SOUTH KESTEVEN DISTRICT COUNCIL

# Cabinet

Tuesday, 21 July 2026

Report of Councillor Bridget Ley, Cabinet Member for Finance

# General Fund Provisional Outturn Report 2025/2026


**Report Author**

Richard Wyles, Deputy Chief Executive and s151 Officer

Richard.wyles@southkesteven.gov.uk


**Purpose of Report**

To provide details of the General Fund provisional outturn position for the Financial Year 2025/26. The report covers the Revenue Budget, Capital Programme and a Reserves Overview.

## Recommendations

**Cabinet is asked to:**

1. **Review the provisional General Fund Revenue and Capital Outturn position including the supporting appendices for the financial year 2025/26.**

2. **Note the revenue and capital budget carry forwards in Appendix B and C.**

3. **Endorse the proposed reserve movements in table 3 in readiness for presentation to Governance and Audit Committee.**

**Decision Information**

| | |
|---|---|
| Key Decision | No |
| Does the report contain any exempt or confidential information not for publication? | No |
| What are the relevant corporate priorities? | All |
| Which wards are impacted? | All |

## 1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

***Finance***

1.1 The financial implications are included within the report.

*Completed by: David Scott, Assistant Director of Finance and Deputy s151 Officer.*

***Legal and Governance***

1.2 As part of good governance, it is important members are kept updated in respect of the financial position of Council expenditure during the year.

*Completed by: James Welbourn, Democratic Services Manager*

## 2. Background to the Report

2.1 This report provides Cabinet with details of the Council's provisional outturn position for the Financial Year (FY) 2025/26. Throughout the year, Cabinet have been updated via regular and comprehensive budget monitoring reports.

2.2 A balanced budget was set for FY2025/26 which provided a solid foundation for the delivery of Council services over the year.

2.3 During the financial year, the Council has managed budgets prudently and has been able to redirect funding where necessary to support the objectives set out in the Corporate Plan. A combination of savings and the generation of additional income have enabled the Council to boost its financial resilience. This is particularly important in the context of the recent Local Government funding review including a reset of the Business Rate system. This reset is not favourable towards district councils, and the medium-term financial outlook remains difficult. The Council must also prepare for the financial structural changes of Local Government Reorganisation (LGR) (although at the time of compiling this report no announcement has been made). Therefore, it will be necessary to present a future financial proposal as the Council will be required to provide funding in order to transition towards the new arrangements.

## 3. General Fund Revenue Budget 2025/26

3.1 The net cost budget (including investments) set by Council on 27 February 2025 was £23.227m. Budgets have been amended for any additional approvals in year to increase the budget including carry forwards from the previous year. This has resulted in an increase to the 2025/26 budget to £25.607m. For the purposes of the outturn variance analysis, the budget carry forwards and accounting adjustments such as depreciation have been removed which reduces the budget for comparative purposes to £16.968m as shown in Table 1 below.

3.2 The forecast outturn position has been presented to Cabinet throughout the financial year. The Quarter 3 (Q3) report was presented on 10th March 2026. This report is the final report for FY2025/26 and represents a summary of the outturn compared to the approved budgets.

**Table 1 – General Fund Revenue Outturn Positions (excluding accounting adjustments within Net cost of Service)**

| Description | 2025/26 Current Budget £'000 | 2025/26 Current Budget (less proposed Budget C/F and accounting adjustments) (a) £'000 | 2025/26 Provisional Outturn (b) £'000 | Variance to Current Budget (b-a) £'000 | 2025/26 Outturn Variance % |
|---|---|---|---|---|---|
| Corporate, Governance & Public Protection | 4,431 | 4,329 | 4,387 | 58 | 1.3 |
| Finance, Property & Waste Services | 12,583 | 8,127 | 7,906 | (221) | (2.7) |
| Growth & Culture | 9,273 | 5,204 | 4,206 | (998) | (19.2) |
| Housing & Projects | 2,033 | 2,023 | 1,961 | (62) | (3.1) |
| HRA Recharge | (2,960) | (2,960) | (2,960) | 0 | 0 |
| Drainage Rates | 1,026 | 1,026 | 1,014 | (12) | (1.2) |
| **Net Cost of Service** | **26,388** | **17,749** | **16,514** | **(1,235)** | **(6.3)** |
| Investment Income | (781) | (781) | (1,304) | (523) | 67.0 |
| **(Surplus) / Deficit** | **25,607** | **16,968** | **15,210** | **(1,758)** | **(10.4)** |

