

## South Holland District Council

### Financial Report for the quarter ending September 2014

This report has four sections

- Section 1 – Revenue budget
- Section 2 – Council Tax and Business Rates
- Section 3 – Capital budget
- Section 4 – Treasury update

## Section 1 - Revenue Budget

### General Fund

The table below details the forecast outturn against the approved budget for 2014-15. This is calculated by taking expenditure and income up to 30<sup>th</sup> September 2014 and budgeted income and expenditure for the remainder of the year. Significant variances to the approved budget are detailed in Table 2. Overall the forecast estimates the General Fund to return budget savings of £588,000, which also includes the additional expenditure for town clean up operation (£100k) approved in Quarter one.

**Table 1 –Revenue Outturn**

Forecast outturn against budget = 95.49%

	Place & Governance	Commissioning	Other budget items (table 3)	Total
	£'000	£'000	£'000	£'000
Approved Budget Requirement – March Council	3,909	6,110	3,009	13,028
Approved budget reserve movements	103	383	(486)	0
Significant Variances identified to date (table 2)	(91)	(458)	(39)	(588)
<b>Full Year Outturn</b>	<b>3,921</b>	<b>6,035</b>	<b>2,484</b>	<b>12,440</b>

**Table 2 – Significant Variances 2014-15 Forecast outturn**

Significant Variances	(Under)/ Over Spend £'000	Comments
Personal search fees case	45	Personal search fee case to be near settled estimated at £45k plus interest and costs.
Planning application fees	(50)	Forecast additional planning application fees
Refuse and recycling Commercial vehicle costs	35	Forecast 11k overspend relating to transport insurance, tax, fuel and lease costs
Waste supplementary services	(40)	Provision of service budgeted as if income not received from LCC.
Markets	5	Forecast £5k shortfall in income
Parks and open spaces	(20)	Parks and Opens Spaces contribution to reserve. Not committed at Q2
Gross Pay	(75)	Salary savings including reduced recharges to outside bodies as a result of recharges
pension	(129)	£60k reported in Q1. Due number of potential opt in employees estimated and the change in rate, estimated flat rate as opposed to reduced rate and lump sum
ECD Grants	(10)	Not committed grant budget
Building control income	20	Building control consultancy is forecast to be £10k due to a change in resources. Fees and charges other income is also forecast £10k under to due information being widely available from other sources, such as the internet.
Assets professional fees	8	LABV SHDC invoice assets and property not in budgets
Footway lighting housing sites	(38)	Footway lighting is now recharged to the HRA
Assets and Property Business Rates	(8)	Business rates for leased offices at Priory Road are the responsibility of third party tenants
Assets and property additional income	(5)	Additional rental income forecast
utilities	(30)	The majority of this budget forecast is within the Community Development service
E Health income shortfall	17	Food safety course fees £2k. Sutton Bridge power station recharge income over budgeted
Dog control	(7)	savings on overtime and £2k additional income for pest control
Licencing cost pressure -income	8	Based on forecast volumes x fee the budget is forecast not to be achieved
Revenues and Benefits	<b>(184)</b>	<b>As detailed in table 2.2</b>
Movement in other budget items	<b>(39)</b>	<b>As detailed in table 3</b>
	<b>(497)</b>	
Funding-additional income forecast	<b>(91)</b>	<b>As detailed in table 2.2</b>
	<b>(588)</b>	

### Planning Income

Planning application income is forecast to be £50k additional to budget. Power station and Solar Farm income is not thought to be as significant as 2013-14 but the service remain optimistic. This is being reviewed monthly and potential significant income from developers will be reported to CMT.

## Recycling Income

At estimate time there was some risk associated with the recycling contract income. Negotiations with the previous Contractor had concluded and a new Contractor being sought. An allowance in the budget was made for the compensation received being released from reserve, and aligned to the previous agreed life of the contract. An amount for this (£139k) is reflected in the movement to and from reserves in table 3. The Waste Supplementary Service provided for the Lincs County Council has been agreed at £40k, which will be additional income.

## Recycling and Refuse Fleet

There has been a delay in the provision of the new vehicles. Budgets were estimated on the provision of new vehicles and cessation of the old contracts, which included leased costs and maintenance savings. There are negotiations forthcoming with the supplier to see if compensation will be made for late supply. The service are forecasting a cost pressure of £35k.

## Footway Lighting

Footway lighting is now chargeable to the HRA for housing sites at a rate of £37.5k, this gives the General Fund savings.

