



## GROWTH – OVERVIEW & SCRUTINY COMMITTEE

Report of:  
Councillor Adam Stokes - Cabinet Member for Finance

Report to:	<b>Growth-Overview &amp; Scrutiny Committee</b>
Date:	<b>25<sup>th</sup> July 2018</b>
Subject:	<b>Outturn Position 2017/18 CFM467</b>

<b>Decision Proposal:</b>	None
<b>Relevant Cabinet Member:</b>	Councillor Adam Stokes, Cabinet Member for Finance
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### SUMMARY

This report provides Growth Overview & Scrutiny Committee with the detail of the Council's outturn position for the financial year 2017/18. It covers revenue and capital expenditure for both the General Fund and the Housing Revenue Account.

### RECOMMENDATIONS

Members of Growth Overview and Scrutiny Committee are invited to review the Revenue and Capital Outturn report and associated appendices for 2017/18.

## 1. BACKGROUND TO REPORT

1.1 The purpose of this report is to present the Council's Revenue and Capital Outturn 2017/18 of both the General Fund and Housing Revenue Account. It covers:

- Revenue outturn 2017/18
- Capital outturn 2017/18
- Commentary on the revenue and capital outturn
- Commentary and review of reserves and a reserves statement

At Governance and Audit Committee on 21 June 2018, the Committee recommended the following:

**That the Governance and Audit Committee**

- 1. Approves the Revenue and Capital Outturn report and associated appendices for 2017/18.**
- 2. Approves the set-asides and reserve movements as detailed in report number CFM459.**
- 3. Approves the Capital slippages from the 2017/18 Capital Programme as detailed in report number CFM459.**

The original base budget for 2017/18 was approved by Council on 2 March 2017 for both the capital and revenue budgets including General Fund and the Housing Revenue Account. In addition the following additional supplementary estimates were approved by Council during the year, which amended the budget framework. In summary these were:

<b>Heading</b>	<b>Capital</b>	<b>Revenue</b>	<b>Date</b>
Big Clean	£227K	£661K	15 June 2017
Invest SK		£321.5K	23 November 2017
Cinema Project	£1.167M		23 November 2017
Office refurbishment feasibility study		£500K	23 November 2017
<b>Total</b>	<b>£1.394M</b>	<b>£1.4825M</b>	

1.2 This report provides Growth Overview & Scrutiny Committee with the detail of the Councils outturn position for the financial year 2017/18. In order to comply with International Financial Reporting Standards a number of technical accounting entries are required to be made which can create significant variances. The report attempts to ensure that, through explanation and presentation, the final account figures can be reconciled back to the original budget set by Council.

1.3 **General Fund Revenue Account** 2017/18 details can be found at table 1 and the variance narrative is provided at section 2.1 and at Appendix A.

1.4 **Housing Revenue Account (HRA)** details can be found at table 4 and the variance narrative is provided at section 3.1 and at Appendix B.

1.5 **General Fund Capital Programme** has an outturn of £5.429M compared with an updated budget of £15.630M. Commentary on individual scheme progress is

contained in section 4.2 of the report. The programme was revised as part of the budget setting process and undergoes regular monitoring to ensure the individual projects are delivered within the allocated budgetary sums. Details of the full programme are contained at Appendix C.

- 1.6 The **Housing Investment Programme** (HIP) shows an outturn position of £7.163M compared to an updated budget of £8.991M. Commentary on individual scheme progress is contained in section 4.4 of the report. Details of the full programme are contained at Appendix C page 3.

## **2.0 GENERAL FUND (REVENUE) VARIANCE ANALYSIS**

- 2.1 The forecast outturn position as at Quarter 3 was reported to Growth Overview and Scrutiny on 14 February 2018. At this time, the forecast variance on the net budget requirement was set at £612K (CFM 452 refers). The outturn position is less overall due to a number of forecast expenditure assumptions that have not materialised. The details of significant variances are provided below in section 2.6.

