



Cabinet

5 December 2023

Report of Councillor Ashley Baxter
Deputy Leader of the Council

Finance Update Report: April – September 2023

Report Author

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Purpose of Report

To present the Council's forecast 2023/24 financial position as at end of September 2023.
The report covers the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Budget
- Capital Programmes – General Fund and Housing Revenue Account
- Reserves overview – General Fund and Housing Revenue Account

Recommendations

That Cabinet

1. **Reviews and notes the forecast 2023/24 outturn position for the General Fund, HRA Revenue and Capital budgets as at the end of September 2023 and identifies any variances that might require action or investigation.**

Decision Information

Does the report contain any
exempt or confidential
information not for publication?

No

What are the relevant corporate priorities?	Growth and our economy Housing that meets the needs of all residents Healthy and strong communities Clean and sustainable environment High performing Council
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, 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 and Procurement

1.1 The financial implications are included within the report.

Completed by: Richard Wyles, Deputy Chief Executive and Section 151 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: Graham Watts, Assistant Director (Governance and Public Protection) and Monitoring Officer

Risk and Mitigation

1.3 A risk register is at Appendix E and shows that all known current risks are recognised and associated mitigating actions are in place.

Completed by: Tracey Elliott, Governance and Risk Officer

2 Background to the Report

2.1 During the current financial year, Cabinet are being provided with regular finance reports. These monitor and forecast the budget against the current economic conditions facing the Council.

3 Revenue Budget 2023/24 – General Fund

3.1 The budget set by Council on 1 March 2023 was £22.256m. Table 1 shows the summary of movements.

Table 1 – General Fund Revenue Budget Amendments

Date of Approval	Revenue Budget amendment	£'000
		22,256
March 2023	ICT Reserve – Asset Management	58

March 2023	Coronation Celebrations	7
June 2023	Grantham Special Expense Area – Christmas Lights	28
July 2023	2022/23 Budget Carry Forwards	1,960
July 2023	Pay Award Reserve	461
July 2023	ICT Reserve – Pool Car Management	10
July 2023	ICT Reserve – Replacement Document	67
	Management System – Revenues & Benefits	
August 2023	ICT Reserve – Replacement CRM System	32
September 2023	Local Priorities Reserve – CCTV relocation	17
Total		24,896

3.2 The approved budget amendments (shown at table 1 above), together with forecast changes since the previous budget update report, indicates a projected reduction in the use of reserves for 2023/24 of £1.705m. The reduction in forecast spend on the Blue/Green Witham Corridor project (£123k), utility costs (£582k) and in year vacancies (£138k) together with additional awards of grant income including the one-off windfall Swimming Pool grant of £344k indicates a forecasted balanced position for the current financial year. However, given the uncertainty of the Council's exposure to external cost changes, and other variables outside of the Council's control, this position will remain under a monthly review.

3.3 Table 2 shows the forecast outturn position as at 30 September 2023:

Table 2 – General Fund Forecast Outturn Position

Description	2023/24	2023/24	2023/24	Forecast Variance	Forecast Variance
	Original Budget	Current Budget	Forecast Spend		
	£'000	£'000	£'000	£'000	%
Corporate	9,405	8,986	8,698	(288)	(3.2%)
Finance	4,981	4,396	4,377	(19)	(0.4%)
Growth & Culture	7,688	9,361	8,764	(597)	(6.4%)
Housing & Property	2,125	3,799	3,245	(554)	(14.6%)
HRA Recharge	(2,814)	(2,814)	(2,814)	0	0.0%
Drainage Rates	871	871	902	31	3.6%
Investment Income	(760)	(760)	(950)	(190)	(25.0%)
Net Cost of Service	21,496	23,839	22,222	(1,617)	(6.8%)

Minimum Revenue Provision	126	126	126	0	
Revenue Contribution to Capital	37	333	333	0	
Depreciation	(4,859)	(4,859)	(4,859)	0	
Net Budget Requirement	16,800	19,439	17,822	(1,617)	
Total Funding	(15,560)	(15,560)	(15,648)	(88)	
Transfers to/(from) earmarked reserves	(1,240)	(3,879)	(2,174)	1,705	
Net Budget (Surplus)/ Deficit	0	0	0	0	

3.4 Grounds Maintenance and Street Cleansing were integrated within the Growth Directorate from the Corporate Directorate from 1 July 2023. As such, the appropriate budgets have been transferred as shown in Table 2.

