

**SOUTH HOLLAND DISTRICT COUNCIL**

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

**To:** Cabinet 15 September 2020

**Author:** Carl Holland, Strategic Business Partner

**Subject:** 2019/20 Financial Outturn

**Purpose:** To provide information on the outturn financial position of the Council as at 31 March 2020.

**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 5.4.2 to 5.4.4 and **Appendix A, Tables 3 and 5** of this report.

**Recommendations to Council:**

- 3) That the net General Fund overspend of £218k be funded from the Council Tax Reserve
- 4) That the value of reserves listed in **Appendix A – Table 4** currently retained in the reserves detailed, £234k, are re-assigned to an Earmarked reserves fund to ensure that those funds are clearly designated to the purpose listed.
- 5) That the revised General Fund capital programme of £10.386m **Appendix A – Table 7** and the revised HRA capital; programme for 2020/21 of £12.077m **Appendix A – Table 9** are approved.

**1.0 BACKGROUND**

- 1.1 Throughout the year quarterly monitoring reports have been completed forecasting the expected year end out-turn against the budgets.
- 1.2 This report provides information on the unaudited 2019/20 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 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 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 2019/20 and to provide an updated financial position on reserves for 2020/21.

## 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 **General Fund Revenue Outturn**

- 5.2.1 The final year actual was a budget overspend of £218k, this variance is after the approval in quarter 3 to fund planning fee income shortfall and additional Homelessness cost of £600k from the Council Tax Reserve. It is recommend that the £218k overspend is also funded from the Council Tax Reserve.
- 5.2.2 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:
- 5.2.3 The 2019/20 budget included planned use of reserves of £3.326m offset by contributions to reserves of £2.508m, this was a budgeted net use of reserves of £0.818m.

5.2.4 Council approved changes in the year resulting in an increased actual use of reserves during the year to £3.295m and a contribution to reserves of £2.606m, this resulted in an actual net use of reserves for 2019/20 of £0.689m.

<b>Reserve</b>	<b>Balance 31/03/2019 £'000</b>	<b>Transfers to Reserve £'000</b>	<b>Transfer from Reserve Capital £'000</b>	<b>Transfer from Reserve Revenue £'000</b>	<b>Balance at 31/03/2020 £'000</b>
Transformation	(299)	-	54	104	(141)
Investment and Growth	(5,489)	(1,148)	794	579	(5,264)
Earmarked Grants	(394)	(174)	0	116	(452)
Council Tax	(2,348)	(1,284)	29	1,542	(2,061)
Replacement and Refurbishment	(172)	-	-	77	(95)
<b>Total Specific General Fund</b>	<b>(8,702)</b>	<b>(2,606)</b>	<b>877</b>	<b>2,418</b>	<b>(8,013)</b>

5.2.5 Actual revenue uses of reserves include:-

- Homelessness £400k,
- Planning Income £200k.
- Repairs and Refurbishment various sites £243k,
- Priory Road Works £254k,
- PSPS Transformation investment £213k, and
- Pride in South Holland £100k.

5.3.2 Further details on the movement in Reserves are set out in **Appendix A - Table 3** to this report.

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

5.3.1 The HRA delivered an in year underspend of £541k. This was mainly due to:

- Additional rental income compared to that budgeted (£50k).
- Reduced costs of repairs and maintenance (£126k) due to some delays in projects and other reduced service costs.
- Supervision and Management costs lower than budget (£72k) 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 (£140k) due to the emerging impact of Universal Credit.

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

### 5.4 Reserves (GF and HRA)

5.4.1 General Fund Specific Reserves have reduced by £0.689m from £8.702m to £8.013m. This includes the recommended transfer from the Council Tax Reserve to fund the £218k overspend for 2019/20 which is subject to approval by Council.

5.4.2 Reserves were used to support a number of planned expenditure items and to support new budget pressures. There were also areas where reserves were budgeted though not used, such as the Crease Drove Development and where additional unbudgeted contributions were made to reserves, such as through grant money (Brexit and COVID support grant). Further details are set out in **Appendix A - Table 3**.

5.4.3 The General Fund Reserve Balance remains at £2.078m. During 2020/21 the General Fund Reserve will be kept under review relative to the Council's overall risks and members will be informed if any change is proposed to the level of this reserve.