## Funding

Table 2.1 shows the funding side of the General Fund and the forecast variance against the 2014-15 budget, which includes Business Rates and additional funding from the various Government departments. The funding, collection fund and NNDR is being monitored in year and it is expected a more accurate position will be available at Quarter Three when potentially the outcome from the power companies' valuation appeals.

The forecast shows renewable energy disregard (£193k) released into the general fund from 2013-14, due to non clarification of accounting treatment. This is offset by reduced s31 grant £96k and new homes bonus adjustment grant £30k, and Lincolnshire Pool closure payment £24k, giving net budget savings of £91k.

The appeal on the rateable valuations for power stations was originally scheduled for July 2014. This has been delayed until the autumn. Any decision on the appeal is likely to have a significant impact on the provision the authority has set aside and the amount of business rate income it is able to retain.

Table 2.1

Funding	2014-15 Budget	2014-15 Forecast	Variance
	£	£	£
Business Rates Retained Gov baseline	(2,980)	(2,980)	0
Revenue Support Grant	(3,392)	(3,392)	0
Lincolnshire Pool closure		(24)	(24)
Retained NNDR income and S31 Grant	(762)	(859)	(97)
<b>Other Government Funding</b>			
New Homes Bonus (Including adjustment grant)	(1,114)	(1,084)	30
Council Tax Income	(3,980)	(3,980)	0
Council Tax Freeze Grant	(39)	(39)	0
New Burdens Grant	(16)	(16)	0
<b>Total Funding (Exc Spalding Special and Parishes)</b>	<b>(12,283)</b>	<b>(12,374)</b>	<b>(91)</b>
Parish Precepts	(603)	(603)	0
Spalding Special Expenses	(193)	(193)	0
Collection Fund surplus/deficit	51	51	0
	<b>(13,028)</b>	<b>(13,119)</b>	<b>(91)</b>

## New Homes Bonus

Please note the New Homes bonus does not support the base budget and will be moved to reserves as estimated. The forecast shows that the adjustment grant may be lower than estimated by £30k. This has reduced the amount available to transfer into reserve.

## Revenue and Benefits

The table below reflects the effect of the welfare reforms against the Revenues and Benefits budgets. Recovery of Housing benefits overpayments and court income has risen over the last two years and will be monitored throughout the year. An assessment has been made at Quarter two and the court income forecast has been increased which is partly offset by increasing the bad debt allowance to £50k, giving the general fund net budget savings of (£50k) and £14k for over payments . Rent rebates HRA have been forecast as an £2k increase in cost to the Council. Additional new burdens grants not estimated for at budget setting result in an additional (£90k) which may be called upon by the Revenues and Benefits department for additional case load.

**Table 2.2**

Revenues and Benefits	2014-15 Budget	2014-15 Forecast	Variance
	£	£	£
Court Income NNDR and C Tax	(162)	(262)	(100)
Housing Benefit overpayments	(350)	(364)	(14)
Impairment for bad debts	80	130	50
Council Tax Benefit adjustment		(32)	(32)
Additional new burdens (not in funding)	0	(90)	(90)
Rent allowances and rebates net of subsidy-HRA	47	49	2
Rent allowances and rebates net of subsidy-GF	65	65	0
<b>Total</b>	<b>(320)</b>	<b>(504)</b>	<b>(184)</b>

**Table 3 – Other Budget Items**

Other budget items are shown in the table below:

	Original Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance to revised budget £'000
Parish Precepts	603	603	603	0
Internal Drainage Board Levies	2,243	2,243	2,243	0
Investment Income	(95)	(95)	(112)	(17)
Capital Expenditure Financed from Revenue Resources	269	269	269	0
Statutory Accounting Adjustments**	(1,142)	(1,142)	(1,142)	0
				0
				0
Efficiency Support Grant	0	0	(22)	(22)
Transfers to Earmarked Reserves	1,929	1,907	1,907	0
Transfers from Earmarked Reserves	(798)	(1,262)	(1,262)	0
<b>Total</b>	<b>3,009</b>	<b>2,523</b>	<b>2,484</b>	<b>(39)</b>

### Please note

Items marketed with an asterisk

\*\* includes the reversal of depreciation charges for Council owned assets which are included within the directorate structure and the corporate provision for the repayment of debt.

### **Actions/Decisions**

- To note the forecast outturn position on the 2014-15 revenue budget.

