

## APPENDIX A - South Holland District Council – Q2 Finance Report 2023/24

### Finance Summary

- The revenue forecast shows a deficit position of £338k as at 30<sup>th</sup> September. The deficit at Q1 was at £353k.
- The HRA is forecasting a surplus of £1,620m (budgeted surplus is £2.020m). This is £400k less than anticipated, and £383k less than Q1 forecast (£2.003m). The main reasons for the movement to Q1 are rents pressure of £200k due budget misalignment, repairs and maintenance £188k, and Investment income £39k due to lower levels of investments following accelerated capital spend. This is partially off set by higher than budgeted charges for services and facilities income of £48k.
- General Fund Specific and general reserves of the Council are forecast to be £5.883m at 31 March 2024.
- HRA reserves are forecast to be £14.116m at 31 March 2024.
- General Fund Capital spend at the end of Quarter 2 was £2.535m against a full year budget of £27.531m.
- HRA Capital receipts for the year are forecast to be £1.928m. Total HRA capital resources at the end of 2023/24 are forecast to be £21.362m.
- HRA Capital spend at the end of Quarter 2 was £4.718m against a full year budget of £23.798m.
- The Council held investments of £37.7m as at 30 September 2023. As at 30 June 2023 the Council held investments of £37.7m.

### Section 2 – Finance

Section 2.1	Key Financial Issues in Quarter 2 of 2023/24
Section 2.2	Revenue Budget
Section 2.3	Housing Revenue Account Budget
Section 2.4	Capital Budget
Section 2.5	Treasury Management
Section 2.6	Debt Collection
Section 2.7	Business Rates and Council Tax Collection

#### Section 2.1 – Key Financial Issues in Quarter 2 of 2023/24

- The forecast currently includes assumptions around expected falls in fuel and utility costs as a result of better than budgeted unit prices being realised during quarter 2.
- The numbers of people seeking assistance for homelessness and where a duty applies has remained consistently above projected levels this quarter. The rising costs of living continues to be an issue, it is expected to result in a high level of demand in support during the year and potentially provide further budget pressure for 23/24.
- The Council's 2023/24 budget for investment income is £1.861m. At the end of September 2023 investment income is estimated to be approximately £946k. The outturn for investment income for 2023/24 is forecast to be £2.32m split £1.459m GF and £861k HRA. Investment income is anticipated to be £275k above the budget for GF and £184k for HRA. This will be reviewed throughout the year.
- The process of identifying the in year efficiencies is currently underway and will continue throughout the year.
- Included within the forecasts for Quarter 2 is the assumption that the pay award would be 5% as budgeted. Since Quarter 2 forecasts were completed the final pay award has been agreed at £1,925. This equates to a rise of 9.42% for the lowest paid to 3.88% for those on the highest bands. The impact of the increase in the pay award will be reflected in the forecasts for Quarter 3.

- Rent allowances forecast has been updated based on DWP midyear estimates. This has caused a net projected overspend of £186,000 for rent allowances and £80,000 for rent rebates. There is also a forecast shortfall of grant income due to budget misalignment. The CTS Admin Grant (£61,800) and the Family Annex grant (£35,900) are budgeted for differently in 23-24, they now contained in the final settlement and are no longer budgeted as separate grants.
- Included within the forecasts for Quarter 2 has been one-off use of reserves New Homes Bonus (NHB) to alleviate the revenue position.

Inflation	July (%)	Aug (%)	Sep (%)
CPI	6.8	6.7	6.7
RPI	9	9.1	8.9

## Section 2.2 – Revenue Budget

**Table 1** details the forecast outturn by Assistant Director. This is based on the Quarter 2 forecast position as at 30<sup>th</sup> September 2023 and is based on officers’ projections for the remainder of the financial year.

Table 1 – Projected Net Spend by Assistant Director Area				
Assistant Director	Revised Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Variance (underspend)/overspend £'000	Comments on main variances
Corporate	2,495	2,520	25	Variance is mainly due to the apprenticeship levy £32k. This was a budget mis-alignment. This is offset by software licence underspends of £9k.
Finance	2,395	2,791	381	Variance mainly due to: Rent allowances forecast (£186k) and rent rebates (£80k) where support cannot be fully recovered by subsidy. CTS Admin Grant is now contained in the final settlement. The amount of £62k but is no longer budgeted as a separate grant. £36k - the Family Annex grant is now contained in the final settlement. £17.5k Increase in benefit subsidy external audit fees.
Housing	(170)	(156)	14	New Service - NSAP – Additional Audit costs £3k and house clearance costs, loss of rent due to evictions. Budget refinement required.