- 2.2 There have, however, been other changes that have significantly improved the overall position during Quarter 4:

- Additional interest income has been earned through investment of increased cash balances as a result of slippage on the capital programme (line 9 in table 1);
- Increased business rates income has been received as a result of the upward revaluation impact that took effect from April 2017. This was not included in the original budget as a prudent approach was taken (line 17 in table 1)
- The Council has benefitted from additional business rates pooling gain arising from the 60% (after the levy) retention of the local growth above the baseline level (line 18 in table 1). The overall increase in business rates income means that no funds were required to be transferred from the business rates volatility reserve at year end, leaving a higher balance on the reserve than anticipated.
- An increase in central support costs of £340K charged to the Housing Revenue Account following in-year increase in support service costs (explanation is referenced in table 5).
- There were a number of grants that were received late in the financial year that have been removed as per table 1 (line 6) below in order to accurately present the actual outturn position. The specific details of the grants are shown at table 2 later in the report.

- 2.3 The priority headings showing budget and outturn are detailed in table 1 below:

Table 1

	Priority	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Draft Outturn £'000	2017/18 Variance (Adjusted) £'000
1	Growth	451	442	1,094	652
2	Environment	6,807	7,468	7,351	(117)
3	Culture	3,141	3,397	3,858	461
4	Housing	1,103	1,111	691	(420)
5	Corporate	4,454	5,020	5,455	435
6	Removal of grant income received relating to 18/19 expenditure			641	641
7	Removal of Accounting Adjustments			(1,294)	(1,294)
<b>8</b>	<b>Net Cost of Services Total</b>	<b>15,956</b>	<b>17,438</b>	<b>17,796</b>	<b>358</b>
9	Interest and Investment Income & Interest Payable	(148)	(148)	(349)	(201)
10	Minimum Revenue Provision	153	153	161	8
11	Depreciation	(3,692)	(3,692)	(3,573)	119
12	Revenue Contribution to Capital	385	385	668	283
13	Local Council Tax Support Grant	43	43	43	0
14	Movement on Reserves	(256)	(1,738)	(2,305)	(567)
<b>15</b>	<b>Budget Requirement</b>	<b>12,441</b>	<b>12,441</b>	<b>12,441</b>	<b>0</b>
16	Revenue Support Grant	(957)	(957)	(957)	0
17	Business Rates	(3,975)	(3,975)	(4,539)	(564)
18	Pooling Gain	(166)	(166)	(460)	(294)
19	Rural Grant	(236)	(236)	(236)	0
20	Other Grant	0	0	(104)	(104)
21	Reserve Funding	(962)	(962)	0	962
22	Council Tax Income	(6,854)	(6,854)	(6,854)	0
23	Collection Fund	709	709	709	0

	Priority	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Draft Outturn £'000	2017/18 Variance (Adjusted) £'000
	Deficit				

Notes for table 1:

- Line 7 – removal of accounting entries specifically IAS19 (employee pension) £1.563M and Revenue Expenditure Financed from Capital under Statute (REFCUS) £269K
- Line 8 – this line shows the net overall expenditure at cost centre level
- Line 11 - this is a non-cash item to reflect the financing costs of holding assets
- Line 12 - this line is largely made up of grant funding received into revenue and used to fund capital items such as Disabled Facilities Grants, Heritage Lottery funding for Wyndham park improvements, Historic England funding of the Shop Front Scheme and the use of s106 monies.
- Line 14 – the additional authorised use of reserves totalled £1.738M following approval for funding for Big Clean, OneSK and InvestSK. The outturn figure for reserve use totalled £2.305M which includes £641K of additional grants.
- Line 20 – additional funding from s106 grants to contribute towards financing of revenue expenditure during 2017/18
- Line 21 – the budget framework for 2017/18 including a budgeted movement from the Business Rates volatility reserve to mitigate anticipated losses resulting from rating appeals and other volatility in the rating system. The outturn position has not revealed the level of volatility that was anticipated and therefore the budgeted movement from the reserve is no longer required.