### **Recommendations**

- There are no recommendations at quarter 2

### **Table 4 – Virement Decisions Required**

There are no supplementary estimates required

### **Actions/Decisions**

There are no recommendations for table 4

### **Recommendations**

- There are no recommendations.

### **Table 5 – General Fund Reserve Balances**

The table below shows the unallocated reserve balance as at March 2015. The balances within the table are funds that can be used to finance both revenue and capital expenditure, for example, one-off invest to save projects and to meet expenditure arising from unexpected events.

Budget Managers have been asked to confirm their intended use of earmarked reserve during 2014-15 so that budget virements can be made to revise the budget in year. If Managers do not estimate to use the reserve during the financial year, the funds will not be released into budget. This is monitored in year by the S151 Officer and Finance Manager.

<b>Reserve Description</b>	<b>Unallocated Amount Available £'000</b>
Affordable Housing Reserve	118
Capital Reserve	762
Climate Change Reserve	47
Council Tax Reserve	4,093
Emergency Planning Reserve	10
Insurance Reserve	237
Organisational Development Reserve	1,632
Planning Reserve	217
Replacement and Refurbishment Reserve	208
Community Cohesion	19
Property Aquisition Reserve	1,000
Section 106 earmarked reserve	40
<b>Sub total</b>	<b>8,383</b>
General Fund	2,034
<b>Total estim reserves</b>	<b>10,417</b>

- The table above includes the transfer of New Homes Bonus Grant as estimated to the Council Tax reserve, which does not support the base budget The Council tax reserve above includes New Home Bonus of 2.831m, which the amount included in the 2014-15 budget.
- £50k from the Organisational Development reserve for the set up of a Municipal Bond agency (Cabinet 15<sup>th</sup> July)
- £20k to the Organisational Development reserve for Parks and Open Spaces uncommitted budget, to be released if required at a later stage
- A revised contribution to the Organisational Development reserve for the Waste Incentive grant, re-profiled by £26k so a reduced contribution to reserve
- A transfer from New Homes Bonus in the Council Tax Reserve to set up a new Property Acquisition reserve for £1m. No change to overall net reserve budget.
- To note expenditure will be drawn down from reserves where indicated, in line with actual spend in year. Movements to reserves are in line with the 2014-15 budget setting process, other than new movements which will be shown separately.

### **Actions/Decisions**

- To note the forecast unallocated reserve balances at March 2015
- To approve the transfer of £20k from Parks and Open Spaces to the Organisational Development reserve

### **Recommendations**

- To approve the transfer of £20k from Parks and Open Spaces to the Organisational Development reserve

### **Spalding Special Expenses**

Expenditure relating to Spalding Special expenses forms part of the Council's General Fund budget and is included in Table 1 above. The approved budget for 2014-15 is £206,405 of which £193,100 is funded by Spalding Taxpayers and the remainder by council tax support grant. The Band D charge for the financial year being £23.22. This is detailed in table 6 below.

The forecast outturn for 2014-15 shows a £10k over spend in the table below due to health and safety works, but this is expected to decrease if further budget savings can be made in other Spalding Special Expense areas.