**Table 1 – Projected Net Spend by Assistant Director Area**

Assistant Director	Revised Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
General Fund Assets	458	499	41	Car parking income is forecast to be below budget, lower through put and machine down time (replacement machines being ordered). Rental Income from Garages budget misalignment £38k. Loss of tenant £26k at Priory Rd – potential tenants reviewing asset.
Governance	1,080	1,081	1	No major variances.
Leisure & Culture	1,231	1,254	23	£22.2k shortfall on rental income due to non occupancy. Arts Council receipts are forecast to be £12.5k less than budgeted. This has been partially offset by cost of repairs that are forecast to be below budget by £9k.
Neighbourhoods	4,821	4,793	(28)	Pressures relate to an additional £61k of agency backfill due to staffing requirements, holiday pay to leavers and back pay. This has been fully off set by additional income from LCC £127k, savings against budget on plastic bags forecast at £12k and vehicle running and repair costs savings forecast to be below budget by £19k. Vacancy provision of £70k will not be achieved mainly due to vacancies being backfilled by agency
Planning & Strategic Infrastructure	355	340	(15)	Variance mainly due to staff vacancies.
Regulatory	833	828	(5)	Land charges inspection fee income reduced by 33% resulting in £40k underachievement. This is due to high interest rates and cost of living crisis affecting household spending. Income from Public courses no longer being progressed £24k. Partially offset by underspend from staff costs £68k mainly due to vacancies.
Strategic Growth & Development	490	495	5	G4G final settlement received is £6k less than budget.
Strategic Project	152	152	-	No major variances.

**Table 1 – Projected Net Spend by Assistant Director Area**

Assistant Director	Revised Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
Wellbeing & Community Leadership	1,400	1,446	46	The numbers of people seeking assistance for homelessness and where a duty applies has remained consistently above projected levels this quarter - £160k. This, coupled with rising emergency accommodation costs, has resulted in continued overspend at Q2. Officers continue to work through a range of preventative measures which could reduce this expected overspend. This has been partially offset by underspend staff costs £114k mainly due to secondments and vacancies.
<b>Sub Total – Assistant Directors – Net Costs</b>	<b>15,540</b>	<b>16043</b>	<b>488</b>	
Recharges to HRA	<b>(3,070)</b>	<b>(3,070)</b>	-	
Internal Drainage Boards and Parish Precepts	<b>3,996</b>	<b>4,046</b>	<b>50</b>	Overspend on drainage board levies is expected in 23-24 due to a budget mis-alignment.
Investment Income	(1,184)	(1,459)	(275)	Additional investment Income estimated at better than budgeted interest rates.
MRP	177	234	57	This is due to early delivery of capital programme
Impairment Allowance – Bad debt provision (plain English please)	0	42	42	There is an increase in Council Tax Collection provision. This is due to residual old debt getting harder to collect and the impact of the economic climate on current debt collection.
Capital Expenditure Charged In Year	586	586	-	
Transfers to/(from) Earmarked Reserves	339	39	(300)	This includes release of NHB from reserves to support the revenue budget.
Efficiencies Requirement	(276)		276	See table 1b for breakdown.
<b>Other Income and Expenditure</b>	<b>568</b>	<b>418</b>	<b>(150)</b>	
<b>General Fund Budget net costs</b>	<b>16,108</b>	<b>16,461</b>	<b>338</b>	
Council Tax	(7,242)	(7,242)	-	
Business Rates	(6,942)	(6,942)	-	
Government Grants	(1,924)	(1,924)	-	
<b>Total Funding</b>	<b>(16,108)</b>	<b>(16,108)</b>	<b>0</b>	
<b>Total Budget - (Surplus)/Deficit</b>	<b>0</b>	<b>353</b>	<b>338</b>	

**Recommendation:**

**F1** 1) That Cabinet notes the forecast revenue position of a £338,000 overspend for 2023/24 as detailed in Table 1.

The 2023/24 budget included an efficiency target of £887k, efficiencies outturn so far are:

Table 1b– Efficiency Description	Amount £'000	Comments
Internal Drainage Board Support	(299)	Additional one-off grant from Government
Member Allowances - changes to member responsibilities	(15)	New Cabinet structure
Pension Reducing requirement	(25)	Recurring reduction in budget
Power - depending on Power prices	(61)	Budget in excess of requirements
South Holland Centre – Power over budget	(33)	Budget in excess of requirements
South Holland Centre: Business Rates	(8)	Rate Appeal Undertaken
Waste Service - dropping fuel prices	(30)	Budget in excess of requirements
Fleet excess budget closure of cost centre - sale of asset	(6)	Budget in excess of requirements
Duplication of budget	(60)	Budget mis-alignment – duplication due to transfer of staff member
Insurance – Cyber	(6)	New contract price
Regulatory 0.8 FTE budgeted as 1 FTE	(8)	Budget mis-alignment – budgeted at 1FTE – staff reduced hours to 0.8FTE
Savings on LABC service fees	(5)	Budget in excess of requirements
PSPS Contract	(35)	Contract savings
Dems services saving (staff post)	(20)	Budget in excess of requirements
<b>Total</b>	<b>(611)</b>	
<b>Target</b>	<b>(887)</b>	
<b>Efficiencies to be Identified</b>	<b>276</b>	
<b>Total deficit at Q2 excluding efficiencies</b>	<b>62</b>	
<b>Total efficiencies to be found to balance year end based on current forecast.</b>	<b>338</b>	

Further work is underway to look at and consider opportunities for efficiencies and we are engaging with Service Managers to take this process forward.

**Reserves**

At 30 September 2023 specific reserves are forecast to be £3.805m, after a net transfer from reserves of £408k to cover future revenue and capital expenditure. **Table 2** reflects the forecast position.

Table 2 – Specific and General Reserves Balance Forecast				
Reserve	Balances at 1 April 2023 £'000	Forecast Contributions into Reserves £'000	Forecast Use of Reserves £'000	Forecast Balances at 31 March 2024 £'000
<b>General Fund</b>				
Council Tax	1,505	667	(120)	2,052
Investment and Growth	1,764	459	(721)	1,502
Replacement and Refurbishment	0	100	(100)	0
Transformation	128	0	0	128
Repayment Reserve		123		123
<b>Specific Reserves Total</b>	<b>3,397</b>	<b>1,349</b>	<b>(941)</b>	<b>3,805</b>
General Fund	2,078	0	0	2,078
<b>Total</b>	<b>5,475</b>	<b>1,349</b>	<b>(941)</b>	<b>5,883</b>
<b>Housing Revenue Account</b>				
HRA Working Balance	22,512	1,659	(14,743)	9,428
Insurance	200	-	-	200
Major Repairs	5,163	4,251	(4,926)	4,488
<b>Total</b>	<b>27,875</b>	<b>5,910</b>	<b>19,669</b>	<b>14,116</b>

Please note the following reserve movements that are due to take place in 2023/24:

- Council Tax
  - Additions – Elections
  - Use of reserve (Revenue) – Business Rates shortfall and noise monitoring equipment
- Investment and Growth
  - Additions – Repayment of Workshop van, new homes bonus and green waste capital repayment.
  - Use of reserve (Revenue) – Corporate savings, town centre improvement works.
  - Use of reserve (Capital) – Corporate savings, town centre improvement works, Rough Sleeping Accommodation Programme, South Holland Centre and TIC.
- Replacement and Refurbishment Reserve
  - Additions – General fund contribution
  - Use of reserve (Revenue) – Programmed use for asset maintenance

**Recommendation:**

**F2** That Cabinet refers to Full Council the approval of the use of New Homes Bonus (NHB) from reserves (Investment and Growth) of £300,000 to alleviate in year budget pressures.

**Section 2.3 – Housing Revenue Account Budget**

Table 3a – Projected Net Spend by Service Area				
Service Area	Revised Budget 2023/24 £'000	Forecast 2023/24 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
Rent Income – Dwellings	(17,001)	(16,802)	199	The HRA rental income is showing an in-year overspend. This is due to a budget mis-alignment.

Table 3a – Projected Net Spend by Service Area				
Service Area	Revised Budget 2023/24 £'000	Forecast 2023/24 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
Charges for Services and Facilities	(1,215)	(1,258)	(43)	The increase in sewage charges was forecast based on previous increases but the actual increase was higher than anticipated. The income forecast for guest rooms within Sheltered Housing is higher due to guest rooms being used to support the Homelessness Team. Lower income expected from private lifelines where take up of the service continues to reduce. There are a number of alternative providers for lifeline services locally.
Contributions to Expenditure	(5)	(5)	-	
<b>Total Income</b>	<b>(18,221)</b>	<b>(18,065)</b>	<b>156</b>	
Repairs and Maintenance	3,235	3,475	240	The OFGEM energy income will fall £30k short of budget – budget misalignment. Professional fees are showing a (£15k) overspend due to additional expertise being required. RPI increases in servicing contracts (£35k). Demand for services amongst trades in responsive repairs and spikes in void properties has been met through temporary resources (£30k Void and £30k responsive) to ensure the service continues to meet its targets. Legislative requirements have resulted in an additional 2 Stock Condition Surveyors (£79k) to ensure compliance with standards
Supervision and Management	3,672	3,647	(25)	Income for tenant participation (£17k) are due to grant from DLUHC. RTB fees are also showing as a £23k reduction due to the reduced number of applications and completions. Budget pressures of £50k in drainage are as a result of essential urgent repairs. £57k saving will not be achieved due to all posts being filled. A £20k saving represents the number of properties which have been relet in year.
Rents, rates, taxes, and other charges	81	94	13	Budget misalignment.
Depreciation	4,251	4,251	-	
Movement in Allowance for bad debts	271	271	-	
Statutory recharge to the HRA for support services	3,021	3,221	200	HRA recharge review undertaken
<b>Total Expenditure</b>	<b>14,531</b>	<b>14,959</b>	<b>428</b>	