### Earmarked Reserves

- 2.4 The table below details the projected movements to specific reserves as part of the outturn analysis. These movements are in respect of grants and contributions that are required to fund specific expenditure items in future years.

Table 2

Reserve/Grant Heading	Contribution to Reserve £'000
Food Waste	170
Ward Member Grants	56
Specific Grants:	
Individual Electoral Registration	34
Garden village	171
Garden towns & villages	90
Custom build	30
Planning Delivery	90
<b>Total</b>	<b>641</b>

2.5 In addition to the above movements, it has been decided to create a new set aside from the local priorities reserve in order to fund the following specific project in 2018/19:

- a set aside for the feasibility study for the public realm of £150K to accelerate this work which will be a key component of the overall leisure offer surrounding the cinema complex.

### **Summary of Key Variances**

2.6 In order to understand outturn at service level which is shown at Table 1 (lines 1 – 5) the following commentary provides a summary of the key variances by Council priority heading that can be referenced at Appendix A. The relevant line number is provided for ease of reading

**Table 3**

<b>Priority</b>	<b>Explanation of significant Variance</b>	<b>Variance £'000</b>
Growth	Property Investment Strategy (line 11) – a proportionate amount of rental income has been received in 2017/18 following completion of the purchase of a commercial property at Alpha Court, Lincoln. Further opportunities have been considered however no further investment purchases were completed during the year.	235
Growth	Car Parks (line 3) – There is an overall increase in income of (£57K) as a result of higher than budgeted pay & display ticket sales and season ticket sales. This has been used to offset additional costs for both a temporary contract change in enforcement arrangements and supervisory costs which resulted in a continued over spend of £38K. There were additional costs in respect of security patrols for the extended opening hours at the Welham Street multi storey car park of £18K.	108
Growth	Grantham Market (line 10) – With continuing levels of reduced income, the market is being promoted with additional events to support both traders and the local business community. Further investment in the promotion of the markets is included in the budget for 2018/19.	36
Growth	Planning Policy (line 14) – Additional specific grants were received during the final quarter of 2017/18 which will be used to fund future years expenditure.	(210)
Growth	Invest SK (line 9) – this budget was an additional allocation during the year and there is an under spend of (£51K). This will be utilised in 2018/19 to fund outstanding committed spend	(51)
Environment	Flood Prevention (line 11) – Reduction in costs of	(25)

Priority	Explanation of significant Variance	Variance £'000
	works required due to adjacent landowners assuming responsibility for the relevant works.	
Environment	Footway Lighting (line 13) – Following a revised maintenance scheme in previous years, there is an under spend. This has also been reflected in future year's budgets	(25)
Environment	Open Spaces (line 27) – Additional one off repairs to play equipment following health and safety reviews within the district.	15
Environment	Waste Management (line 31) - Vehicle Repairs – An increase in the number of external repairs have been undertaken due to the nature of the works.	42
Environment	Green Waste Collection (line 31) –Additional income has been received, with 27,218 households renewing their subscription for 2017/18 and 1,069 new households joining the service throughout the year.	(41)
Environment	Food Waste (line 31) – Funding to commence the food waste trail in collaboration with LCC was received in quarter 4 and will be utilised in 2018/19	(154)
Environment	Big Clean (line 30) – Procurement savings for vehicle hire and agency costs in year has resulted in an under spend.	(125)
Environment Culture Corporate	Utilities – Reduced consumption and effective procurement with respect to current usage for gas and electricity within Council buildings has resulted in savings. This has been reflected in future budgets.	(32)
Culture	Leisure Centres (lines 3, 4, 6, 10, 12) – Issues were identified in year that needed addressing to ensure the centres could remain operational and meet customer expectations. This has resulted in expenditure on repairs that was not included within the budget.	97
Culture	Arts Centres (line 7, 11) – Emergency roof repairs has resulted in costs of £15K and a bad debt £16K has occurred in respect of non-payment of rent by a regular user of an arts facility.	31
Culture	Bourne Corn Exchange (line 2) – An upward revaluation is included in the net cost of this service. This valuation has no impact on the taxpayer as it is a non-cash item.	(141)
Culture	Additional depreciation of £305K is included within the 'Culture' heading which is removed within line 11 of table A.	305
Housing	Private Sector Housing – (line 5) There are a number of income and expenditure items under this service heading that fall within the category of REFCUS (revenue expenditure funded from capital under statute). These items specifically relate to discretionary facilities grants and housing	(346)