**Table 6 – Forecast Revenue Outturn**

Spalding Special Expenses 2014/15	2014/15 Estimates	2014/15 Forecast As at Q2	2014/15 forecast to 2014/15 budget Variance £
Spalding Cemetery	45,900	43,400	(2,500)
Spalding Allotments	1,800	1,800	0
Playing Fields at:-			0
Ayscoughfee (excluding gardens)	11,710	11,710	0
Halley Stewart	30,200	40,200	10,000
Thames Road	13,470	13,470	0
Fulney Road	10,320	10,320	0
Monkshouse Lane	37,310	35,010	(2,300)
Contribution to Voluntary Car Scheme	8,500	8,500	0
Christmas Decorations	13,200	0	(13,200)
Contrib to mt of churchyard St Mary & St Nicolas Parish Church	750	750	0
Administrative Support	4,690	4,690	0
Bus Shelter maintenance	370	370	0
Contribution to play areas	1,000	1,000	0
Spalding Town Centre Promotion	2,930	2,930	0
Crime prevention	7,700	7,700	0
Contribution to Spalding Special Reserve earmarked capital	15,805	33,805	18,000
Chairmans contingency	750	750	0
<b>Total Expenditure</b>	<b>206,405</b>	<b>216,405</b>	<b>10,000</b>
<b>Funding</b>			
Total Expenditure	206,405		
Share of Council Tax Support Grant	(13,305)		
Charged	193,100		
Tax Base	<b>8,316</b>		
Band D equivalent	23.22		
<b>Actual Balances</b>			
<b>Balance Brought Forward 1from 2013-14</b>	<b>(128,195)</b>	<b>(128,195)</b>	<b>0</b>
<b>forecast over or underspend</b>		10,000	(10,000)
additional christmas Decorations spend approved q1 and reserve use		3,750	(3,750)
<b>Contribution to SSE reserve (earmarked Capital Expenditure)</b>	<b>(15,805)</b>	<b>(33,805)</b>	<b>18,000</b>
<b>Balance Carried Forward</b>	<b>(144,000)</b>	<b>(148,250)</b>	<b>4,250</b>
<b>Earmarked crime prevention</b>	<b>4,381</b>	<b>4,381</b>	<b>0</b>
<b>Earmarked Christmas Decorations-underspend to approved</b>	<b>5,710</b>	<b>5,710</b>	<b>0</b>
<b>Agreed minimum balance 5% expenditure for contingency</b>	<b>10,320</b>	<b>10,320</b>	<b>0</b>
<b>Earmarked capital expenditure</b>	<b>41,130</b>	<b>74,935</b>	<b>(33,805)</b>
<b>Earmarked for capital expenditure</b>			
<b>Uncommitted balance</b>	<b>(82,459)</b>	<b>(52,904)</b>	<b>(29,555)</b>

### Reserves

The Council maintains an earmarked reserve relating to Spalding Special Expenses. The unspent budget at the year end is transferred into the reserve which can then used to meet expenditure arising from unexpected events and to cover any future deficit which may arise. Notional depreciation is shown in the above relevant Spalding Special accounts, which is then earmarked in reserve for future capital expenditure. The earmarked capital reserve is set up to fund future capital expenditure. Depreciation is notionally charged to Spalding Special against the relevant service headings and then as part of the accounting treatment is transferred to the capital reserve.

### Christmas Decorations

An element of the reserve (£5,710) is set aside for the instalment removal and storage of the Christmas Decorations for Spalding town centre. An additional £3,750 was approved in Quarter one.

## Halley Stewart

Additional essential repairs and renewals expenditure has been committed for £10,000 for essential replacement windows, internal and external painting.

- A decision will need to be made in the future for Estimates 15-16 as to whether Spalding Special Expenses will fund replacement of the main gates £17k from the capital reserve

## Ayscoughfee Gardens

- A decision will need to be made in the future for Estimates 15-16 as to whether Spalding Special Expenses will fund tennis courts £40k from the capital reserve for the replacement of the tennis courts surface

## Contingency

The balance also includes a contingency equal to 5% of 2014-15 budgeted expenditure. Any variations from the budget or use of the Spalding Special Expenses Reserve recommended from the Spalding Town Forum would need to be approved by Cabinet/Council.

## Actions/Decisions

- To note the forecast outturn on Spalding Special Expenses for 2014-15

## Recommendations

- There are no recommendations at this stage

## Housing Revenue Account (HRA)

The HRA is on target to deliver a budget surplus. The table below details the full year forecast outturn against the approved budget for 2014-15.

**Table 7 –Forecast Revenue Outturn**

	£'000	Comments
<b>Approved HRA net expenditure</b>	<b>830</b>	
<b>Investment Income</b>	<b>(18)</b>	HRA share of additional investment income
<b>Rental income</b>		Rent arrears are being closely monitored with regard to the economic climate and changes to the welfare system. No significant variances to forecast at this stage
<b>capital programme</b>	<b>(1,757)</b>	Reprofiling of capital programme, re-roofing, asbestos removal and council house development
<b>Quarter two items</b>		
<b>Tenants participation</b>	<b>(46)</b>	Tenants participation group not now in operation £46k
<b>Footway lighting</b>	<b>38</b>	Proportion of charge to Hra Housing sites
<b>Professional and contractors fees</b>	<b>(47)</b>	Uncommitted budget not earmarked for use in 14/15
<b>Computer Hardware maintenance</b>	<b>(14)</b>	Uncommitted budget not earmarked for use in 14/15
<b>Other misc expenses</b>	<b>(51)</b>	Housing strategy budget not required after commitments for project resources
<b>Forecast Outturn</b>	<b>(1,065)</b>	
<b>Forecast Variance</b>	<b>(1,895)</b>	

### General variances

At Quarter two the HRA has a forecast surplus outturn of £1,065 m. Set against the original budget deficit of £830k this represents a variance of £1,0895m. There is some risk associated to potential downward revaluations on HRA non dwellings, such as community centres and garages. If the valuation at year end produces a downward valuation (which occurred in 2012-13) this would have an actual impact on the HRA. The property market will be closely monitored, but final values will not be known until the valuation carried out at year end.