Table 3a – Projected Net Spend by Service Area				
Service Area	Revised Budget 2023/24 £'000	Forecast 2023/24 £'000	Variance (underspend)/overspend £'000	Comments on main variances
<b>Contribution from Operations</b>	<b>(3,690)</b>	<b>(3,106)</b>	<b>584</b>	
Investment Income	(677)	(861)	(184)	Increased interest due to favourable market rates.
Interest Payable	2,347	2,347	-	
<b>Net (Surplus)/Deficit</b>	<b>(2,020)</b>	<b>(1,620)</b>	<b>400</b>	

Table 3b– HRA Revenue Budget Movement	£'000
<b>2023/24 HRA Budget as at Council on 3<sup>rd</sup> March 2023</b>	<b>(2,086)</b>
Movements during Q2	
Proforma B – HRA Transformation resources- Manager & Officer posts	66
<b>Total</b>	<b>66</b>
<b>2023/24 Revised HRA Budget as at 30<sup>th</sup> September 2023</b>	<b>(2,020)</b>

**Recommendation:**

**F3** That Cabinet notes the forecast revenue position of the HRA for 2023/24 (surplus of £1.620m) as detailed in Table 3a.

## Section 2.4 – Capital Budget

This section covers:

- Progress against the 2023/24 approved capital programme and the anticipated outturn (General Fund Table 4 and HRA Table 8);
- Financing of the Capital Programme (General Fund Table 6 and HRA Table 8);
- Revisions to the Capital Programme (General Fund Table 5 and HRA Table 9);
- General Fund Capital Receipts to date for 2023/24.

### General Fund (GF) Capital Programme

Table 4 – 2023/24 Capital Programme and Q2 Forecast Outturn						
Scheme	Approved Budget 2023/24 £000	Changes to approved budget £000	Revised 23/24 £000	Actual September 23 £000	Forecast Outturn 2023/24 £000	Variance (under)/over £000
<b>Non UKSPF &amp; LUF Projects</b>						
ICT	620	-	620	48	620	-
Footway Lighting	105	-	105	76	105	-
Car Park Resurfacing	85	-	85	3	85	-
Capital Acquisitions re Growth and Commercialisation	3,155	(1,895)	1,260	1,078	1,178	(82)
Rough Sleeping Accommodation Programme (RSAP)	21	-	21	-	21	-



Neighbourhoods	756	-	756	534	756	-
Disable Facilities Grants – Private Sector Housing	772	-	772	234	772	-
Decent Homes Unfit and Disrepair – Housing	150	-	150	-	150	-
Welland Homes	1,226	2,750	3,976	8	3,976	-
Disabled Facilities Grants – Private Sector Housing – Discretionary Better Care Additional Payments	250	-	250	-	125	(125)
Industrial Units	563	(500)	63	-	63	-
Council Offices Priory Road – Boiler	100	(58)	42	-	42	-
South Holland Centre – Boiler	142	(77)	65	-	65	-
Spalding Gateway Public Realm Project	283	-	283	-	283	-
Asset Improvement – Leisure	250	(250)	-	-	-	-
Assets and Property – Castle Sports	96	-	96	8	96	-
Assets and Property – Moulton Park & New Sheep Market	300	-	300	-	300	-
Spalding Cemetery	25	-	25	-	25	-
Ayscoughfee Projects	49	-	49	-	49	-
West Marsh Road Depot Projects	36	-	36	7	36	-
Homelessness	31	-	31	-	31	-
Next Steps Accommodation Programme (NSAP)	46	-	46	-	46	-
Changing Places	65	-	65	36	65	-
Ayscoughfee Tennis Court Refurbishment	116	-	116	108	116	-
Local Authority Housing Fund	738	-	738	-	738	-
<b>Total Non UKSPF &amp; LUF Projects</b>	<b>9,980</b>	<b>(30)</b>	<b>9,950</b>	<b>2,140</b>	<b>9,743</b>	<b>(207)</b>
<b>UKSPF &amp; LUF</b>						
UKSPF	131	-	131	34	131	-
<b>Total UKSPF</b>	<b>131</b>	<b>-</b>	<b>131</b>	<b>34</b>	<b>131</b>	<b>-</b>
South Holland Health and Wellbeing Hub	17,000	-	17,000	61	2,000	(15,000)
<b>Total LUF</b>	<b>17,000</b>	<b>-</b>	<b>17,000</b>	<b>61</b>	<b>2,000</b>	<b>(15,000)</b>
<b>Grand Total – All Projects</b>	<b>27,111</b>	<b>(30)</b>	<b>27,081</b>	<b>2,235</b>	<b>11,874</b>	<b>(15,207)</b>

