

APPENDIX A - South Holland District Council – Q3 Finance Report 2023/24

Finance Summary

- The revenue forecast shows a deficit position of £340k as at 31 December. The deficit at Quarter 2 was at £338k.
- The HRA is forecasting a surplus of £1.598m (budgeted surplus is £2.017m). This is £419k less than anticipated, and £22k less than Quarter 2 forecast (£1.620m). The main reasons for the movement from Q2 is a £271k pressure from repairs and maintenance, which is partially offset by supervision and management savings of £224k, and £15k saving on rents, rates etc.
- General Fund specific and general reserves of the Council are forecast to be £5.157m at 31 March 2024.
- HRA reserves are forecast to be £27.169m at 31 March 2024.
- General Fund Capital spend at the end of Quarter 3 was £4.663m against a full year budget of £8.865m.
- HRA capital receipts for the year are forecast to be £1.851m. Total HRA capital resources at the end of 2023/24 are forecast to be £34.335m.
- HRA capital spend at the end of Quarter 3 was £8.147m against a full year budget of £23.897m.
- The Council held investments of £36.8m as at 31 December 2023. As at 30 September 2023 the Council held investments of £37.7m.

Section 2 – Finance

Section 2.1	Key Financial Issues in Quarter 3 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 3 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 3.
- 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.
- The Council's 2023/24 budget for investment income is £1.861m. At the end of December 2023 investment income is estimated to be approximately £1.821m. The outturn for investment income for 2023/24 is forecast to be £2.36m, split £1.481m GF and £876k HRA. Investment income is anticipated to be £298k above the budget for General Fund and £199k for HRA. This will continue to be reviewed as we move towards year end.
- The process of identifying the in year efficiencies is currently underway and has continued throughout the year.
- The pay award was budgeted at 5%. The final pay award was agreed at £1,925, this equated 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 has been reflected in the Quarter 3 forecasts.
- Rent allowances forecast has been updated based on DWP mid-year 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.

- The one-off use of New Homes Bonus (NHB) from reserves to alleviate the revenue position has been included in the Quarter 3 forecast.

Inflation	October (%)	November (%)	December (%)
CPI	4.6	3.9	4.0
RPI	6.1	5.3	5.2

Section 2.2 – Revenue Budget

Table 1 details the forecast outturn by Assistant Director. This is based on the Quarter 3 forecast position as at 31 December 2023 and is based on officers' projections for the remainder of the financial year.

Assistant Director	Revised Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Variance (underspend)/overspend £'000	Comments on main variances
Corporate	2,326	2,221	(98)	Variance is driven by ICT underspend; £76k savings resulting from hardware purchased as capital in the previous year resulting in no revenue outlay in 23/24 combined with recharge income receipts, and £50k underspend forecast against License costs due to warranty cover and postponed upgrades. ICT underspend is partially offset by pay award staffing costs and the apprenticeship levy, which was a budget misalignment.
Finance	3,551	3,978	426	Variance mainly due to: Rent allowances forecast £186k and rent rebates £80k where support cannot be fully recovered by subsidy. CTS Admin and Family Annex Grants £62k are now contained in the final settlement and no longer budgeted as separate grant income. Increased insurance costs of £24k and 2022/23 HB subsidy audit costs of £34k, linked to inflation. Decrease to CT and NNDR court income of £18k as forecast has been aligned with actuals to date and prior years. There has been a £15k unbudgeted recharge relating to 2022/23 Breckland Manager costs.

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
Housing	(120)	(145)	(25)	New Service – NSAP – Forecasts for Cleaning and Grounds Maintenance charges (£22k) removed and replaced by internal charges, and savings on utilities (£7k). NSAP savings partially offset by Professional and Contractors Fees relating to evictions.
General Fund Assets	401	418	17	Car parking income is forecast to be below budget £87k, 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. The above overspends are largely offset by underspend on Programmed Buildings Maintenance.
Governance	960	1,091	131	Election costs are funded from reserves, the budget was set with reserve funding and no offsetting expenditure. The forecast correctly reflects May election expenditure fully funded by reserves.
Leisure & Culture	916	909	(4)	£22.2k shortfall on rental income at South Holland Centre and TIC due to non-occupancy. Arts Council receipts are forecast to be £6k less than budgeted. This has been offset by forecast savings (£11k) against cost of running Christmas, Pumpkin and smaller as hoc events. Further underspends on building repairs, maintenance and utilities are forecast.
Neighbourhoods	4,770	4,851	81	Pressures relate to an additional £285k on salary pay award and agency backfill due to staffing requirements. The authority has benefited by additional income from LCC (£127k) for cross border travel, underspend on plastic bags forecast, and vehicle running and repair costs savings forecast reflective of fleet investment undertaken in recent years.
Planning & Strategic Infrastructure	302	290	(11)	Variance mainly due to staff vacancies.