### Housing Rents

At this stage it is estimated housing rents are on target. This is closely being monitored in year and a further half yearly forecast will be available at Quarter Three.

### Sheltered Housing

2014-15 is the first year of the new sheltered housing service, no longer being financed by supporting people grant. This is being closely monitored to ensure service charges are set appropriately.

### Housing Strategy

Housing strategy budgets are being monitored in year and are being used to support the housing growth initiative. A forecast Uncommitted budget is shown above in Table 7.

### Construction Services Unit

The Construction Services Unit are reporting an increase in kitchen and bathroom upgrade work on void properties. This forms part of the expenditure in the capital programme.

### Table 7a-Key performance Indicators (HRA)

Rents are being closely monitored with regard to welfare reforms and the economic climate. The following table shows the percentage of income collected at week 27. Indications show future weeks exceeding the target, which shows continuous improvement compared to last year.

Key performance Indicator	Year end 2013-14	Current months target	Collection performance 2013-14 Week 27	Collection performance 2014-15 Week 27
% of income collected	98.31% (March 2014) 95.71% average	95%	96.70%	99.17%
Bad Debt write off	£25,940		£14,760	£7,160

The HRA Capital Programme is reported in Table 11 within the Approved Capital Programme.

**Table 8 – Unallocated HRA Revenue Reserves**

The table below shows the unallocated reserve balance as at 1<sup>st</sup> April 2014, forecast until the end of the financial year. The balances within the table are funds that can be used to finance both revenue and capital expenditure, for example, one- off invest to save projects and to meet expenditure arising from unexpected events.

<b>Housing Revenue Account Reserves</b>	<b>Unallocated Amount Available £'000 2014-15</b>
Insurance Reserve	200
<b>Sub total</b>	<b>200</b>
Cumulative Working Balance	5,213
<b>Outturn</b>	<b>2,860</b>
Adjustments between accounting basis and funding basis under statute	(1,238)
<b>Balance on the HRA at 31.3.14</b>	<b>6,835</b>
<b>Total HRA unallocated reserves at 31.3.14</b>	<b>7,035</b>
<b>Approved HRA budget 2014-15</b>	<b>(830)</b>
<b>Rollover of capital programme from 2013-14 approved Q1</b>	<b>(2,253)</b>
<b>Forecast Surplus (investment income)</b>	<b>18</b>
<b>Quarter 2 forecast net budget savings</b>	<b>120</b>
<b>Revision to capital programme Q2</b>	<b>1,757</b>
<b>Total HRA unallocated reserves forecast at 31.3.15</b>	<b>5,847</b>

**Actions/Decisions**

To note the forecast outturn position on the 2014-15 Housing Revenue Account.

**Recommendations**

Please see the HRA recommendations under the Capital Programme (Section 3)

## Section 2- Council Tax and Business Rates

### Council Tax

#### 2014-15 In-Year Collection

The anticipated impact on in-year collection rate due to changes to the Council Tax Support scheme is not currently showing in the collection rates, compared to previous years.

At the end of Sep 2014, the collection rate was 58.45%, against a collectable debit of £37.7m.

Table 3 below, compares the collection rate against last financial year

**Table 9 – September 2014 in-year collection position against 2013**

	Jul	Aug	Sep
Year	% Collected	% Collected	% Collected
2013-14	39.65%	48.95%	58.56%
2014-15	39.71%	48.91%	58.45%

### Business Rates

#### 2014-15 In-Year Collection

At the end of September 2014, as shown in Table 3 below, the collection rate was 58.02% against a collectable debit of £26.5m.

This is the first year businesses have been able to choose to pay their business rates over 12 monthly instalments, rather than the usual statutory 10 months. Due to a number of ratepayers, with large rateable assessments, opting to do this it will impact on the cash flow and monthly collection rates compared to the previous year. This is reflected in the performance in the following table.

**Table 10- September 2014 in-year collection position against 2013**

	Jul	Aug	Sep
Year	% Collected	% Collected	% Collected
2013-14	42.66%	51.90%	60.60%
2014-15	41.63%	49.91%	58.02%

### Actions/Decisions required

That the position at Quarter 2 for the Council's 2014-15 Council Tax and Business Rates to be noted.