Priority	Explanation of significant Variance	Variance £'000
	assistance grants	
Corporate	Democratic Representation (line 6) – The restructuring of the democratic arrangements has resulted in an overspend of £24K. This has been addressed in the 2018/19 budget.	24
Corporate	Additional office relocations within the main Council building has resulted in premises costs of £34K and replacement furniture costs of £25K.	59
Corporate	Communications (line 15) – This overspend is due to Interim staffing arrangements that were in place during the year. There are plans in place to recruit to this post permanently in the new financial year.	36
Corporate	Non-Domestic Rates (line 11) – Increased finders fees of £28K has resulted in increased rateable values of 281,000. However this will be offset by the additional business rate receipts that will be generated.	28
Corporate	Corporate costs (line 4) One off costs arising from changes to the corporate management structure. This is underpinned by a business case that delivers financial savings in future years.	125
Corporate	One SK (line 4) – this was an additional budget allocation during the year and there is an underspend of (£374K). This will be utilised in 2018/19 to continue the refurbishment feasibility study and public realm works	(374)
Corporate	The overall workforce efficiency target of has been met through controlled management of vacancies throughout the year.	(361)
Corporate	Accounting entries totalling £1.563M for IAS19 Pensions are included within the priority headings. These are removed within line 7 of table 1 above.	1,563

### 3.0 **HOUSING REVENUE ACCOUNT VARIANCE ANALYSIS**

- 3.1 The Housing Revenue Account (HRA) is a 'ring fenced' account and relates to the Council's Landlord functions. Revenue raised by rents and service charges must be sufficient to match expenditure. A summary table is provided below and in detail at Appendix B.



Table 4

	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Adjusted £'000
<b>INCOME</b>				
1 Dwelling Rents	(24,825)	(24,825)	(24,780)	45
2 Non Dwelling Rents	(300)	(300)	(293)	7
3 Charges for Services and Facilities	(603)	(636)	(632)	4
4 Other Income	(66)	(66)	(88)	(22)
5 <b>TOTAL INCOME</b>	<b>(25,794)</b>	<b>(25,827)</b>	<b>(25,793)</b>	<b>34</b>
<b>EXPENDITURE</b>				
6 Repairs and Maintenance	8,131	8,145	8,308	163
7 Supervision and Management - General	2,526	2,537	3,097	560
8 Supervision and Management - Special	1,066	1,074	1,084	10
9 HRA share of Corporate & Democratic Costs	371	371	393	22
10 Depreciation and Impairment of Fixed Assets	2,869	2,869	3,495	626
11 Revaluation Losses (Gains)	0	0	(9,582)	(9,582)
12 Non Enhancing Capital Expenditure	0	0	4,729	4,729
13 Debt Management Expenses	35	35	36	1
14 Provision for bad debts	248	248	226	(22)
15 Internal insurance	0	0	(15)	(15)
16 Pension Deficit	193	193	0	(193)
17 Savings & Efficiencies	0	0	0	0
18 <b>TOTAL EXPENDITURE</b>	<b>15,439</b>	<b>15,472</b>	<b>11,771</b>	<b>(3,701)</b>
19 <b>NET COST OF HRA SERVICES</b>	<b>(10,355)</b>	<b>(10,355)</b>	<b>(14,022)</b>	<b>(3,667)</b>

