

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Strategic Finance and Democratic Services and the Executive Director (Place) (S151)

**To:** Council – 17 December 2014

**(Author:** Julie Kennealy, Executive Director (Place) (S151))

**Subject:** Financial Performance Quarter 2 2014-15

**Purpose:** This report provides information on the draft year end financial position of the Council, as at 30 September 2014. For information and to approve recommendations

### **Recommendation:**

- 1) That the report and Appendix 1 be noted.
- 2) To approve the transfer of £20k from Parks and Open Spaces to the Organisational Development reserve; and
- 3) To approve the split of the ICT Strategy Projects over specific projects.

### **1.0 BACKGROUND**

1.1 This report provides information on the full year financial performance for four separate areas:

- Revenue Budget incorporating Spalding Special Expenses and the Housing Revenue Account
  - Forecast Revenue outturn for 2014-15
  - Significant variances
  - Reserve levels
- Council Tax and Business Rates
  - Forecast outturn against budget
  - Five Year Capital Programme and Financing
- Capital
  - Forecast outturn against budget
  - Five Year Capital Programme and Financing
- Treasury
  - Security of investments
  - Liquidity levels
  - Yield levels
  - Borrowing

- 1.2 During recent years the council alongside many public sector service providers has experienced a period of unprecedented financial pressures, including, in various combinations; public sector funding cuts as part of our national austerity measures, all time low returns on cash deposits and a national economic downturn affecting jobs, housing and business growth.
- 1.3 Over the same period, the basis on which the public sector is funded has undergone unprecedented reform, radical changes that affect the council's funding financial position both directly and indirectly include National Welfare Reform, Localisation of Council Tax Relief, Business Rates Retention, New Homes Bonus and of course reduction and in some cases removal of a range of grant funding sources. Each change bringing elements of uncertainty in terms of impact.
- 1.4 In keeping with many Councils, the challenge to identify savings in the future became ever more challenging and complex to deliver, as the need to deliver further efficiencies continued.
- 1.5 Of course, there remain areas of risk which will be managed over the coming year. Future Government funding is an estimate and could change after the local government settlement announcement and policy may change after the general election next year. Savings in year from salaries as a result of vacancies are unlikely to be sustainable in the longer term without the level of service delivery deteriorating and these posts are being recruited to as quickly as possible. On an ongoing basis the new business rate retention scheme brings risk to all council's in terms of successful business rate appeals with a backdated award period.
- 1.6 One of the key areas of uncertainty relates to appeals against rateable values for business premises, with the potential for successful appeals being backdated for a number of years. The most significant risk to South Holland District Council relates to the two power stations, which are subject to a national valuation tribunal hearing that will affect all gas-fired power stations. The decision from the hearing (which took place in October) is expected to be announced in January 2015. This will determine whether the council will have to repay business rates collected from the power stations and how much we will be able to collect in the future. Any reduction in rateable value will also have an ongoing detrimental impact on the business rates that the council is able to retain.
- 1.7 The figures included in this quarter 2 report provide information on spend to date, informing a revised forecast of our budget requirements for the remaining year. In accordance with good professional practice we will use this updated half year position as the basis from which we plan for the next budget cycle across both the short and medium term. This approach places our financial planning for the coming financial year and beyond on the soundest possible footing.
- 1.8 The main revenue variances to highlight from appendix 1 are
- In year savings against the revenue budget of £588k
  - Additional £50k development control fees forecast
  - Saving against pension contribution budget of £129k as take up of local government pension scheme was lower than originally forecast following the introduction of the pension auto enrolment regulations, in addition to changes in methodology following scheme valuation.
  - Additional one off funding amounting to £24k resulting from distribution from Lincolnshire business rates pool.

- Retained business rates – renewal energy growth partially offset by S31 grant amounting to £97k additional income.
- Court income relating to revenues and benefits recovery activity net of impairments is estimated to increase by £50k
- New burdens grant from central government amounting £90k

1.9 Reserve balances – Table 5 shows reserve balances. Note that a transfer from New Homes Bonus to set up a Property Acquisition Reserve has been actioned following the Council meeting on 15th October 2014.

1.10 HRA – Re-profiling of HRA capital programme leading to a spending reduction of £1.757m in year.

1.11 General Fund Capital – Completion of Traveller site project is expected to be next year. This will be re-profiled when the capital budget is put forward for approval.

1.12 Treasury Management – Additional interest earned resulting from interest rate yield exceeding target as well as re-profile of the capital programme.

## 2.0 **OPTIONS**

2.1 To note the report and to approve the recommendations detailed in appendix 1 with amendments;

2.2 To note the report and not approve the recommendations detailed in appendix 1; and

2.3 Do Nothing.

## 3.0 **REASONS FOR RECOMMENDATIONS**

3.1 To provide timely information to Members on the overall finances of the Council and to make the best use of resources available.

## 4.0 **EXPECTED BENEFITS**

4.1 To ensure that Members are updated regularly on the overall Council financial position and to act on any budget amendments required to reflect the latest position of spend and income.

## 5.0 **IMPLICATIONS**

### 5.1 **Carbon Footprint / Environmental Issues**

5.1.1 It is the opinion of the Report Author that there are no implications.

### 5.2 **Constitution & Legal**

5.2.1 It is the opinion of the Report Author that there are no implications.

### 5.3 **Contracts**

5.3.1 It is the opinion of the Report Author that there are no implications.

#### 5.4 **Corporate Priorities**

5.4.1 It is the opinion of the Report Author that there are no implications.

#### 5.5 **Crime and Disorder**

5.5.1 It is the opinion of the Report Author that there are no implications.

#### 5.6 **Equality and Diversity / Human Rights**

5.6.1 It is the opinion of the Report Author that there are no implications.

#### 5.7 **Financial**

5.7.1 The report is of a financial nature and financial details are included within the appendix.

#### 5.8 **Health & Wellbeing**

5.8.1 It is the opinion of the Report Author that there are no implications.

#### 5.9 **Risk Management**

5.9.1 Risks are highlighted within the report and appendix.

#### 5.10 **Staffing**

5.10.1 It is the opinion of the Report Author that there are no implications.

#### 5.11 **Stakeholders / Consultation / Timescales**

5.11.1 It is the opinion of the Report Author that there are no implications.

#### 6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 Budget implications affect all wards.

#### 7.0 **ACRONYMS**

7.1 HRA – Housing Revenue Account.

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Background papers:- None

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#### **Lead Contact Officer**

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#### **Director / Officer who will be attending the Meeting**

Name and Post: Julie Kennealy Executive Director (Place) (Section151)

**Key Decision:** No

**Exempt Decision:** No

**This report refers to both Mandatory Service & Discretionary Services**

**Appendices attached to this report:**

Appendix 1

Financial Report for the quarter ending 30 September 2014