The revised capital budget as at Q2 will be £27.081m, derived from the combination of the 2023/24 approved budget of £27.111 and new in-year approved spend and slippage of (£0.30m).

The overall expenditure as at Q2 is £2.235m with slippage identified in respect of the Spalding Health and Wellbeing Hub (see narrative below) and Industrial Units.

## Changes to approved capital budget

Detailed below are subsequent changes to the capital programme since it was set in March 2023 and reflected in the table above.

Table 5 Capital Programme Changes		
Project Description	Amount £'000	Approval
Capital Acquisitions	1,160	Approved by Council 26 July 2023.
Capital Acquisitions – saving on approved Programme identified by Assets team. Includes removal of £2.655m budget slipped from 2022/23 as part of the Quarter 1 report.	(3,055)	Slippage not required.
Industrial Units – saving on approved Programme identified by Assets team.	(500)	Not required.
Council Offices Priory Road – Boiler – saving on approved Programme identified by Assets team.	(58)	Not required
South Holland Centre – Boiler – saving on approved Programme identified by Assets team.	(77)	Not required.
Asset Improvement – Leisure – saving on approved Programme identified by Assets team.	(250)	Not required.
Welland Homes	2,750	Request to accelerate approved budgets from 2024/25 into 2023/24. Purchases are all approved by Executive Decisions prior to September 2023.
<b>Total</b>	<b>(30)</b>	

## Progress against approved budgets

- Disabled Facilities Grants – Private Sector Housing – Discretionary Better Care Additional Payments – Demand on scheme is lower within the first half of the year. New discretionary policy is in progress also is unlikely to be in place until next year.
- South Holland Health and Wellbeing Hub – The original funding bid for the SHHWBH assumed detailed project planning and design would commence in 2022/23. However, due to delays in central government around assessment of the original funding bid, commencement of the project was delayed with slippage into 2023/24. The original bid submission to DLUHC assumed spend in 2022/23 of approx £2m with a further £15m spend in 2023/24. The award decision came in January 2023 with project manager appointment, project mobilisation and MoU sign-off in Mar-Jun 2023. Additionally, due to the comparatively high value of the funding award, there was a need to satisfy pre-contract due diligence relating to Subsidy Control for the value of the award before the MoU could be finalised. This has all culminated in a later start to the project than was assumed in the bid. Accordingly, government have extended the completing date for all LUF projects to reflect the delay in central government. The current forecast 2023/24 project spend, at £2m, is broadly in line with what was anticipated in the first year.

## 2023/24 Funding

Table 6 Capital Programme Financing				
All Projects	Approved Budget 2023/24 £000	Revised Budget 2023/24 £000	Full year forecast 2023/24 £000	Variance 2023/24 £000
Replacement and Refurbishment Reserve	(113)	(113)	(113)	-
Investment and Growth Reserve	(1,920)	(1,335)	(1,335)	-
Grants	(19,233)	(18,933)	(3,808)	15,125
Internal Borrowing – Environmental Services Vehicles	(1,020)	(1,020)	(1,020)	-
Internal Borrowing/MRP/FutureNeeds	(182)	(182)	(182)	-
Internal Borrowing – Unfinanced	(3,155)	(4,010)	(3,928)	82
S106	(237)	(237)	(237)	-
Spalding Special Reserve	(25)	(25)	(25)	-
Welland Homes/Internal Borrowing	(1,226)	(1,226)	(1,226)	-
<b>Totals</b>	<b>(27,111)</b>	<b>(27,081)</b>	<b>(11,874)</b>	<b>15,207</b>

### Recommendation:

**F4** That Cabinet recommends to Full Council to amend the Capital Programme at Appendix A – Table 4 to take into account the changes set out in this report.

