,576	3,576	0

	Note	Revised Budget at Q2 £'000	Forecast Out-turn at Q2 £'000	Forecast Variance at Q2 £'000
Statutory recharge to the HRA for support services (*)		(1,721)	(1,721)	0
Internal Drainage Boards & Parish Precepts		3,294	3,294	0
Investment Income		(358)	(358)	0
Capital and Other Adjustments		0	0	0
Transfers to Reserves		2,443	2,443	0
Impairment allowance	9	116	84	(32)
Total Cost of Services		13,688	14,258	570
Financing				
Government Grants	10	(2,526)	(2,552)	(26)
Council Tax		(6,046)	(6,046)	0
Retained Business Rates		(5,116)	(5,119)	(3)
Total Financing		(13,688)	(13,717)	(29)
Net Variance			541	

Significant variances are detailed in the notes below.

Salaries

Achieved Vacancy Factor in Quarter 2 is 2.25% against a target for the year of 4%. This is dependent upon the number of vacancies arising in the year and the capacity of services to hold a vacant post.

Notes to Table 1:

1. Commercialisation (£21k) underspent.

- Planning Policy saving achieved as a result of Strategic Planning Manager vacant post, resulting in a forecast salary saving of (£59k) reduced to (£21k) by forecast spend on agency staff, ICT and training of £38k.

2. Economic Development (£14k) overspent.

- New Economic Development Officer from October 2019 post 60% funded by Grants for Growth fund and 40% from General Fund approved by Council on 31 July 2019.

3. Finance (£39k).

- The overall saving for insurance of £83k is significantly weighted towards premises insurance and the result is that £39k has been allocated to General Fund and £44k has been allocated to HRA, this saving will also apply to 2020/21.

4. 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.

5. Assets and Property £33k overspent.

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.

6. Community Development £38k overspent.

- 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 £26k for quarter 2. 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.

7. **Environmental Services £49k overspent.**

Pressures.

- Markets income is forecast to be £15k less due to the 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 £11k which relate to 2018/19 have been paid out of this year's budget.
- Other adverse impacts amounting to £4k have been forecast.

Additional income/savings.

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

8. **Housing £280k 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 the first two quarter only of £280k. If this trend continued and there were no mitigating actions, the pressure on the Homelessness Budget by 31st March would be circa £560k.
- However, 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.
- Following the introduction of these mitigation measures the service have already seen a 50% reduction in the use of B&Bs / hotels for emergency accommodation. The full year forecast overspend is now expected to reduce from £560k to £450k, and mitigating action will continue to be developed that may reduce this figure further. This is clearly a major area of concern for the 2020/21 budget setting process.

9. **Planning £264k overspent.**

- Income has been forecast downwards by £300k based on the trend of actual income to end of Quarter 2 and predicted planning applications for the remainder of the financial year.
- Current vacancies within the staffing structure are being held to reflect reduced planning fee income, this is a forecast saving of (£32k).
- As a result of the new Development and Planning Enforcement structure not being fully recruited to from the 1st April has resulted in a one-off in year saving of £49k, from which £19k has been apportioned to the Salary efficiency target. Additional spend on agency staff are forecast to be £26k a net underspend of (£4k).

10. **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).

11. Government Grants (£26k) increase.

- The Council has received notification of increased 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		(27)	(27)	-
Total Income		(15,842)	(15,842)	-
Repairs and Maintenance	1	2,871	2,856	(15)
Supervision and Management	2	3,023	2,996	(27)
Rents, rates, taxes and other charges		76	73	(3)
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	-
Total Expenditure		10,963	10,918	(45)
Contribution from Operations		(4,879)	(4,924)	(45)
Investment Income		(161)	(161)	-
Interest Payable on £67.456m		2,347	2,347	-
Capital expenditure charged in year		-	-	-
Other Adjustments		-	-	-
Net (Surplus)/Deficit		(2,693)	(2,738)	(45)

Notes to Table 2:

- Repairs and Maintenance (£15k) underspent** – There has been a reduced requirement for spend on repairs and maintenance which has resulted in reduced spend on materials and operatives.
- Supervision and Management – (£27k) underspent** – Less requirement for repairs budget in Community Facilities and replacement of Furniture and Equipment in Sheltered Housing.