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
Regulatory	832	895	63	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. Savings on staff costs offset the above pressures at Q2 but are now expected to be broadly in line with budget as a result of the pay award and filled vacancies.
Strategic Growth & Development	331	359	28	The remaining variance mainly due to: A delay in starting the UKSPF project, £36k grant income slipped into 2024/25. Overspends are partially offset by salary recharges to SELC partners and utilities savings.
Strategic Project	152	155	3	No major variances.
Wellbeing & Community Leadership	1,411	1,403	(8)	The numbers of people seeking assistance for homelessness and where a duty applies has remained consistently above projected levels, resulting in £160k forecast overspend. This has been offset by Private Sector Housing breach charges (£60k) and underspend staff costs (£113k) mainly due to secondments and vacancies.
Sub Total – Assistant Directors – Net Costs	15,833	16,437	605	
Recharges to HRA	(3,070)	(3,070)	0	
Internal Drainage Boards and Parish Precepts	3,996	3,999	3	No major variances.
Investment Income	(1,184)	(1,481)	(298)	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	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	0	
Transfers to/(from) Earmarked Reserves	0	(300)	(300)	Release of NHB from reserves to support the revenue budget approved in Q2.
Efficiencies Requirement	(231)	0	231	See table 1b for breakdown.

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
Other Income and Expenditure	274	10	(264)	
General Fund Budget net costs	16,107	16,447	340	
Council Tax	(7,242)	(7,242)	-	
Business Rates	(6,942)	(6,942)	-	
Government Grants	(1,923)	(1,923)	-	
Total Funding	(16,107)	(16,107)	0	
Total Budget - (Surplus)/Deficit	0	340	340	

Recommendation:

F1 That Cabinet notes the forecast revenue position of a £340,000 overspend for 2023/24 as detailed in Table 1.

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

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
Spalding Special Expenses	1	Correction of budget mis-alignment
Further Waste Services fuel savings	(46)	Budget in excess of requirements
Total	(656)	
Target	(887)	
Efficiencies to be Identified	231	
Total deficit at Q3 excluding efficiencies	109	
Total efficiencies to be found to balance year end based on current forecast.	340	

A new savings and efficiency plan has been developed and will be monitored by the Leader and Finance Portfolio Holder.

Income

The Council has several demand-led budget areas which are reliant on income for services provided. These are shown in Table 1c below.

Table 1c – Trading Income Budgets				
Income Area	Revised Budget	Forecast	Variance (above)/ below budget	Comments
	£'000	£'000	£'000	
Car Parking	(393)	(306)	87	Underachievement of income due to reduced footfall and payment machine downtime. New machines are due to be purchased and installed.
Planning	(825)	(825)	-	
Licensing	(122)	(125)	(3)	Small overachievement forecast.
Markets	(32)	(32)	-	
Land Charges	(120)	(80)	40	Reduction due to external economic factors, Inspection Fees are demand led with the Housing market.
Building Control	(357)	(286)	71	Building Control fee income reduction due to external economic factors.
Commercial Rents	(333)	(292)	40	Underachievement of income due to office vacancies at Priory Road and vacancy of tenant running the bar at South Holland Centre and TIC.
Green Waste	(600)	(600)	-	
TOTAL	(2,780)	(2,545)	235	

Reserves

At 31 December 2023 the General Fund specific reserves are forecast to be £3.079m, after a net transfer into reserves of £176k 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
General Fund				
Council Tax	655	695	(128)	1,222
Replacement and Refurbishment	0	100	(65)	35
Repayment Reserve	0	121	0	121
Investment and Growth	1,725	459	(1,006)	1,178
Transformation	129	0	0	129
Planning reserve	394	0	0	394
Specific Reserves Total	2,903	1,375	(1,199)	3,079
General Fund	2,078	0	0	2,078
Total	4,981	1,375	(1,199)	5,157
Housing Revenue Account				
HRA General Reserve	22,512	1,598	(1,423)	22,687
Major Repairs	5,163	4,251	(5,132)	4,282
Insurance	200	-	-	200
Total	27,875	5,849	6,555	27,169