**Summary of Key Variances**

Table 5

Heading	Explanation of significant Variance	Variance £'000
<b>Dwelling rents and other income</b>	The performance of the collection of rents has been sustained during this financial year by utilising focused collection methods and early interventions with tenants who show early signs of difficulty meeting their tenant obligations with respect to rent payments. The under recovery of £45K was due to £104K write off of irrecoverable rents, which was less than forecast, offset by a slightly lower average void rate which generated an additional £50K in rental income.	45
<b>Repairs and maintenance</b>	This budget covers expenditure on a range of work areas including structural improvements, insulation,	163

Heading	Explanation of significant Variance	Variance £'000
	painting, disabled adaptations, asbestos, gas servicing and maintenance as well as reactive and void repairs. There has been an over spend of £185K on major void works, mainly due to refurbishment work to fire damaged properties (In 2018/19 an insurance settlement has been received from Zurich in respect of 4 New Estate). This was offset by under spends of £208K on asbestos removal, £75K on disabled adaptations & £84K on insulation. There were £56K of salary savings but these were offset by increased pension costs of £476K. These costs are reversed out of the HRA through the statement of movement.	
<b>Supervision and Management</b>	(All) There is an over spend of £570K. There were £46K of salary savings but these were offset by increased pension costs of £186K and central support costs of £340K. As above, the pension costs are reversed out of the HRA through the statement of movement.	570
<b>Revaluation Gains</b>	The vacant possession value of dwellings is adjusted by the Valuation Office Agency to reflect the social housing status of local authority dwellings. This has resulted in revaluation gains.	9,582
<b>Non Enhancing Capital Expenditure</b>	This is expenditure incurred through the HRA capital programme which does not enhance the value of the council house dwellings and the impairment is charged back to the revenue account at the year end. This is in respect of activities such as new kitchens and bathrooms to maintain decent homes standard within the housing stock.	4,729

#### 4.0 **CAPITAL EXPENDITURE**

4.1 During 2017/18 the Council's total capital investment was. £12.592M (details are provided at Appendix C). A summary of the expenditure is set out below and is compared to the updated base programme.

Table 6

	Priority	2017/18 Original Base  £'M	2017/18 Updated Base  £M	2017/18 Outturn  £M	2017/18 Variance  £M
1	Growth	12.460	12.541	3.818	(8.723)
2	Housing	0.650	1.008	0.388	(0.620)
3	Culture	0.358	0.383	0.119	(0.264)
4	Environment	1.150	1.522	1.009	(0.513)
5	Corporate	0.076	0.176	0.040	(0.136)

6	Other (inc. previous year schemes)	0	0	0.055	0.055
7	<b>General Fund Programme Total</b>	<b>14.694</b>	<b>15.630</b>	<b>5.429</b>	<b>(10.201)</b>
8	Housing Investment Programme Total	8.869	8.991	7.163	(1.828)
9	<b>Total Capital Programme</b>	<b>23.563</b>	<b>24.621</b>	<b>12.592</b>	<b>(12.029)</b>

4.2 The capital programme for 2017/18 was agreed by Council at its meeting on 2 March 2017 and subsequently amended by Council during the year. The General Fund outturn position of £5.429M represents a variance of (£10.201M) compared with the updated base. The summary of variances can be referenced at Appendix C. The relevant line number is provided for ease of reading.