3.5 Table 3 shows the significant forecast variances which impact across all directorates for the General Fund revenue for 2023/24 as at 30 September 2023.

Table 3 – General Fund Revenue – Significant Variances

Explanation of Significant Variances	£'000
Utilities - Electricity Whilst there continues to be inflationary price increases during the year, the increases are significantly less than budgeted and more competitive prices are being secured through our supplier procurement framework. Electricity prices and consumption are monitored on a monthly basis.	(582)
Business Rates Following a review of property rateable values, a number have reduced resulting in a forecast underspend for 2023/24.	(93)
Fuel A reduction in predicted price increases has resulted in a forecast underspend for the remainder of 2023/24. This is monitored on a weekly basis.	(117)
Salary vacancy factor The Council's salary budgets are prepared with an assumed 3% vacancy factor in order to reflect the turnover of staffing during a financial year. Currently, the Council is enjoying a relative stable workforce and where there are vacancies temporary staff have often been engaged. The vacancy factor will continue to be managed and monitored during the course of the financial year	452
Investment Income Base rate changes have resulted in an increase on the interest rates available for investments. The Council is now able to secure investment interest rates	(190)

above 5% compared with the budgeted rate of 4%.

3.6 Appendix A provides further details of the outturn revenue position for each Directorate along with service specific variance comments other than those detailed in table 3.

4. General Fund Capital Programme 2023/24

The budget set by Council on 1 March 2023 for the 2023/24 General Fund Capital programme is £12.147m. Table 4 shows the summary of movements:

Table 4 – General Fund Capital Programme Budget Adjustments

Date of Approval	GF Budget amendment	£'000
		12,147
December 2022	Gonerby Hill Foot Grantham Play Park – (grant funded)	119
March 2023	UKSPF	296
July 2023	2022/23 Budget Carry Forwards	580
September 2023	Depot	8,000
Total		21,142

4.1 Table 5 summarises the General Fund Capital forecast outturn position as at 30 September 2023.

Table 5 – General Fund Capital Forecast Outturn Position

Capital Scheme	2023/24 Original Budget £'000	2023/24 Current Budget £'000	2023/24 Forecast spend £'000	Forecast Variance £'000	Forecast Variance %
Corporate	2,881	3,125	3,170	45	1.4%
Finance	250	250	289	39	15.6%
Growth & Culture	5,846	5,904	5,881	(23)	(0.4%)
Housing & Property	3,170	11,863	2,336	(9,527)	(80.3%)
Total Expenditure	12,147	21,142	11,676	(9,466)	(44.77%)

4.2 Table 6 shows the significant forecast variances for the General Fund capital schemes for 2022/23 as at 30 September 2023.