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
Transformation	(299)		-	61	(156)	Uses Revenue - £31k interim programme manager; £30k National Graduate Trainee;
Investment and Growth	(5,489)	(1,083)	5,184	1,094	(294)	<p>Contributions - £52k Green Waste Revenue; £1,002k New Homes Bonus; £29k Leisure Management return.</p> <p>Uses – Capital –£1,225k Capital Acquisition Re Growth and Commercialisation; £146k PSPS Transformation; £835k Crease Drove Industrial Units; £1,100k Food Enterprise Zone contribution; £1,000k HIF Funding; £21k Garden Waste capital; £37k Grounds maintenance equipment; £143k Leisure Management mobilisation; £324k Priory Road Accommodation; £82k ICT infrastructure; £90k Office 365; £170K Fleet Maintenance Vehicles; £11k Electric Vehicle Charging.</p> <p>Revenue - £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>

Earmarked Grants	(394)	-	34	95	(265)	Uses Capital - £34k Public Protection Software (50%); Revenue – £95k Homelessness Reduction;
Council Tax	(2,348)	(1,276)	65	403	(3,156)	Contributions – NDR Surplus on collection fund. Uses Capital – £19k Members IT refresh; £46k South Holland Centre. Revenue - £3k Ayscoughfee Hall Portraits; £4k Welland Homes Project; £247k Pride in South Holland; £19k Shared Information Governance Officer; £130k District Election;
Replacement and Refurbishment	(172)	(141)	-	100	(213)	Contributions - £5k Power Station equipment contribution; £136k Revenue contribution to Replacement and Refurbishment Reserve. Uses Revenue - £23k Condition Surveys; £77k contribution to programmed maintenance spend.
Total Specific General Fund Reserves	(8,702)	(2,500)	5,283	1,753	(4,166)	
General Reserve	(2,078)	-	-	-	(2,078)	
Total Reserves	(10,780)	(2,500)	5,283	1,753	(6,244)	

Table 4 – Housing Revenue Account Reserves

	Balance 31 March 2018 £'000	Contributions to Reserve £'000	Use of Reserve £'000	Balance 31 March 2019 £'000	Comments
HRA Working Balance:	(16,575)	(2,738)	3,710	(15,603)	Transfer of HRA surplus to reserve
HRA Insurance Reserve	(200)	0	0	(200)	
Major Repairs Reserve	(4,684)	(3,124)	7,808	-	
	(21,459)	(5,862)	11,518	(15,803)	HRA depreciation contribution to MRR is used to fund the capital programme in future years. The transfer from MRR in-year was used to fund 19/20 capital programme spend

Section 4 – Capital

The Budget presented at September Cabinet showed expenditure of £12,184k, the following items have been included since that report:

Table 5 – General Fund Capital Programme additions

	Movement £'000
2019/20 Capital Programme Budget as at 10th September 2019	12,184
Office 365 Additional Spend	45
Electric Vehicle Charging Grant	26
Net Movement	71
2019/20 Revised Capital Programme as at 29th October 2019	12,255

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

	Note	Revised Budget £'000	Forecast Out-turn £'000	Forecast (under)/ overspend £'000
<u>ICT</u>				
ICT Infrastructure		82	82	-
Self Service SHDC Reception		3	-	(3)
Shared Public Protection Software		67	67	-
Office 365 Additional Spend		90	90	-
PSPS Transformation Investment 60%GF	1	213	146	(67)
Members ICT Equipment Refresh		19	19	-
Total ICT		474	404	(70)
<u>Assets and Property</u>				
Priory Road – Heating & Access		68	68	-
Priory Road - Central Heating and Air Conditioning		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	-
Total Assets and Property		2,870	2,870	0
<u>Commercialisation</u>				
Capital Acquisitions re Growth & Commercialisation		1,225	1,225	-
Electric Vehicle Charging		43	43	
Total Commercialisation		1,268	1,268	0
<u>Economic Development</u>				
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	-
Total Economic Development		3,672	3,672	-