### **Variance Analysis – General Fund (Appendix C)**

Table 7

<b>Capital scheme</b>	<b>Explanation of significant Variance</b>
<b><u>Growth</u></b>	
St. Peter's Hill Development Project (line 1)	There is an under spend of £3.934M due to a re profiling of the delivery of the project. Based on the original 2017/18 forecast, a budget of £4.030M has already been incorporated into the 2018/19 programme. However the actual outturn was £100K more than the forecast resulting in excess slippage of £100K.
Servicing Land at Vantage Park (line 3)	This has now completed but the expenditure was financed through revenue.
Property Investment Strategy (line 4)	During the year the purchase of a commercial property at Lincoln has taken place at a cost of £3.073M. The resulting under spend has been incorporated into the 2018/19 budget framework
Local Authority Controlled Company (LACC) (line 5)	Work has been undertaken to progress a development opportunity that will be delivered by the company during 2018/19. The original forecast under spend of £2.55M has already been incorporated into the 2018/19 programme and the balance of £250K is proposed additional slippage.
<b><u>Housing</u></b>	
Housing Grant Assistance (line 6)	The under spend of £207K was due to the volume of applications being lower than previously anticipated.
Disabled Facilities Grants (line 7)	In 2017/18 there was additional grant funding of £358K increasing the budget to £734K. Applications are dependent on an assessment carried out by occupational therapists at Lincolnshire County Council and there have been fewer O.T. referrals and less expensive adaptations. This has resulted in an under spend of £413K.
<b><u>Culture</u></b>	
Wyndham Park	There was a delay in commencement of the capital building

<b>Capital scheme</b>	<b>Explanation of significant Variance</b>
Improvements (line 11)	works of the scheme which has led to an under spend of £274K. £238K has already been incorporated into the 2018/19 programme and a further £36K is proposed additional slippage.
<b><u>Environment</u></b>	
Wheeled Bin Procurement (line 12)	There is a saving of £37K due to reduced requirements.
Pool Car Vehicles (line 13)	The budget (£124K) was not spent due to a review of the specific requirements for the new pool car fleet. This budget has already been incorporated into the 2018/19 programme.
Street scene Vehicles (line 14)	An under spend (200K) has occurred due to delays in the delivery of the new vehicles. This will be proposed additional slippage.
Vehicles Replacement (line 15)	there is an overall under spend (114K) comprising of procurement savings of £53K and delivery delays by the supplier of £61K. A budget of £61K will be proposed additional slippage.
Big Clean Vehicles (line 16)	The under spend (39K) was due to procurement savings.
<b><u>Corporate</u></b>	
IT Infrastructure budget (line 17)	The budget of £68K was not spent. £26K has already been incorporated into the 2018/19 programme for the sandbox firewall. The remaining £42K is proposed additional slippage for the Wi-Fi deployment scheme.
Financial systems upgrade (line 18)	The budget (£50K) is proposed to be slipped into the 2018/19 programme due to implementation delays.

### **Summary of General Fund capital outturn**

4.3 The following additional slippage amounts (further to the slippage previously approved by Council) have been identified for inclusion into the 2018/19 General Fund capital programme:

- St Peter's Hill Development £100K
- Local Authority Controlled Company £250K
- Wyndham Park Improvements £36K
- Street Scene Vehicle Replacement £200K
- Vehicle Replacement Programme £61K
- ICT Infrastructure £42K
- Installation of Electric Charging points £39K (to be funded from capital underspend relating to Big Clean)

### **Variance Analysis HRA Capital Programme**

4.4 The updated base for the HRA capital programme for 2017/18 was £8.991M and the outturn was £7.163M. This represents a variance of (£1.828M) compared to

the updated base. The summary of variances can be referenced at Appendix C and the relevant line number is provided for ease of reading.

Capital scheme	Explanation of significant Variance
New Build Properties (line 2)	All schemes have now completed. There was provision made in the budget for the cost of contractors' claims for extras. Negotiations have reduced these claims resulting in an under spend of £223K.
Stock Growth and Acquisitions (line 3)	During the year there has been 1 buy back (a former Council property) and 1 conversion resulting in an under spend of £1.367M. Three other sites have been pursued during 2017/18 but one bid was unsuccessful. Negotiations are still in progress on the other two sites. £554K has already been slipped into the 2018/19 programme.
Re-Wiring (line 5)	There was an under spend of £81K as a result of a number of tenant refusals and a number of inaccessible properties.
Purchase of Vehicles (line 9)	The replacement programme for the direct works vehicles generated procurement savings of £135K.