Table 6 – General Fund Capital – Significant Variances

Explanation of Significant Variances

£'000

Trade Waste Bins No spend expected in 2023/24 due to stock already held and current limited capacity to provide the service to additional customers.	(48)
Street Scene Vehicle Procurement The additional spend is due to the purchase of vehicles from EnvironmentSK Ltd for £378k following integration of the service back to the Council.	313
Vehicle Replacement Programme Procurement has been undertaken in respect of replacement vehicles however it is currently expected that delivery of the vehicles will not occur until 2024/25 and therefore the budget will be required to be carried forward.	(220)
Financial System Upgrade This overspend is due to specialist support procured to ensure the implementation of the new system progresses in line with the project plan. The scheduled go-live date for the system is 1 April 2024.	39
Empingham Road – Outdoor Gym Alternative options within the terms & conditions of the S106 are being reviewed in respect of this budget as the Council no longer retains responsibility for the Empingham Road facility following its transfer to Stamford Town Council. It is therefore anticipated that this scheme will be £55k underspent at year end.	(55)
Empingham S106 Grants The distribution of this grant has been approved by Cabinet and work is underway with the grant recipients to ensure that the conditions are met prior to any sums being released so it is anticipated that this scheme will be £228k underspent at year end.	(228)
Sustainable Warmth Grant The grant funding was awarded on a formula driven basis relating to EPC conditions of properties within the district. The schemes have been promoted through radio, signage advertising and direct correspondence to homes with EPC rating of E and below. The final scheme closed in September 2023, works were completed in 73 properties during the project. The remaining grant funding is to be returned.	(1,005)
Depot Pre-construction work is now complete and a planning application has been submitted for consideration. Whilst the construction budget has been approved the expenditure will be incurred during the financial year 2024/25 and therefore the majority of the budget will be carried forward.	(8,000)
Decarbonisation Scheme The Council has applied for grant funding from the Decarbonisation Fund that was launched in October 2023. This budget will be required for match funding if the Council is successful with securing grant funding so will need to be carried forward to 2024/25.	(261)
Changing Places Disabled Facilities Following the successful installation of a facility at the Grantham Meres Leisure Centre, a facility will be installed at South Street Bourne during January 2024.	22

A facility at Wyndham Park Grantham will be installed before the deadline of March 2024. Unfortunately, the facility at Stamford is now in doubt following the Stamford Town Council's decision not to financially contribute towards the scheme.

5. General Fund Reserves

5.1 Appendix B details the General Fund forecast reserve movements for 2023/24. The appendix shows the balances as at 31 March 2023 and their projected use for the current year.

6. Revenue Budget 2023/24 – Housing Revenue Account

6.1 The budget set by Council on 1 March 2023 for the 2023/24 HRA Revenue Budget was £7.519m. The budgeted surplus is fully utilised to fund future investment in stock growth and property maintenance. Table 7 shows the summary of movements:

Table 7 – HRA Revenue Budget Adjustments

Date of Approval	HRA Budget amendment	£'000
		(7,519)
March 2023	HRA budget bids approved as part of Council Report	1,359
May 2023	Relocation of HRA Team	90
July 2023	2022/23 Budget carry forwards	307
July 2023	Pay Award	150
Total		(5,613)

6.2 Table 8 shows the HRA forecast outturn position for 2023/24 as at 30 September 2023.

Table 8 – HRA Revenue Forecast Outturn Position

Description	2023/24 Original Budget £'000	2023/24 Current Budget £'000	2023/24 Forecast spend £'000	Forecast Variance £'000	Forecast Variance %
Income	(28,403)	(28,403)	(27,497)	906	3.19%
Expenditure	19,306	21,212	21,440	228	1.07%
Net Cost of HRA Services	(9,097)	(7,191)	(6,057)	1,134	15.77%

Interest Payable	2,238	2,238	2,238	0	
Investment Income	(660)	(660)	(825)	(165)	
Surplus for the year	(7,519)	(5,613)	(4,644)	969	

6.3 Table 9 shows the significant forecast variances for the HRA Revenue fund schemes for 2023/24 as at 30 September 2023.

Table 9 – HRA Revenue – Significant Variances

Explanation of Significant Variances	£'000
Income	
Void rates are higher than budgeted due to ongoing contractor resources, supply chain issues and an increased percentage of major works voids. The void rate was 3.55% at the end of September (budgeted at 1.5% and projected at 2% from October to March 2024).	887
Utilities- Electricity & Gas	(86)
Although there continue to be inflationary price increases during the year, these are significantly less than budgeted and more competitive prices are being secured through our supplier procurement framework. Electricity prices and consumption are monitored on a monthly basis.	
Salary vacancy factor	149
A reduction in vacant posts across the Council and increases in agency provision will have a direct impact on the achievement of the salary vacancy factor. This will continue to be monitored during the year and the forecast amended accordingly.	
Investment Income	(165)
Changes to base rates have resulted in increased interest rates available for investments. The Council is now able to secure investment interest rates above 5% compared with the budgeted rate of 4%.	