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

- Council Tax
 - Additions – General fund contribution
 - 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 New Homes Bonus (NHB) to alleviate in year budget pressures, as approved in Q2 report.
 - Use of reserve (Capital) – Corporate savings, ICT Infrastructure, 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

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)	(16,797)	204	Rental income is showing an in-year underachievement due lost income from RTB completions, in year acquisitions are yet to offset the income shortfall.
Charges for Services and Facilities	(1,216)	(1,263)	(47)	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 is expected from private lifelines where take up of the service continues to reduce as there are a number of alternative providers for lifeline services locally.
Contributions to Expenditure	(5)	(1)	4	Variance as a result of reduction in court costs and subsequent reduction in court income.
Total Income	(18,222)	(18,061)	161	
Repairs and Maintenance	3,235	3,747	512	The Responsive and Void (Repairs) budget has been consistently under pressure as a result of increased labour, inflation and volume demand. Following national media around damp and mould there is greater public awareness which has resulted in a significant increase in demand. 11,000 repairs had been carried out by the end of December 2023; the forecast assumes 15,000 repairs by year end (compared to 5 year average of 11,000 per annum). Other providers are reporting similar upturns and this trend is expected to continue. Other contributing factors include greater pay rises for staff than budgeted, fluctuating central recharges, increase use of call off contracts for demand led trades, cost of materials for carpentry and increased scale of associated jobs, increase in plastering works, and de minimis roofing works now charged to revenue.

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
Supervision and Management	3,673	3,424	(249)	£223k of the variance relates to Housing Delivery; £86k savings forecast against the Professional and Contractors Fees budget, additional £50k project management income from BBC re LAHF properties and £108k from the affordable housing capital programme, offset by £20k project management fee from Welland Homes. £21k of the variance reflects an underspend forecast against the Cost of Living allowance, the saving represents the number of properties which have been relet in year. £5k variance relates to Repairs, the underspend is driven by payroll costs due to delayed starts and vacancies within the service, and utilities are currently forecast to underspend. Repairs savings are partially offset by ongoing pressures on drainage repairs and increased insurance cost.
Rents, rates, taxes, and other charges	81	78	(3)	No major variances.
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
Total Expenditure	14,532	14,992	460	
Contribution from Operations	(3,690)	(3,069)	621	
Investment Income	(677)	(876)	(199)	Increased interest due to favourable market rates.
Interest Payable	2,347	2,347	-	
Net (Surplus)/Deficit	(2,020)	(1,598)	422	

Table 3b– HRA Revenue Budget Movement	£'000
2023/24 HRA Budget as at Council on 3rd March 2023	(2,086)
Movements during Q2	
Proforma B – HRA Transformation resources- Manager & Officer posts	66
Total	66
2023/24 Revised HRA Budget as at 31 December 2023	(2,020)

Recommendation:

F2 That Cabinet notes the forecast revenue position of the HRA for 2023/24 (surplus of £1.598m) 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);
- 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	Changes to approved budget	Slippage to Future Years	Revised 2023/24	Actual December 2023	Forecast Outturn 2023/24	Variance (under)/over
	£000	£000	£000	£000	£000	£000	£000
Non UKSPF & LUF Projects							
ICT	620	(382)	(30)	208	148	208	-
Footway Lighting	105	-	(13)	92	47	92	-
Car Park Resurfacing	85	-	(73)	12	11	12	-
Capital Acquisitions re Growth and Commercialisation	1,260	69	(29)	1,300	1,143	1,300	-
Rough Sleeping Accommodation Programme (RSAP)	21	(17)	-	4	4	4	-
Neighbourhoods	756	(57)	(80)	619	510	619	-
Disable Facilities Grants – Private Sector Housing	772	-	(21)	751	360	751	-
Decent Homes Unfit and Disrepair – Housing	150	-	(75)	75	-	75	-
Welland Homes	3,976	-	(1,110)	2,866	1,578	2,866	-
Disabled Facilities Grants – Private Sector Housing – Discretionary Better Care Additional Payments	250	-	(245)	5	-	5	-
Industrial Units	63	(13)	(50)	-	-	-	-
Council Offices Priory Road – Boiler	42	-	(10)	32	46	46	14
South Holland Centre – Boiler	65	-	-	65	51	51	(14)
Spalding Gateway Public Realm Project	283	-	-	283	-	283	-
Assets and Property – Castle Sports	96	-	(18)	78	9	78	-
Assets and Property – Moulton Park & New Sheep Market	300	-	(128)	172	17	172	-
Spalding Cemetery	25	-	(25)	-	-	-	-
Ayscoughfee Projects	49	(34)	(15)	-	-	-	-
West Marsh Road Depot Projects	36	-	-	36	7	36	-
Homelessness	31	-	(31)	-	-	-	-
Next Steps Accommodation Programme (NSAP)	46	(46)	-	-	-	-	-
Changing Places	65	-	-	65	36	65	-