### Recommendations

There are no recommendations as at Quarter 2

## Section 3 – Capital Budget

This section reports on:

- Quarter 2 actuals against 2014-15 approved capital programme
- Risks, issues and key messages

**Table 11 – Quarter 2 actuals against 2014-15 approved capital programme**

	Original Budget		Latest Approved Budget	Quarter 2	Forecast Outturn	Variance (Under)/over Spend
	2014-15 £'000	2014-15 £'000	2014-15 £'000	Actuals £'000	£'000	£'000
<b>Commissioning</b>						
Priory Road	0	40		0	20	-20
Assets and Property - Other	0	20		0	0	-20
ICT Schemes	80	207		144	208	1
Housing - Gypsy and Travellers Sites	0	635		82	82	-553
Private Sector Housing	441	640		153	640	0
Environmental Services	2,112	2,177		1,817	2,147	-30
Environmental Health	0	54		1	54	0
Planning	0	24		24	24	0
<b>Total Commissioning</b>	<b>2,633</b>	<b>3,797</b>		<b>2,221</b>	<b>3,175</b>	<b>-622</b>
<b>Place and Governance</b>						
Community Development - Leisure	49	172		78	172	0
Corporate Finance	0	50		0	50	0
<b>Total Place and Governance</b>	<b>49</b>	<b>222</b>		<b>78</b>	<b>222</b>	<b>0</b>
<b>HRA</b>						
<b>Public Sector Housing</b>						
Improvements & Enhancements of Council	7,153	9,237		2,243	7,480	-1,757
Improvements to Waste water Treatments	60	70		0	70	0
Other	0	18		0	18	0
Disabled Adaptations - Public	385	525		107	525	0
ICT Schemes	125	206		80	186	-20
<b>Total HRA</b>	<b>7,723</b>	<b>10,056</b>		<b>2,430</b>	<b>8,279</b>	<b>-1,777</b>
<b>Grand Total</b>	<b>10,405</b>	<b>14,075</b>		<b>4,729</b>	<b>11,676</b>	<b>-2,399</b>

### This is to be resourced by:

Source of Financing	Latest Approved £'000	Forecast Outturn £'000
Use of Capital Receipts	164	164
Capital Grants and Contributions	1,780	1,227
Direct Revenue Funding/Use of Reserves	10,619	8,773
Borrowing	1,512	1,512
<b>Total</b>	<b>14,075</b>	<b>11,676</b>

The original budget was approved at Council in February 2014. Further amendments have subsequently been made to the revised budget (Latest Approved), reflecting previous year incomplete schemes brought forward and changes to schemes during quarter 1.

Spend against budget                      33.6%  
Forecast Outturn                              £11,675,263

### Explanation of variances

- Priory Road Fire Alarm system £20,000 budget no longer required, project now finished
- Integrated Asset management System £20,000 no longer required in 14/15, rollover to 15/16
- Gypsy and Traveller Sites land search started but no more spend this year, to be rolled into 15/16
- Resurface Car Park West Street budget £30,000 is required to be rolled forward 2 years
- The manager for the IT schemes has provided a more detailed split of the £80k current budget for ICT Strategy projects as follows: SAN £18,000, Switch £20,000, Radio Links £24,000 and Juniper £18,000, this just allows for a more reliable analysis of the spend against the original £80,000 budget.
- A provision of £60,000 is required for starting work at Crease Drove, which will enable The South Holland Business Growth and Employment Project to do development work. There was a budget in 2015/16 for Pinnacle Close which is no longer required. The scheme will be funded by capital receipts that had been ring fenced for use at Crease Drove. The £60,000 will be for designs and costs of developing the acre of undeveloped land, ready for planning permission. A separate report is available on the same agenda which gives more details on the scheme.
- A capital budget provision is required for a Loan of £50,000 to the Municipal Bonds Agency, this was approved at Cabinet 18 July 2014 funded from the Organisation Development Reserve
- Improvement and Enhancements to Council Dwellings budget not required due to £600,000 for re-roofing due to contract needing to be retendered, £200,000 Asbestos removal budget not required this year, Council House Build £1,000,000 has been re-profiled for future years

## Capital Financing Requirement (CFR)

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The Council has taken on debt of £67.456m as a result of HRA Self Financing from 1 April 2012. The CFR increases when additional borrowing is undertaken and is reduced by the statutory requirement to make a minimum revenue provision (MRP) for debt repayment and any contributions from the HRA resulting from impairment and valuation losses.