## Housing Revenue Account (HRA) Capital Programme

Table 7	Revised Budget 23/24 £000	Actual September 23 £000	Forecast Outturn 2023/24 £000	Variance (under)/over £000
Central Heating	945	420	945	-
Kitchen/Bathroom	1,495	510	1,495	-
Renewable Energy	2,845	32	2,845	-
Smoke Alarms	210	107	210	-
Electrical Upgrades	96	128	156	60
Roofs and Gutters	888	460	888	-
Doors and Windows	908	-	750	(158)
Flat Entrance Doors Sheltered Schemes	482	16	482	-
Chimneys	196	30	125	(71)
Paths and Drives	36	60	70	34
Boundary Walls	90	-	90	-
Fees	219	-	219	-
Sewerage Treatment Plant	801	-	801	-
The Square	1,277	-	650	(627)
Car Parks	167	55	167	-
Community Centre Refurbishment	75	-	75	-

<b>Table 7</b>	<b>Revised Budget 23/24 £000</b>	<b>Actual September 23 £000</b>	<b>Forecast Outturn 2023/24 £000</b>	<b>Variance (under)/over £000</b>
Booking System for Community Centres and Guest Rooms	15	-	15	-
ICT Strategy / Infrastructure	268	230	268	-
Replacement Laptops	78	-	78	-
Major Adaptions	600	81	600	-
Sheltered Alarm Upgrade**	816	38	816	-
Housing Repairs Vehicles	150	-	-	(150)
Wignals Gate S106	965	825	965	-
Albion street Crowland	9	-	-	(9)
Northons Lane Holbeach	1,257	188	1,257	-
Jubilee Way Gosberton	1,349	142	1,349	-
Pheasant Street Holbeach	811	765	811	-
Primus Close Moulton Chapel	392	2	392	-
Beihler Avenue Weston	2,190	629	2,190	-
Cobgate Whaplode	954	-	954	-
LAHF	1,313	-	1,313	-
Scheme Subject to detailed approval	2,000	-	2,000	-
<b>Total</b>	<b>23,897</b>	<b>4,718</b>	<b>22,976</b>	<b>(921)</b>

\*\* Additional £99,000 allocated to this project from reserves.

<b>Table 8</b>	<b>Revised Budget 23/24 £000</b>	<b>Actual 30 September 23 £'000</b>	<b>Forecast Outturn 2023/24 £'000</b>	<b>Variance (under)/over £'000</b>
Capital Receipts	(1,238)	(1,235)	(1,235)	(3)
Grants and Contributions	(1,973)	(14)	(1,973)	-
Major Repairs Reserve	(5,024)	(1,640)	(4,926)	(98)
Direct Revenue Financing	(15,563)	(1,829)	(14,842)	(721)
<b>Total</b>	<b>(23,798)</b>	<b>(4,718)</b>	<b>(22,976)</b>	<b>(822)</b>

The Item marked \*\* for additional spend on the Sheltered Alarms Upgrade project, requires approval by Cabinet £99,000 and is proposed to be funded from HRA reserves. This is to ensure the delivery resources to support this project match the delivery timeline for the scheme.

**F5** That Cabinet approves the amendment to the HRA Capital Programme at Appendix A – Table 7 to take into account the changes set out in this report.

Table 9 indicates the forecast capital resources for the HRA available to the Council at the end of 2023/24. The estimated position for the following two years is also provided.

Table 9 – Capital Resources HRA			
	2023/24 £'000	2024/25 £'000	2025/26 £'000
Capital Resources* available at start of each year	34,428	21,362	19,350
Capital Investment (estimate in future years)	(22,877)	(12,746)	(7,892)
Additional Sources of Finance	1,973	2,134	-
- New Capital Receipts (estimate in future years)	1,928	1,985	1,982
- Funding from other reserves and internal borrowing	-	-	-
- Major Repairs Reserve	4,251	4,251	4,251
- HRA Working Balance	1,659	2,364	2,568
- Transfer from Capital Reserve to support ongoing projects			
<b>Estimated Capital Resources* at end of each year</b>	<b>21,362</b>	<b>19,350</b>	<b>20,259</b>

\* Capital Reserve and Capital Receipts

### Right To Buy Receipts

Receipts from Right to buy Sales can be used for funding new house purchases within the HRA, but there is a time limit for these receipts to be used on new builds or acquisitions, or the money is payable to DLUHC. This limit was increased from 3 to 5 years in March 2021 and is calculated on an annual basis. There was no payback risk for SHDC at 31<sup>st</sup> March 2023. The next review point will be 31<sup>st</sup> March 2024, but the 2023/24 capital programme will clear any risk of repayment. During quarter 2 there have been three Right to Buy sales compared to four in quarter 1.

### **Section 2.5 – Treasury Management**

#### Investments at 31st August 2023

During the financial year, the Council has made investments in line with the agreed Treasury Management Strategy.