## 5.0 **COMMENTARY ON BALANCES AND RESERVES**

5.1 An integral element of the closedown procedure is to undertake a review of the usage and levels of the Council's reserves and balances. The financial statements reflect the proposed use of these and specific details of the significant balances and reserves are set out below and detailed at Appendix D.

The overall General Fund reserves position is a variance of £11.9M when compared with the forecast position which was presented to Council in March 2018. This is largely due to timing differences with the delivery of the General Fund capital programme which has been referenced at table 6 above.

### **Discretionary Reserves £14.326M (lines 1-20)**

5.2 These reserves have been established to financially support the delivery of the Council's Corporate Strategy including both revenue and capital projects. In response to the Corporate Plan there is an ambition to focus funding towards initiatives that accelerate economic growth, e.g. visitor economy, tourism, heritage etc. These reserves will be targeted to these areas in the future. With this in mind a number of reserves that no longer tie back to the Corporate Plan have been closed.

5.3 The Local Priorities Reserve (line 16) has been increased by £3.1M to reflect New Homes Bonus monies that have been received to reflect housing growth in the district and £6M has been taken from the reserves as follows:

- £1.743M transferred to the St Peter's Hill Reserve to support the delivery of cinema.
- £3M to fund the purchase of Alpha Court

- £933K to support Big Clean and Invest SK initiative

5.4 The Community Fund (line 15) has been established by Council to financially support community projects and events that demonstrate a correlation to the Council's priorities. During the year £96K has been allocated to fund community projects and a top up of £96K is required to maintain the fund balance at £150K (in accordance with Council's decision).

#### **Governance Reserves £5.578M (lines 21-27)**

5.5 These reserves are maintained to mitigate risk, satisfy statutory and grant awarding bodies requirements and support prudent financial management

5.6 The Insurance Fund (£337K line 21) provides cover to meet unforeseen costs relating to insurance claims over and above the provisions made in year as part of managing the 'in house risk' with an increased self-insured strategy. During the year £13K has been used to fund claims and insurance premium.

5.7 We maintain two Pension Reserves (£2.234M lines 22, 23). The current employees reserve provides for potential capital costs of any future early retirements and also helps to protect the Council from large changes in Council Tax resulting from unanticipated rises in the employer's contribution rate following future triennial valuations. The level of the reserve is being maintained in order to fund the pension payment reducing the Council contribution rate from 21.1% to 16.5%. This decision has had a positive impact on the revenue budgets for the same period.

5.8 A new reserve has been established (line 26) to meet the conditions of the 3G football pitch grant received in 2016/17. The Football Association require evidence that a sinking fund has been established to fund the future replacement of this facility.

#### **General Fund working balance £2.835M (line 30)**

5.9 The purpose of this working balance is to ensure there is sufficient financial resource available in order to meet unforeseen events during the course of the financial year. Whilst there is no statutory minimum reserve level, it is prudent to maintain a working balance commensurate with the expenditure levels of the Council in order to be in a position to meet any unforeseen or unanticipated expenditure that may occur during the year. The level currently held 16% of net expenditure which is an appropriate level.

#### **General Fund Capital Reserves £7.876M (line 32)**

5.10 LAMS reserve £304K (line 33) - The Local Authority Mortgage scheme (LAMS) is no longer in operation for all authorities; however the Council continues to receive investment interest that is derived from the investment of that was placed to support the scheme. Interest will continue to accrue until the final maturity on 20 February 2019. At the end of the investment period the balance will be reviewed in relation to the outstanding guarantee commitment and excess funds returned to balances.

- 5.11 St Peter's Hill Development £2.607M (line 34) - This reserve was created to set aside funding for the Cinema project in 2018/19.
- 5.12 General Fund - Capital Reserve - £1.171M (line 35) - The General Fund capital reserve is used to assist with the funding of the capital programme. During the year £896K was used to fund the capital programme.
- 5.13 Useable Capital Receipts Reserve £3.7945M (line 36) - This reserve is one of the sources of funding the General Fund capital programme. During the year the Council has received £870K in receipts following the sale of vehicles and Vantage Park and the repayment of loans.