Ayscoughfee Tennis Court Refurbishment	116	-	-	116	124	124	8
Local Authority Housing Fund	738	-	-	738	-	738	-
Car Park Machines	-	63	-	63	-	63	-
Total Non UKSPF & LUF Projects	9,950	(417)	(1,953)	7,580	4,091	7,588	8
UKSPF & LUF							
UKSPF	131	435	-	566	413	566	-
Total UKSPF	131	435	-	566	413	566	-
South Holland Health and Wellbeing Hub	17,000	-	(16,281)	719	159	719	-
Total LUF	17,000	-	(16,281)	719	159	719	-
Grand Total – All Projects	27,081	18	(18,234)	8,865	4,663	8,873	8

Slippage to future years was approved by Full Council on 29th February 2024 as part of Budget Setting 24/25.

The revised capital budget as at Q3 will be £8.873m, derived from the combination of the 2023/24 approved budget of £27.081m, new in-year approved spend, uncommitted spend and slippage into future years. The overall expenditure as at Q3 is £4.663m.

Changes to approved capital budget

Detailed below are subsequent changes to the capital programme since the Q2 report and reflected in the table above.

Table 5 Capital Programme Changes		
Project Description	Amount £'000	Approval
ICT	(382)	Decommitment of previously approved schemes, future bids for schemes to be brought forward as they are required.
Capital Acquisitions re Growth and Commercialisation	69	S151 approval of £59k increased expenditure relating to Wardentree Park Depot. £10k land purchase at Clubhurn Lane, Surfleet approved by Portfolio Holder for Assets and Strategic Planning.
Rough Sleeping Accommodation Programme (RSAP)	(17)	Decommitment of remaining budget as the scheme has been completed.
Neighbourhoods	(57)	Decommitments due to purchases below budgeted costs delivering a saving.
Industrial Units	(13)	Decommitment of scheme as no longer financially viable for works.
Ayscoughfee Projects	(34)	Decommitment as works now completed.
Next Steps Accommodation Programme (NSAP)	(46)	Decommitment of remaining budget as the scheme has been completed.
Car Park Machines	63	S151 approval of car parking machine replacement, increased reliability of machines will be a positive revenue impact.
UKSPF	435	Request for the budget to be increased in line with the updated grant to be received by the Council.
Total	14	

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.
- Welland Homes – Q2 report requested accelerated funding of £2.75m from 2024/25, delays within a number of accelerated projects have led to the request to slip £1.1m back into 2024/25. The works are still ahead of the schedule originally approved as part of the budget report for 2023/24.
- 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 approximately £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 forecasted 2023/24 project spend, at £0.719m.

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	(75)	(65)	(73)	(8)
Investment and Growth Reserve	(1,439)	(741)	(741)	-
Grants	(18,883)	(2,698)	(2,698)	-
Internal Borrowing – Environmental Services Vehicles	(567)	(510)	(510)	-
Internal Borrowing/MRP/Future Needs	(182)	(53)	(53)	-
Internal Borrowing – Unfinanced	(537)	(505)	(505)	-
S106	(237)	(237)	(237)	-
Spalding Special Reserve	(25)	-	-	-
Welland Homes/Internal Borrowing	(3,976)	(2,866)	(2,866)	-
Capital Receipts	(1,160)	(1,190)	(1,190)	
Totals	(27,081)	(8,865)	(8,873)	(8)

Recommendation:

F3 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 December 2023 £000	Forecast Outturn 2023/24 £000	Variance (under)/over £000
Central Heating	945	741	945	-
Kitchen/Bathroom	1,495	817	1,495	-
Renewable Energy	2,845	179	2,845	-
Smoke Alarms	210	154	300	90
Electrical Upgrades	96	176	226	130
Roofs and Gutters	888	770	888	-
Doors and Windows	908	-	778	(130)
Flat Entrance Doors Sheltered Schemes	482	72	482	-
Chimneys	196	63	135	(61)
Paths and Drives	36	66	71	35
Boundary Walls	90	-	40	(50)
Fees	219	-	215	(4)
Sewerage Treatment Plant	801	192	575	(226)
The Square	1,277	234	400	(877)
Car Parks	167	-	67	(100)
Community Centre Refurbishment	75	-	75	-
Booking System for Community Centres and Guest Rooms	15	-	18	3
ICT Strategy / Infrastructure	268	119	176	(92)
Replacement Laptops	78	-	26	(52)
Major Adaptions	600	255	365	(235)
Sheltered Alarm Upgrade**	816	67	126	(690)
Housing Repairs Vehicles	150	-	-	(150)
Wignals Gate S106	965	836	846	(119)
Albion street Crowland	9	-	-	(9)
Northons Lane Holbeach	1,257	190	776	(481)
Jubilee Way Gosberton	1,349	715	1,303	(46)
Pheasant Street Holbeach	811	769	794	(17)
Primus Close Moulton Chapel	392	3	3	(389)
Beihler Avenue Weston	2,190	1,724	2,130	(60)
Cobgate Whaplode	954	2	911	(43)
Colbeach Lane Surfleet	1,513	3	1,466	(47)
LAHF Frogmore Lane Holbeach	240	-	232	(8)
LAHF Tulip Fields Holbeach	1,073	-	998	(75)
Scheme Subject to detailed approval	487	-	-	(487)
Total	23,897	8,147	19,707	(4,190)

Table 8	Revised Budget 23/24 £000	Actual December 2023 £'000	Forecast Outturn 2023/24 £'000	Variance (under)/over £'000
Capital Receipts	(1,238)	-	(1,238)	-
Grants and Contributions	(1,973)	(89)	(1,914)	59
Major Repairs Reserve	(5,024)	(2,978)	(5,132)	(108)
Direct Revenue Financing	(15,662)	(838)	(1,423)	14,239
External Borrowing	-	-	(10,000)	(10,000)
Total	(23,897)	(3,905)	(19,707)	(4,190)

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	2024/25	2025/26
	£'000	£'000	£'000
Capital Resources* available at start of each year	34,428	34,335	24,338
Capital Investment (estimate in future years)	(19,707)	(18,632)	(8,451)
Revenue Funding		(500)	
Additional Sources of Finance			-
- New Capital Receipts (estimate in future years)	1,851	1,264	721
- Funding from other reserves and internal borrowing	10,000	-	-
- Major Repairs Reserve	4,251	5,039	5,073
- HRA Working Balance	1,598	639	762
- Grants	1,914	2,193	
- Transfer from Capital Reserve to support ongoing projects			
Estimated Capital Resources* at end of each year	34,335	24,338	22,443

* 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 31st March 2023. The next review point will be 31st March 2024, but the 2023/24 capital programme will clear any risk of repayment. During Quarter 3, there have been three Right to Buy sales, compared to three in Q2 and four in Q1.

Section 2.5 – Treasury Management

Investments at 31st December 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 31 December 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 31 December 2023						
Financial Institution	Country	Amount (£)	Fixed/Variable	Start Date	Maturity Date	Yield
Lloyds Current Account	UK	2,027,735	Variable	Call	N/A	5.15%
Handelsbanken Plc	Sweden	9,441	Variable	Call	N/A	4.45%
CCLA Money Market Fund	Invested Globally	3,800,000	Variable	Call	N/A	5.29%
Credit Industriel et Commercial	France	2,000,000	Fixed	12/01/23	12/01/24	4.71%
Australia New Zealand Bank	Australia	2,000,000	Fixed	08/11/23	19/02/24	5.46%
Credit Agricole	France	3,000,000	Fixed	01/03/23	27/02/24	4.82%
City of Stoke-on-Trent Council	UK	3,000,000	Fixed	11/12/23	11/03/24	5.60%
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%
Toronto Dominion Bank	Canada	5,000,000	Fixed	28/09/22	28/09/23	5.40%
DNB Bank	Norway	1,000,000	Fixed	06/11/23	04/11/24	5.72%
TOTAL		36,837,176				