3.3 A summary of the key variances are provided in table 2 below:

**Table 2 – General Fund Revenue Outturn significant variances**

| CROSS DIRECTORATE | £'000 |
|---|---|
| **Fuel**<br>A reduction in inflationary price increases prior to March 2026 has resulted in an underspend of (£266k). The budget was set using a price of 141p but actual prices have been as much as 28% below this for the majority of last financial year and remained relatively stable. It is proposed that this surplus is allocated to the waste reserve in order to provide resilience for future volatility in fuel prices | **(266)** |
| **Utilities**<br>The Council continues to financially benefit from energy prices secured via the ESPO utility procurement framework which are currently being purchased at a unit rate lower than the budgeted rate. | **(482)** |
| **Salaries**<br>A pay award in line with the national award for 2025/26 of 3.2% was implemented during the year. This award was higher than the 2% budgeted but it has been possible to contain the increase during the year and achieve the salary vacancy factor of 3%. | **58** |
| **Investment Income**<br>Higher average interest has been achieved on investments which averaged 4.30% return compared to 3.25% budget as well as higher investment balances for the General Fund compared to budgeted levels. | **(523)** |

3.4 Appendix A provides details of the significant variances which impacts all Directorates along with supporting information explaining the main variances per service area.

3.5 As part of the outturn process a number of carry forwards have been taken into 2026/27 to support ongoing projects and support potential budget pressures that have been identified. These total £929k split across corporate underspends (£231k) and Grants received in year (£698k), with Appendix B providing a breakdown of these for information.

3.6 As work continues on preparation of the statement of accounts and a decision regarding the future local government arrangements across Greater Lincolnshire expected the appropriation to non-service specific reserves will be considered at the Governance and Audit meeting on the 29 September 2026. However, for service specific reserves the following allocations are proposed in table 3 below, which would reduce the provisional underspend to circa **£0.699m** for further consideration and allocation:

**Table 3 – Proposed Reserve Allocations 2025/26**

| Reserve | Amount | Rationale |
|---|---|---|
| Property maintenance Reserve | £280k | Funded from property management underspend to support ongoing programme of asset maintenance |
| Leisure Investment | £132k | Surplus generated from LeisureSK Ltd is used for ongoing leisure investment |
| ICT Investment | £200k | Replenishment of reserve following in year and support ongoing investment in ICT projects |
| Climate Change | £447k | Top up of reserve to £500k to support future climate change projects |
| **Total** | **£1.059m** | |

These service specific reserve movements will be presented to Governance and Audit at their meeting on 23 July 2026.

## 4. General Fund Capital Programme 2025/26

4.1 The budget set by Council on 27 February 2025 for the 2025/26 General Fund Capital Programme was £15.179m. Budgets have been amended for any additional approvals in year to increase the budget including carry forwards from the previous year resulting in an increase to the 2025/26 budget to £19.807m. For the purposes of the outturn variance analysis, the proposed budget carry forwards have been removed from this which reduces the budget for comparative purposes to £17.394m.

4.2 Table 4 below provides a summary provisional outturn of £16.565m resulting in a £0.829m underspend on the General Fund Capital Programme for 2025/26.

**Table 4 – General Fund Capital Outturn Position**

| Directorate | 2025/26 Current Budget £'000 | 2025/26 Budget (less C/F approved by Council February 2025 and proposed Budget C/F) £'000 | 2025/26 Provisional Outturn £'000 | 2025/26 Outturn Variance £'000 |
|---|---|---|---|---|
| Corporate, Governance & Public Protection | 1,455 | 1,403 | 1,513 | 110 |
| Finance, Property & Waste Services | 12,217 | 11,037 | 10,863 | (174) |
| Growth & Culture | 2,493 | 2,130 | 1,416 | (714) |
| Housing & Property | 2.922 | 2,824 | 2,773 | (51) |
| **Total Expenditure** | **19,087** | **17,394** | **16,565** | **(829)** |
| | | | | |
| **Financed By:** | | | | |

| | | | | |
|---|---|---|---|---|
| Capital Grants & Contributions | 7,168 | 7,141 | 6,711 | (430) |
| Reserves | 3,317 | 2,852 | 2,880 | 28 |
| Useable Capital Receipts | 2,414 | 1,225 | 865 | (360) |
| Borrowing | 6,188 | 6,176 | 6,109 | (67) |
| **Total Financing** | **19,087** | **17,394** | **16,565** | **(829)** |

4.3 A summary of the significant variances is provided in Table 5 below.

**Table 5 – General Fund Capital Outturn significant variances**

| | **£'000** |
|---|---|
| **Corporate, Governance & Public Protection**<br>**Disabled Facilities Grant (DFG)** – Additional works have been undertaken over the course of the year with 161 adaptations completed. The additional costs will be funded from previous years DFG underspends currently held in reserves. | **96** |
| **Finance, Property & Waste Services**<br>**Food Waste** – This budget was set prior to the round review being undertaken and confirmation of the number of waste vehicles being required to deliver the service. This combination led to an underspend as fewer vehicles were required that anticipated. | **(124)** |

4.4 The Government share of the Future High Streets Fund has been fully allocated, and the Committee were provided with a report at their meeting on 7th May 2026. The funding was used to financially support specific projects of works at the Guildhall Arts Centre and the Wharf Road car park and this use of the funding has resulted in Council reserves not been required.