	Note	Revised Budget £'000	Forecast Out-turn £'000	Forecast (under)/ overspend £'000
Environmental services				
Garden Waste		21	21	-
Grounds Maintenance		35	37	2
Fleet Maintenance Vehicles (3)		170	170	-
Total Environmental Services		226	228	2
Housing				
Disabled Facilities Grants – Private Sector Housing		585	585	-
Decent Homes Unfit and Disrepair		75	75	-
Welland Homes	2	2,942	1,698	(1,244)
Total Housing		3,602	2,358	(1,244)
Loans				
Asset Investment		143	143	-
Total Loans		143	143	-
TOTAL		12,255	10,943	(1,312)
Financing of Approved Schemes				
Borrowing		(5,442)	(4,198)	1,244
Capital Receipts		(360)	(360)	-
Grants & Contributions		(1,102)	(1,102)	0
Direct revenue Financing		(5,351)	(5,283)	68
Total Financing of Approved Schemes		(12,255)	(10,943)	1,312

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. **Welland Homes – (£1,244k)** Original Budget in Line with Business plan for 10 properties budgeted at the end of the year. A new scheme has recently been completed at Bentley close for the purchase of 5 dwellings and is included in the revised forecast. No further schemes have been included for 2019/20.

The Budget presented at September Cabinet showed budgeted expenditure of £13,137k. It is proposed that the Severn Road Development Scheme is removed from that programme whilst further plans are considered. In addition, there is not enough budget remaining in the aids & adaptations programme based on the number of pending applications and it is proposed to transfer the underspend from the gutters programme to this scheme to support spend.

Cabinet are asked to recommended to Council that the below programme is approved to reduce the programme £10,207k.

	Movement £'000
2019/20 Capital Programme Budget as at 10th September 2019	13,137
Removal of Severn Road Development Scheme	(2,930)
Gutters	(98)
Aids & Adaptations	98
Net Movement	(2,930)
2019/20 Revised Capital Programme as at 29th October 2019	10,207

Table 7 – HRA Capital Programme

	Note	Revised Budget £'000	Forecast Out-turn £'000	Forecast (under)/ overspend £'000
<u>Decent Homes</u>				
Central Heating		1,054	1,054	-
Kitchen / Bathroom		1,192	1,192	-
Electrical Upgrade		75	75	-
Gutters	1	170	150	(20)
Roofs & Gutters	2	525	425	(100)
Chimneys		177	177	-
Paths and Drives		36	36	-
Boundary Walls		92	75	(17)
Fees		206	206	-
Flat Entrance Doors – Sheltered Schemes		150	150	-
Fire Doors - Lansdowne court		75	71	(4)
Total Decent Homes		3,752	3,611	(141)
<u>Major Area Schemes</u>				
Sewage Treatment Plant		204	204	-
The Square		338	338	-
Car Parks		65	65	-
Total Major Area Schemes		607	607	-
<u>IT / Systems</u>				
ICT Strategy		86	86	-
Housing IT Systems Upgrade		359	359	-
CPBS Transformation Investment 40% HRA	3	142	98	(44)
Total IT / Systems		587	543	(44)
<u>Aids & Adaptations</u>				
Major Adaptations		481	481	-
Total Aids & Adaptations		481	481	-
<u>Vehicles</u>				
CSU Vehicle Replacement		269	269	-
Total Vehicles		269	269	-
<u>Environmental services</u>				
Grounds Maintenance		12	13	1
Total Environmental services		12	13	1
<u>Affordable Housing</u>				
Weston Redevelopment Scheme – Small drove	4	3,716	3,716	-

Purchase of Units – Ashwood Homes	5	783	766	(17)
Total Affordable Housing		4,499	4,482	(17)
TOTAL		10,207	10,006	(201)
Financing of Approved Schemes				
Capital Receipts		(223)	(223)	
Shared Ownership Sale Proceeds		(210)	(210)	
Grants & Contributions		(1,100)	(1,100)	
Major Repairs Reserve		(4,878)	(4,878)	
Direct revenue Financing		(3,796)	(3,595)	201
Total Financing of Approved Schemes		(10,207)	(10,006)	201