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 December 2023				
Loan	Amount (£)	Start Date	Maturity Date	Yield
Green Lane & Walters Close, Spalding	408,851.00	20/03/17	17/03/47	3.50%
	389,768.37	10/05/17		
	<u>543,023.43</u>	17/05/17		
	1,341,642.80			
Parkside Crescent, Spalding (<i>initially a development loan at 5.50% until completed, now 3.5%</i>)	187,675.67	29/03/18		
	18,944.78	23/05/18		
	36,844.08	19/06/18		
	28,930.75	17/07/18		
	98,247.92	24/08/18		
	114,596.66	19/09/18		
	100,010.41	23/10/18		
	98,160.13	22/11/18		
103,037.06	21/12/18			

Table 11 – Welland Homes Loans as at 31 December 2023

Loan	Amount (£)	Start Date	Maturity Date	Yield
Transferred to Equity	50,833.29	11/01/19		
	154,096.72	20/02/19		
	80,245.80	22/03/19		
	50,178.89	12/04/19		
	62,346.40	22/05/19		
	142,858.40	07/06/19		
	<u>21,723.09</u>	25/02/21		
	1,348,730.05 <u>(464,452.00)</u>	07/05/19		
884,278.05		07/05/49	3.50%	
London Road, Long Sutton	466,771.00	12/02/19	02/10/48	3.50%
Bentley Court, Spalding	523,107.55	20/08/19		
	<u>32,440.72</u>	20/01/20		
	555,548.27		02/08/49	3.50%
Northon's Lane, Holbeach	461,791.15	29/03/21		
	<u>28,286.40</u>	18/11/21		
	490,077.55		29/03/51	3.50%
Homefields, Crowland	1,045,130.10	30/03/23		
	<u>59,207.06</u>	11/08/23		
	1,104,337.16		29/03/53	5.25%
Walnut Close, Sutton St James	560,227.00	18/10/23	25/04/53	5.25%
Homefields, Crowland (Phase 2)	391,915.00	30/10/23	19/10/53	5.84%
TOTAL	5,794,796.83			

Interest earned on these loans in the current financial year to 31st December 2023 is £151,131.

Maturity Structure of Loans

The maturity structure of loans is as follows:

Table 12 - Maturity Structure as at 31 December 2023 (incl. Welland Homes)

Duration	Amount (£)	Percentage of Total
Less than one week	5,837,176	14%
Less than one month	2,000,000	5%
One to three months	8,000,000	19%
Three to six months	6,000,000	14%
Six to nine months	9,000,000	21%
Nine to twelve months	6,000,000	14%
More than twelve months	5,794,797	13%
TOTAL	42,631,973	100%

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 December 2023		
Entity	Equity at Cost (£)	Equity at Fair Value 31/03/23 (£)
Welland Homes	2,772,318	4,199,348
Welland Homes (*post 31/03/23 figures shown at cost)	566,603	*566,603
South Holland Local Housing Community Interest Company	100	1,163,111
UK Municipal Bond Agency	50,000	0
TOTAL	2,822,418	5,929,062

Return on Investments

The Council's 2023/24 budget for investment income is £1.861m, split £1.184m GF and £677k HRA. On 31 December 2023 investment income earned was estimated to be approximately £1.821m (Q2 £946k), split £1.143m GF (Q2 £596k) and £678k HRA (Q2 £350k), which was £419k above the profiled budget (Q2 £168k) on a straight line basis split £251k GF (Q2 £101k) and £168k HRA (Q2 £67k HRA).

The average level of funds available for investment purposes to the end of December 2023 was £47.8m including the loans to Welland Homes which are classified as long-term debtors.

Treasury investments achieved an average rate of 5.184% (Q2 4.863%) compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 5.10% (Q2 4.951%).

The Welland Homes loans were issued at an average rate of 3.967% (Q2 3.885%).

The combined rate achieved on all investments is estimated to be approximately 5.056% (Q2 4.764%).

As at 31 December 2023, the outturn for investment income for 2023/24 is forecast to be £2.357m (Q2 £2.32m) split £1.481m GF (Q2 £1.459m) and £876k HRA (Q2 £861k). This is a combined total of £496k above budget compared with £459k as at Q2.