### **HRA Reserves £33.945M Line 10**

- 5.14 HRA working balance £2.489M (line 4) - This balance serves the same purpose as the General Fund working balance in that it is established to respond to unforeseen financial events that occur during the financial year. In accordance with the HRA business plan the working balance has been reduced to represent 10% of operating expenditure costs.
- 5.15 Capital Receipts Reserve (HRA) £3.332M (line 6) - The Council has established a capital receipts reserve where the 'Right to Buy' sale receipts are allocated. During the year £2.095M has been used to contribute towards the new build programme and receipts of £2.574M have been received from HRA sales including 57 housing stock. This reserve will continue to be utilised to contribute to the provision of affordable housing and the provision of additional Council housing stock.
- 5.16 Loan Repayment Reserve (HRA) £16M (line 7) - The reserve was established to accumulate balances to meet the maturity loan payment of £25M which is due to be repaid at 27<sup>th</sup> March 2020. As at 3rd March 2018 the balance is £9M less than the required amount for full redemption but there are several options available to the Council including part repayment or total refinancing. These options will be considered nearer the time of the loan maturing in order to accurately assess the options available.
- 5.17 Major Repairs Reserve (HRA) £10.328M (line 8) - This reserve has been credited with £6.521M to fund its capital expenditure and been charged £5.068M to fund capital items for the 2017/18 programme. This will continue to be the primary financing for the HRA Capital Programme.

## **6.0 LOOKING AHEAD**

- 6.1 The Committee will be aware that the 2018/19 budget framework includes a number of new income generation proposals, savings and efficiencies totalling £2.4M (Budget report CFM 453) refers. The outturn position referred to in this report is integral to the medium term financial planning with respect to the outturn position on business rates income, emerging service pressures, new income opportunities and the level of reserves. The 2018/19 financial management will particularly focus on the following:
- Business rates 100% retention pilot for Lincolnshire and the associated financial impact for the Council. This will provide the Council with 60% of

additional business above the Government baseline being retained (with the remaining 40% for Lincolnshire County Council)

- Management of the savings and efficiencies totalling £2.4M
- National review of the Fair Funding allocation methodology
- Management of significant income streams for the Council - business rates, Council Tax
- Commercial activity by the introduction of profit and loss accounts for new commercial centres

6.2 Growth Overview and Scrutiny Committee will be monitoring the above as part of the quarterly management reports that will be presented during the year.

## **7. OTHER OPTIONS CONSIDERED**

7.1 None.

## **8. RESOURCE IMPLICATIONS**

8.1 These are included in the report.

## **9. RISK AND MITIGATION**

9.1 None identified.

## **10. ISSUES ARISING FROM IMPACT ANALYSIS (EQUALITY, SAFEGUARDING ETC)**

10.1 N/A

## **11. CRIME AND DISORDER IMPLICATIONS**

11.1 N/A

## **12. COMMENTS OF FINANCIAL SERVICES**

12.1 Financial comments are included in the report.

## **13. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

13.1 The annual revenue and capital outturn report was approved by the Governance and Audit Committee at its meeting on 21 June 2018 in accordance with the Committee's terms of reference. Scrutiny of the document falls within the remit of the Growth Overview and Scrutiny Committee, which may review the outturn report and make recommendations to Cabinet.

## **14. COMMENTS OF OTHER RELEVANT SERVICES**

N/A



## **15. APPENDICES**

Outturn Appendices:

Appendix A – General Fund Revenue

Appendix B – HRA Revenue

Appendix C – Capital (General Fund & HRA)

Appendix D – Reserves (General Fund & HRA)

## **16. BACKGROUND PAPERS**

Outturn Report 2017/18:

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=498&MId=3613&Ver=4>

Quarter 3 2017/18 monitoring report:

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=631&MId=3447&Ver=4>

Budget Report 2018/19:

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=261&MId=3463&Ver=4>