4.5 Appendix C provides a summary of the carry forwards totalling £0.631m alongside some adjustments to the budget carry forwards (£339k) that were approved by Council on 26th February 2026.

## 5. 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. Whilst the final balances and allocations are being worked through as part of the Statement of Accounts process, table 6 below provides a provisional summary position.

**Table 6 – General Fund Reserves Outturn Position**

| Description | Actual Balance as at 31 March 2025 £'000 | Provisional Movement £'000 | Provisional Balance as at 31 March 2026 £'000 |
|---|---|---|---|
| **Revenue Reserve** | | | |
| Discretionary Reserves | 15,511 | (2,713) | 12,798 |
| Governance Reserves | 5,053 | 243 | 5,296 |
| Grants | 3,527 | (1,164) | 2,363 |
| Working Balance * | 2,535 | 0 | 2,535 |
| **Total Revenue Reserves** | **26,626** | **(3,634)** | **22,992** |
| **Capital Reserves** | | | |
| Capital Reserves | 4,589 | (865) | 3,724 |
| **Total Reserves** | **31,215** | **(4,499)** | **26,716** |

*Provisional outturn pending completion of year end accounting entries

5.2 As highlighted in section 3.6 in the report there are a number of proposals for allocating part of the underspend into specific reserves which are not referred to at table 6. Once allocated this will increase the General Fund reserve balance to £28.474m.

5.3 Discretionary Reserves – Some of the key movements included are:

- **£5.564m** net decrease on the Local Priorities Reserve following a £2.0m transfer to the Property Maintenance Reserve, £796k in-year funding for property maintenance, depot fit out of £354k and £2.136m to provide a contribution for capital financing.
- **£1.919m** net increase in Property Maintenance Reserve following the £2.0m allocation from the Local Priorities Reserve net of in-year expenditure.
- **£255k** use of ICT reserve to fund ICT projects.
- **£1.290m** added into the new Waste Services Reserve from pEPR grant funding received in year.

5.4 Governance reserves increase is mainly due to a number of revenue government grants received in year and carried forward for future use once spending plans have been agreed.

5.5 The main Grants reserve has reduced in year following the use of £1.127m Food Waste grant funding to support the rollout of the new collection requirements.

5.6 £0.865m has been used from Useable Capital Receipts to fund the General Fund Capital Programme

## 6. 2025/26 Collection Performance

6.1 Table 6 details the collection rates performance against target for 2025/26

6.2 **Table 6 - Collection Rates**

| Target Rates | Council Tax | Business Rates |
|---|---|---|
| Target annual collection rate | 98.33% | 98.68% |
| Actual collection rate to end of March 2026 | 98.31% | 98.74% |
| Variance | (0.02%) | 0.06% |

6.3 Council Tax:

- Collection of £108.723m as of 31 March 2026 against an annual debit of £110.590m. As shown in the table above, the collection rate is below target (2024/25 collection) by 0.02% or £22,118 (SKDC share being £1,991).

- Nationally South Kesteven ranked 16th out of 296 local authorities in 2025/26 in respect of collection rates, an improvement from 27th in 2024/25.

6.4 Business Rates:

- Collection of £45.295m as of 31 March 2026 against an annual debt of £45.874m. As shown in the table above, the collection rate was 0.06% or £27,524 above target.

- Nationally South Kesteven ranked 34th out of 296 local authorities in 2025/26 in respect of collection rate, an improvement from 54th in 2024/25.

## 7. Reasons for the Recommendations

7.1 It is important that members are aware of the financial position of the General Fund to ensure they can make informed decisions that are affordable and financially sustainable for the Council. Effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities.

7.2 This report provides an overview of the provisional General Fund outturn financial position for 2025/26.

## 8. Other Options Considered

8.1 Cabinet in their role should have oversight of the Council's budgets and therefore, the option of not producing a provisional outturn report was discounted.

## 9. Consultation

9.1 The Outturn report will also be presented to Finance and Economic Overview and Scrutiny Committee (FEOSC) on 21 July 2026 in order for them to provide feedback to Cabinet. Governance & Audit Committee will also review the outturn position at their meeting on 23 July 2026.

## 10. Appendices

10.1 Appendix A – 2025/26 General Fund Outturn Significant Variance Analysis

10.2 Appendix B – 2025/26 Revenue Carry Forwards

10.3 Appendix C – 2025/26 Capital Carry Forwards