Detailed below are the investments held by the Council as at 31st August 2023 excluding accrued interest. Note this represents the position at this one point in time. The peaks and troughs in cash flow are managed on a daily basis. Because the Council collects money on behalf of other organisations which are paid out at future dates (e.g., Council Tax and Business Rates) the value of investments held at any point in time does not represent the value of SHDC's own resources.

Table 10 – Cash Investments as at 31st August 2023						
Financial Institution	Country	Amount (£)	Fixed/ Variable	Start Date	Maturity Date	Yield
Lloyds Current Account	UK	2,557,190	Variable	Call	N/A	5.15%
Handelsbanken Plc	Sweden	9,232	Variable	Call	N/A	4.45%
CCLA Money Market Fund	Invested Globally	5,200,000	Variable	Call	N/A	5.11%
Close Brothers	UK	2,500,000	Fixed	23/03/23	22/09/23	4.60%
Toronto Dominion Bank	Canada	5,000,000	Fixed	28/09/22	28/09/23	5.40%
Helaba Bank	Germany	5,000,000	Fixed	07/10/22	06/10/23	5.17%
Rabobank	Netherlands	2,000,000	Fixed	14/11/22	14/11/23	4.68%
Close Brothers	UK	2,500,000	Fixed	24/05/23	24/11/23	5.00%
Credit Industriel et Commercial	France	2,000,000	Fixed	12/01/23	12/01/24	4.71%
Credit Agricole	France	3,000,000	Fixed	01/03/23	27/02/24	4.82%
National Australia Bank	Australia	3,000,000	Fixed	27/06/23	24/05/24	6.35%
Rabobank	Netherlands	3,000,000	Fixed	02/06/23	31/05/24	5.63%
UBS	Switzerland	5,000,000	Fixed	13/07/23	12/07/24	6.69%
DNB Bank	Norway	4,000,000	Fixed	31/08/23	30/08/24	6.18%
<b>TOTAL</b>		<b>44,766,422</b>				

## Welland Homes

In addition to the above loans the Council has made loans to Welland Homes, a Housing Company wholly owned by the Council, as follows:

Table 11 – Welland Homes Loans as at 31 <sup>st</sup> August 2023				
Loan	Amount (£)	Start Date	Maturity Date	Yield
Green Lane & Walters Close, Spalding	408,851.00 389,768.37 <u>543,023.43</u> <b>1,341,642.80</b>	20/03/17 10/05/17 17/05/17	17/03/47	3.50%
Parkside Crescent, Spalding ( <i>initially a development loan at 5.50% until completed, now 3.5%</i> )	187,675.67 18,944.78 36,844.08 28,930.75 98,247.92 114,596.66 100,010.41 98,160.13 103,037.06 50,833.29 154,096.72 80,245.80 50,178.89 62,346.40 142,858.40 <u>21,723.09</u> 1,348,730.05 <u>(464,452.00)</u> <b>884,278.05</b>	29/03/18 23/05/18 19/06/18 17/07/18 24/08/18 19/09/18 23/10/18 22/11/18 21/12/18 11/01/19 20/02/19 22/03/19 12/04/19 22/05/19 07/06/19 25/02/21 07/05/19	07/05/49	3.50%
Transferred to Equity				
London Road, Long Sutton	<b>466,771.00</b>	12/02/19	02/10/48	3.50%
Bentley Court, Spalding	523,107.55 <u>32,440.72</u> <b>555,548.27</b>	20/08/19 20/01/20	02/08/49	3.50%
Northon's Lane, Holbeach	461,791.15 28,286.40 <b>490,077.55</b>	29/03/21 18/11/21	29/03/51	3.50%
Homefields, Crowland	1,045,130.10 <u>59,207.06</u> <b>1,104,337.16</b>	30/03/23 11/08/23	29/03/53	5.25%
<b>TOTAL</b>	<b>4,842,654.83</b>			

Interest earned on these loans in the current financial year to 31<sup>st</sup> August 2023 is £78,025.

## Maturity Structure of Loans

The maturity structure of loans is as follows:

Table 12 - Maturity Structure as at 31 <sup>st</sup> August 2023 (incl. Welland Homes)		
Duration	Amount (£)	Percentage of Total

Less than one week	7,766,422	16%
Less than one month	7,500,000	15%
One to three months	9,500,000	19%
Three to six months	5,000,000	10%
Six to nine months	6,000,000	12%
Nine to twelve months	9,000,000	18%
More than twelve months	4,842,655	10%
<b>TOTAL</b>	<b>49,609,077</b>	<b>100%</b>

### Long Term Equity Investments

The following table provides details relating to the Council's equity investments which are valued at "fair value" in accordance with proper accounting practice.