5.4.4 The HRA General Reserve balance at 31<sup>st</sup> March 2019 is £19.809m and in-year increase of £3.234m. The Major Repairs balance has reduced from £4.684m to £3.586m as a result of capital funding requirements in excess of the annual contribution from depreciation. More detail is provided at **Appendix A – Table 5**.

## 5.5 Capital – General Fund

5.5.1 The total General Fund Capital Programme for 2019/20 was £10.053m all of which had received specific scheme approval. Compared to the approved budget, in year spend totalled £3.902m, giving an underspend of £6.151m.

5.5.2 The main areas of underspend relate to operational acquisitions, Welland Homes, and provisional investment in capital acquisitions for commercial growth. Some schemes have experienced delays in scheme starts and will require rollover of budget into the 2020/21 capital programme. Revisions totalling £3.657m are recommended for approved schemes giving a revised 2020/21 programme of £10.386m. The capital programme has been revised to reflect the status of planned programmes at 31<sup>st</sup> March 2020 and is included at **Appendix A – table 7**.

5.5.3 **Appendix A – Table 6** provides more information on the 2018/19 General Fund capital outturn position, how it was funded and the variances from budget. **Table 7** provides details of the revised 2020/21 capital programme as a result of required rollover of underspent budgets.

5.5.4 It is recommended that Council approves the revised 2020/21 General Fund Capital Programme, as set out at **Appendix A table 7**, of £10.386m.

5.5.5 During 2020/21 there may be new emerging capital project funding requirements. Any required amendments to the capital programme will be presented in the Quarterly reports during 2020/21.

## 5.6 Capital – HRA

5.6.1 The total HRA Capital programme for 2019/20 was £11.184m all of which had received specific scheme approval. Against this approved budget in-year spend totalled £8.888m, an underspend of £2.296m. The main reasons for this underspend relate to delays in the new build affordable housing programme (£1.436m), underspends of (£0.425m) on the decent homes programme (mainly heating, electrical and chimneys) and delayed delivery of ICT and PSPS transformation programmes (£0.261m).

5.6.2 **Appendix A – Table 8** provides more information on the HRA capital outturn position, how it was funded and the variances from budget. The revised HRA capital programme for 2020/21 as a result of determined as necessary rollover in unspent budget (£2.548m) is provided at **Table 9** and totals £12.077m.

5.6.3 It is recommended that Council approves the revised 2020/21 HRA Capital Programme, as set out at **Appendix A table 9**, of £12.077m.

## 5.7 **Capital - Other**

5.7.1 During 2019/20 the Council received £2.228m in capital receipts, £2.187m of which related to the HRA. There were 28 houses sold under Right to Buy. More detail is provided at **Appendix A**.

5.7.2 **Appendix A - Table 10** also sets out the Council's ongoing capital financing requirement, the measure of the Council's underlying borrowing requirement. This has remained low as a result of programme underspends, but is budgeted to increase due to roll forward of unspent budget from 2019/20 of £3.657m. From major capital programmes for Welland Homes, Crease Drove industrial Units and additional funding for Growth and commercialisation projects.

## 5.8 **Treasury Management**

5.8.1 **Appendix A** provides more information on the investments held by the Council at 31 March 2020 (£44.3m). The average investments held during the year were £42.7m.

5.8.2 Interest earned on investments in 2019/20 was £517k (compared to the budget of £520k).

5.8.3 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 30 July 2020, and will be considered by Full Council on 23 September 2020.

## 5.9 **Statement of Accounts**

5.9.1 The unaudited Statement of Accounts for the financial year ended 31<sup>st</sup> March 2020 have been provided to the Council's auditors (Ernst Young), with the audit due to be completed by the end of November 2020.

5.9.2 The unaudited Statement of Accounts will be published on the Council's website during September 2020 for public inspection, which will continue for a period of 30 days, in line with The Accounts and Audit Regulations 2015.

5.9.3 The Financial Statements have been prepared under The Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

## 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
	PSPS	Public Sector Partnership Services

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Background papers:

The 2019/20 Estimates Report to Council 27 February 2019

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### **Lead Contact Officer:**

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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.