

SOUTH HOLLAND DISTRICT COUNCIL

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

To: Cabinet 17 March 2020

Author: Carl Holland, Deputy Head of Finance

Subject: 2019/20 Financial Report Quarter 3

Purpose: To provide information on the quarter 3 (to 31 December 2019) financial position of the Council.

Recommendation(s) to Cabinet:

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

Recommendation(s) to Council:

- 3) That the General Fund and Housing Revenue Account Capital programme be approved as set out in table 5 and 7 of **Appendix A**.
- 4) That the Planning Fee income shortfall and additional Homelessness costs of £600k be funded from the Council Tax Reserve.

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 31st December 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 and to approve the recommendations 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 and in a timely fashion 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 £673k.

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

- An increase in temporary accommodation costs as a result of the Homelessness Reduction Act 2018. The forecast overspend to the year end is now £404k.
- Lower than budgeted planning application fee income, this is forecast to be a reduction compared to budget of £201k.

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. At its peak, if homelessness costs had continued at the same level for the remainder of the year, the forecast overspend would have been £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 £404k.

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 In order to mitigate the financial impact of these two significant variances it is recommended that a transfer of £600k is made from the Council Tax Reserve to offset this adverse variance. In terms of the impact on the 2020/21 budget the Planning Fee income target has been reduced to £750k and based on current forecast trend the annual cost of Homelessness would be £300k against the net budget of £472k.

5.2.6 The forecast net cost of services overspend is reduced by a forecast reduction in :-

- the Impairment Allowance of (£141k),
- increase in Government Grants of (£70k),
- savings on the Council's insurance premiums of (£27k) and
- a reduction in the contribution to the Business Rates Pool of (£61k).

5.2.7 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 £584k surplus budget. This is an increase of £539k over the Quarter 2 Forecast, 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)**

5.5.3 As a result of financing the Planned General Fund Capital Programme and General Fund revenue spend the General Fund Specific Reserves are forecasting an overall decrease of £3,761m from £8.702m to £4.941m, further details are set out in **Appendix A - Table 3**.

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

5.5.5 The HRA General Reserve balance is forecasting an overall decrease of £0.927m from £21.459m to £20,532m. More detail is provided at **Appendix A – Table 4**.

5.4 **Capital – General Fund**

5.4.1 **Appendix A – Table 5** details the changes to the General Fund Capital Programme between Q2 and Q3. The overall reduction to the programme is (£2.206m) from £12.255m to £10.049m. The main changes are as a result of re-profiling of Crease Drove Industrial Units and the Welland Homes spend to 2020/21. The Revised General Fund Capital Programme for 2019/20 is £10.049m. **Appendix A Table 6** and the explanatory notes detail the current forecast outturn £10.048m.

5.6 **Capital – HRA**

5.6.1 **Appendix A - Table 7** details the changes to the HRA Capital Programme between Q2 and Q3. The capital programme has increased by £0.977m from £10.207m to £11.184m, the main change is the inclusion of budget for the purchase of open market properties. **Appendix A Table 8** and the explanatory notes detail the forecast outturn of £9.272m.

5.7 Treasury Management

- 5.7.1 **Appendix A - Section 5** provides details of the Council Treasury Investments. Interest earned on investments during the year to 31 January 2020 was £440k (compared to the profiled budget of £434k), **Appendix A** provides more information on the investments held by the Council at 31st January 2020.

6 Other Key Items

- 6.1 Uncertainty over the Council's future funding sources remain as a result of the Chancellor of the Exchequer's confirmation that 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

- 7.1 Income and expenditure affect all wards of the Council.

8 ACRONYMS

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|-----|------|---|
| 8.1 | GF | General Fund |
| | HRA | Housing Revenue Account |
| | HRT | Housing Repairs Team |
| | RTB | Right to Buy |
| | ICT | Information and Communications Technology |
| | MTFS | Medium term Financial Strategy |

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.
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