A negative change to the CFR equates to debt being repaid. A positive change to the CFR equates to a need to undertake additional borrowing

**Table 12 – Capital Financing Requirement**

CAPITAL FINANCING REQUIREMENT					
	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
<b>Total CFR at beginning of the year</b>	<b>70,394</b>	<b>71,623</b>	<b>71,123</b>	<b>70,817</b>	<b>70,632</b>
<i>Planned Capital Investment</i>					
Commissioning	3,797	551	521	791	521
Place and Governance	222	171	29	19	0
HRA	10,056	6,940	7,278	7,429	7,584
<b>Sub Total - Capital Investment</b>	<b>14,075</b>	<b>7,662</b>	<b>7,828</b>	<b>8,239</b>	<b>8,105</b>
<i>Sources of Finance</i>					
Capital Receipts	-164	-258	-129	-132	0
Major Repairs Reserve (HRA)	-1,531	-6,814	-7,149	-7,297	-7,584
Other Reserves	-334	0	0	0	0
Direct Revenue Funding	-8,755	-259	-29	-159	0
Government Grants and other contributions	-1,781	-331	-331	-331	-331
<b>Sub Total Funding</b>	<b>-12,563</b>	<b>-7,662</b>	<b>-7,638</b>	<b>-7,919</b>	<b>-7,915</b>
<i>Reductions</i>					
MRP	-37	-254	-250	-259	-334
Impairments & Valuation Losses on HRA non dwellings	-246	-246	-246	-246	-246
<b>Sub Total Reductions</b>	<b>-283</b>	<b>-500</b>	<b>-496</b>	<b>-505</b>	<b>-580</b>
<b>Total CFR at end of the year</b>	<b>71,623</b>	<b>71,123</b>	<b>70,817</b>	<b>70,632</b>	<b>70,242</b>
<b>Change in CFR</b>	<b>1,229</b>	<b>-500</b>	<b>-306</b>	<b>-185</b>	<b>-390</b>
<b>Budgeted Borrowing</b>	<b>1,512</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Unfunded</b>	<b>0</b>	<b>0</b>	<b>190</b>	<b>320</b>	<b>190</b>

## Actions/Decisions

To note the 2014-15 Capital Programme forecast as at quarter 2

## Recommendations

- To Recommend the split of the ICT Strategy Projects budget as detailed above

# Section 4 – Treasury

This section reports on:

- Security, Liquidity and Yield of Investment portfolio
- Current Debt Position
- Risks, issues and key messages

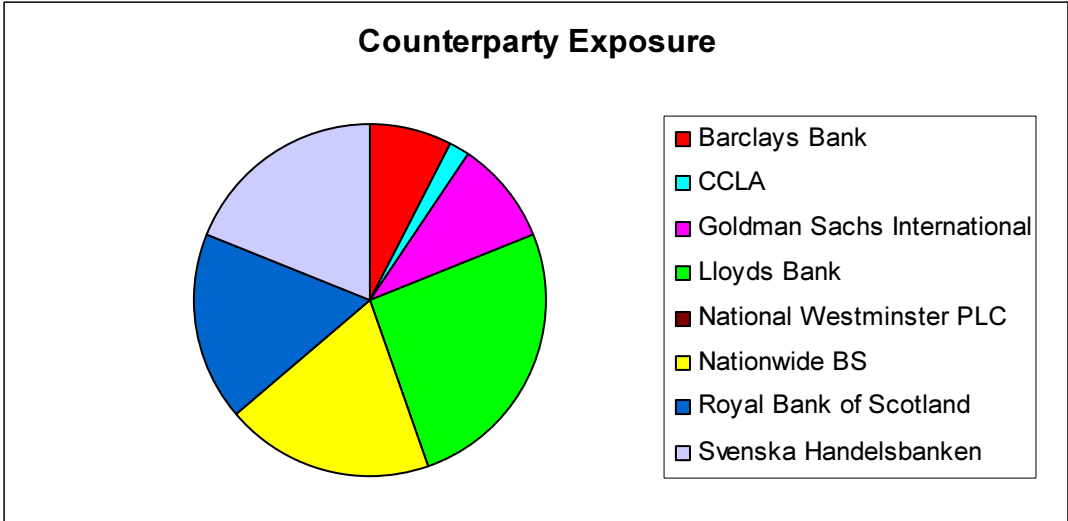
## Security

The Council has not adopted any formal benchmarks for the management of risk as Officers believe that decisions on counterparties and maximum investment levels are adequate to monitor the current and trend positions and amend the operational strategy to manage risk as conditions change.