External Borrowing

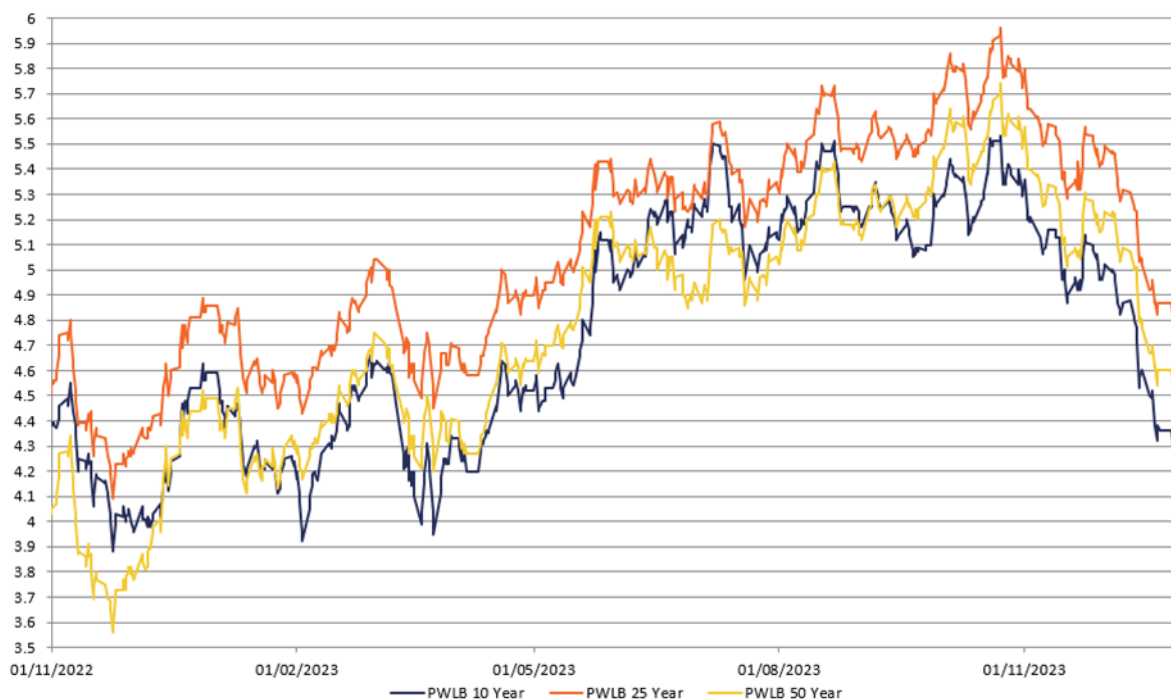
The Council has borrowings of £67.456m at a fixed rate of 3.48% in respect of the Housing Revenue Account self-financing settlement.

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

Public Works Loan Board (PWLB) Borrowing Rates

During the financial year PWLB borrowing rates had been on a gradual rising trend due to stubborn inflation levels and expectations for further base rate rises. These rates stabilised during June and July 2023 when inflation levels slowly started falling but have increased again during September and October 2023 due to concerns over the US economy. These concerns have now abated and with the market expectation that base rates are likely to fall the PWLB rates have seen a sharp fall in November and December.

The 50 year PWLB certainty rate was 4.68% as at 31 December 2023 (Q2 5.14%).



Summary

The Bank of England Base Rate has increased from 4.25% to 5.25% during the current financial year. At the last three MPC meetings there has been no change in the Base Rate level. Market expectations are that rates have now peaked and the future direction for the base rate is a gradual reduction.

At the end of December rates on new investments with financial institutions were around 0.5% lower than that offered by local authorities. Rates with local authorities ranged from 5.45% for one-month deposits through to 5.60% 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 31 December 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
£	£	£	£	£	£	£	£
144,704	61,715	21,551	78,532	18,761	239,574	225,367	790,204

Note: This does not include details of invoice amounts (£4,762) 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)

Following the statutory annual review during 2022/23, the 2023/24 scheme remains unchanged from the previous year, allowing for national up-ratings.

Council Tax – Quarter 3 In-Year Collection

The annual collectable debit at 31 December 2023 was £61.8m with a net collection rate of 82.67% (83.07% at 31 December 2022).

Business Rates – Quarter 3 In-Year Collection

The annual collectable debit at 31 December was £24m with a net collection rate of 81.51% (81.62% at 31 December 2022, however this is not a reliable performance comparison due to the differences between financial years, including revaluation and rate relief schemes).