Notes to Table 1:

1. **Decent Homes Gutters (£20k)** – Work required less onerous than forecasted therefore spend will be less.
2. **Decent Homes Roofs & Gutters (£100k)** - Currently in tender process and spend is low
3. **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
4. **Weston Redevelopment Scheme** – Work has commenced. Additional costs are expected due to delayed commencement.
5. **Purchase of Units Ashwood Homes (£17k)** – Timing Difference – no change to total project cost.

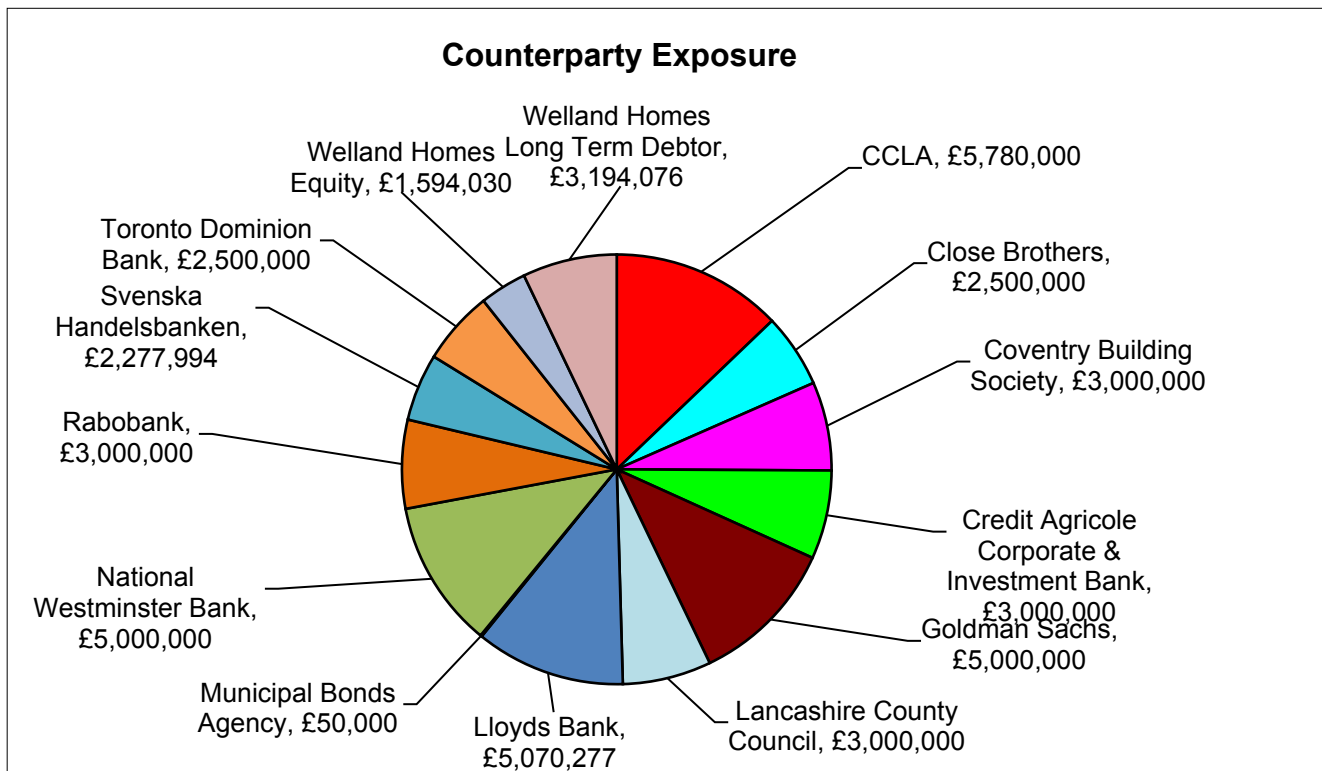
Section 5 – Treasury

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.