The Council uses the creditworthiness service provided by Capita Asset Services which provides a maximum duration for investments depending on the colour rating calculated for each financial institution.

All investments held by the Council are within the recommended maximum duration.

The instant access funds previously held with National Westminster Bank have now been withdrawn as the rate of interest payable on the account has been reduced from 0.50% to 0.25%. A small amount of interest (£1,912.57) remains in the account to keep the account open.

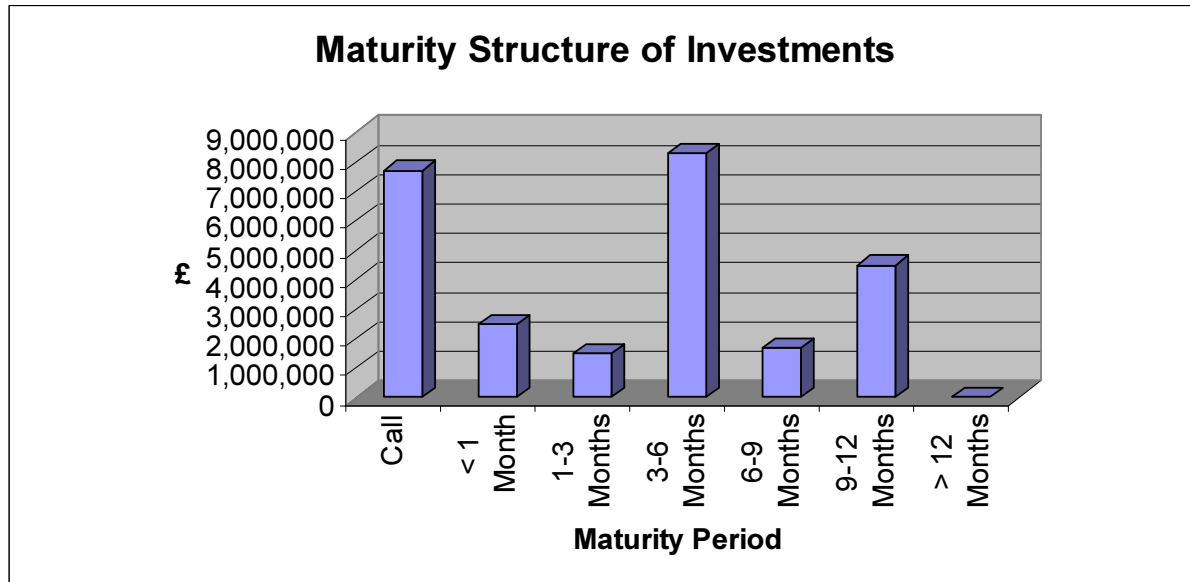


Because of the limited number of counterparties available, deposits are mainly spread amongst five institutions.

## Liquidity

### Cash

The Council's average level of deposits during the first half of the financial year was £25.8m. As at 30 September the Council had £7.72m instant access cash available to meet cash flow requirements. The table below shows the amounts held in relation to the remaining period to maturity.



### Yield

Budgeted Interest 2014-15	£114,300
Actual Interest as at Q2 2014-15	79,800
Forecast interest 2014-15	£150,000

\*Interest is apportioned between the General Fund and HRA. The forecast at Quarter 2 is estimated at General Fund £112k and Housing Revenue Account £38k.

Target yield (Average 3 month LIBID)	0.42%
Actual Yield as at Q2 2014-15	0.663%

The percentage maturity structure of investments is:

Call = 43%  
 < 1 mth = 33%  
 < 3 mths = 16%  
 < 6 mths = 8%  
 < 9 mths = Nil  
 < 12 mths = Nil  
 > 12 mths = Nil

### External Borrowing

The Council borrowed £67.456m from the PWLB on 28<sup>th</sup> March 2012 to meet its obligations under the Housing Revenue Finance Reforms. This was borrowed for a period of 50 years on a maturity basis at a rate of 3.48%. No new borrowing has been undertaken during quarter 2.

### Actions/Decisions required

That the forecast position for the Council's 2014-15 Treasury outturn be noted.

### Recommendations

There are no recommendations as at Quarter 2.