Table 13 – Long Term Equity Investments as at 31 <sup>st</sup> August 2023		
Entity	Equity at Cost (£)	Equity at Fair Value 31/03/23 (£)
Welland Homes	2,772,318	4,199,348
South Holland Local Housing Community Interest Company	100	1,163,111
UK Municipal Bond Agency	50,000	0
<b>TOTAL</b>	<b>2,822,418</b>	<b>5,362,459</b>

### Return on Investments

The Council's 2023/24 budget for investment income is £1.861m split £1.184m GF and £677k HRA. At the end of August 2023 investment income earned was estimated to be approximately £946k (Q1 527k) split £596k GF (Q1 £333k) and £350k HRA (Q1 £194k), which was £168k above the profiled budget (Q1 £63k) on a straight line basis split £101k GF (Q1 £38k) and £67k HRA (Q1 £25k HRA).

The average level of funds available for investment purposes during the first five months of the financial year was £47.4m (Q1 £46.4m) including the loans to Welland Homes which are classified as long-term debtors.

Treasury investments achieved an average rate of 4.863% (Q1 4.629%) compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 4.951% (Q1 4.654%).

The Welland Homes loans were issued at an average rate of 3.885% (Q1 3.882%).

The combined rate achieved on all investments is estimated to be approximately 4.764% (Q1 4.552%).

As at 30th September 2023 the outturn for investment income for 2023/24 is forecast to be £2.32m (Q1 2.46m) split £1.459m GF (Q1 £1.543m) and £861k HRA (Q1 £917k).

### External Borrowing

The Council has borrowings of £67.456m at a fixed rate of 3.48% in respect of the Housing Revenue Account self-financing settlement.

Interest costs for 2023/24 on this fixed rate borrowing are £2,347,469.

As at the 31st August 2023, the premature repayment discount on the PWLB loans was £11,035,108 (Q1 £8,904,749). Under accounting rules, this discount would need to be written down over a period of 10 years via the Movement in Reserves Statement.

### **Public Works Loan Board (PWLB) Borrowing Rates**

During the current financial year, the PWLB borrowing rates have been on a gradual rising trend due to stubborn inflation levels and expectations for further base rate rises. These increases have now started to level out as we near the markets perceived interest rate peak.

The 50 year PWLB certainty rate was 5.14% as at 31st August 2023 (Q1 4.95%).



### **Summary**

The Bank of England Base Rate was increased from 5% to 5.25% on 3 August 2023. Market expectations are for further rate increases during the remainder of the financial year but the pace of increase is likely to slow as we near the peak.

At the end of August rates on new investments with financial institutions and local authorities ranged from 5.10% (Q1 4.70%) for one-month deposits through to 6.10% (Q1 6.55%) for one-year deposits.

Risks prevail in the financial markets and are subject to a continued high level of scrutiny with any significant issues arising being reported to the Council's Governance and Audit Committee. Changes to credit ratings of financial institutions are monitored daily and where required reported to the Section 151 Officer for an agreed course of action to be taken.

### **Section 2.6 – Debt Collection**



A review of debts is undertaken every month, and monitoring is reported against targets. In line with the financial procedure limits debts below £1,050 require sign off by the Chief Finance Officer with all debts for this amount or over requiring Cabinet approval.

An analysis of the sundry debts the Council held as at 30 September 2023 is show in **Table 15**.

Table 15 – Sundry Debt Analysis							
0-30 days £	31-60 days £	61-90 days £	91-120 days £	121-183 days £	184-365 days £	Over 365 days £	Total £
170,426	28,296	9,285	103,756	290,929	17,202	214,583	834,477

Note: This does not include details of invoice amounts (£86,680) that are not yet due

### **Section 2.7 – Council Tax and Business Rates**

There is uncertainty over the ongoing impact on collection and recovery as a result of the knock-on effect of the pandemic, and now the cost of living and energy cost crises. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

A programme of statutory recovery activity is in place throughout the year.

#### **Council Tax Support Scheme (CTS)**

The maximum level of CTS for working age claimants was increased from 70% to 75% in 2023/24, enabling higher level of support for those most in need. As in previous years, national upratings continue to apply.

#### **Council Tax – Quarter 2 In-Year Collection**

The annual collectable debit at 30 September 2023 was £61.6m with a net collection rate of 55.92% (56.79% at 30 September 2022).

#### **Business Rates – Quarter 2 In-Year Collection**

The annual collectable debit at 30 September was £24m with a net collection rate of 55.84% (58.38% at 30 September 2022, however this is not a reliable performance comparison due to the differences between financial years, including revaluation and rate relief schemes).