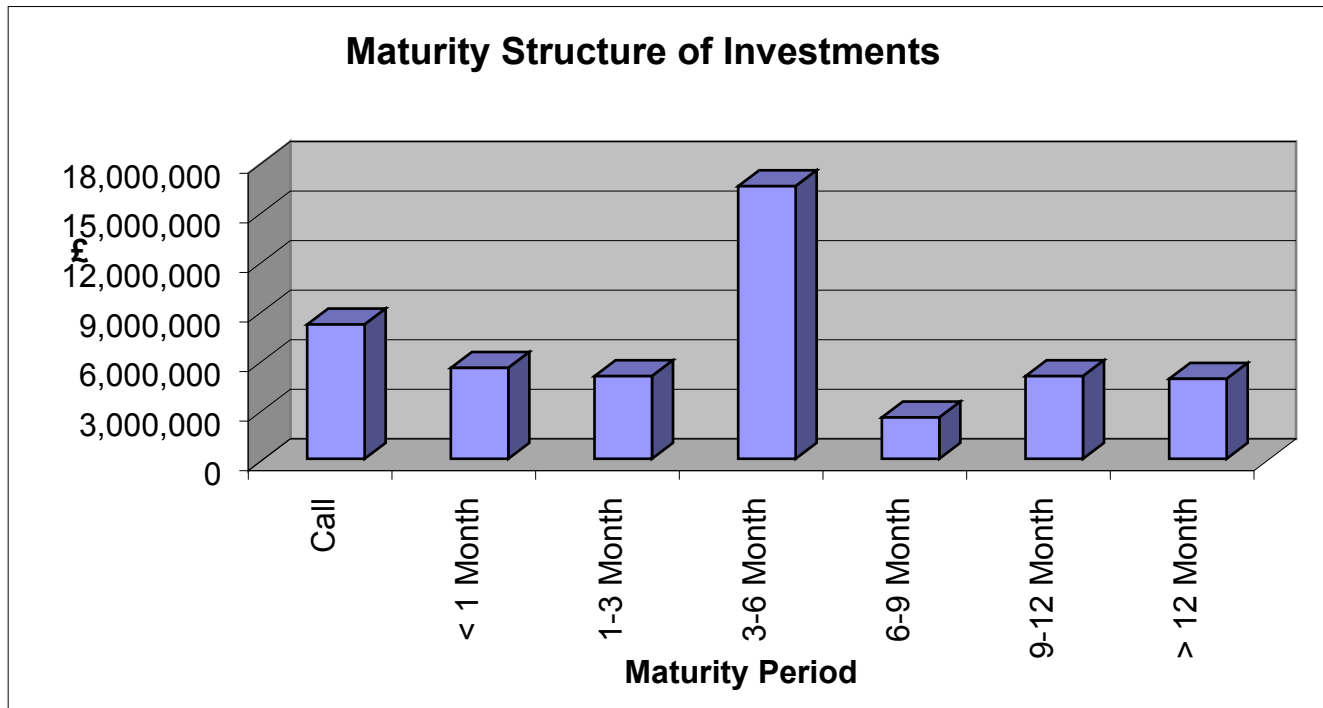
Cash

The Council's average level of treasury deposits to 31st August 2019 was £43m and non-treasury deposits was £4.3m.

As at 31st August 2019 investments held were £47.45m of which £8.1m was instant access cash available to meet cash flow requirements. Other investments based on cost were made up of:

- £34.5m - short term investments up to 12 months
- £1.6m - Welland Homes equity
- £50k – Municipal Bond Agency Equity
- £3.2m - 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 to 31/8 2019/20	£223k
Profiled budget to 31 st August 2019	£218k
Target yield (Average 3 month LIBID)	0.664%
Actual Yield achieved for 2019/20	1.164%
Actual Yield achieved for 2018/19	0.956%

As at 31st August 2019 investment interest was £5k above the profiled budget.

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.

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