6.4 There have been two areas identified as pressures within the HRA general repair costs. Materials have increased significantly above inflation by £300k and unbudgeted damp and mould costs of £140k will be incurred during the current financial year in order to respond to this important area. Additional work is being undertaken by the service area to re-apportion appropriate budgets to fund these in-year additional pressures. Increased materials costs are likely to continue to be a pressure in the next financial year so additional budget will need to be considered during the budget setting process.

6.5 Appendix C provides further details of the HRA revenue forecast outturn position.

7. HRA Capital Programme 2023/24

The budget set by Council on 1 March 20223 for the 2023/24 HRA Capital programme is £18.479m. Table 10 shows the summary of movements:

Table 10 – HRA Capital Programme Budget Adjustments

Date of Approval	HRA Budget amendment	£'000
		18,497
March 2023	Local Authority Housing Fund	4,483
July 2023	2022/23 Budget Carry Forwards	1,669
September 2023	New Builds	1,000
September 2023	Local Authority Housing Fund – Round 2	2,144
Total		27,793

7.1 Table 11 summarises the HRA Capital forecast outturn position as at 30 September 2023.

Table 11 – HRA Capital Forecast Outturn Position

Capital Scheme	2023/24 Original Budget £'000	2023/24 Current Budget £'000	2023/24 Forecast spend £'000	Forecast Variance £'000
Energy Efficiency	5,398	5,474	1,926	(3,548)
ICT	470	740	690	(50)
Purchase of Vehicles	0	81	20	(61)
New Build Programme	4,500	5,500	3,500	(2,000)
Refurbishment & Improvements	8,129	9,371	5,999	(3,372)
LAHF	0	6,627	6,227	(400)
Total Expenditure	18,497	27,793	18,362	(9,431)

7.2 Table 12 shows the significant forecast variances for the HRA capital schemes for 2023/24 as at 30 September 2023.

Table 12 – HRA Capital – Significant Variances

Explanation of Significant Variances	£'000
Heating & Ventilation Heating replacements are underway with approximately 82 complete with a further 89 gas heating systems programmed with the contractor. Engagement has commenced with E.ON regarding the Social Housing Decarbonisation Fund (SHDF) bid which will see a further 50 heating system improvements delivered by the end of March 2024.	(3,548)
Housing Development Investment Site works have commenced at Swinegate in Grantham. The development at Elizabeth Road in Stamford is scheduled to commence within the coming weeks. The proposed development at Larch Close Grantham is progressing although the scheme will not commence before next financial year.	(2,000)

Local Authority Housing Fund	(400)
12 properties purchased to date with 8 additional properties currently being progressed. The forecast underspend is due to the negotiated purchase price being less than the average valuation used by Government in the grant funding. LAHF 1 funding is due to expire at the end of November 2023, therefore it is unlikely that further purchases will be completed before this date. LAHF 2 is forecast to be fully utilised by March 2024.	
Re-roofing	(479)
The original capital programme was estimated to replace 112 roofs which has been reduced to 59 due to delays in procuring a contractor. Procurement is underway to secure a contractor to re-commence the programme.	
Re-wiring	(819)
An estimated 267 re-wires were budgeted for, however due to delays awaiting survey works, and 10 access refusals, this programme will not be fully delivered within the financial year 2023/24. To date 32 have been completed and a further 30 are scheduled to be delivered this year.	
Passenger Lifts	(580)
The new lift installations at Church View and Riverside are now complete. A further 6 lifts have been identified for replacement and procurement to secure a contractor is in progress. Due to the lead in time of materials it is unlikely any further completions will be completed this year.	
Exterior Refurbishment	(230)
This scheme includes fencing, car park, access roads and pathway works. A contractor is currently being sought to undertake this programme of works and it is anticipated that the programme will be undertaken during the remainder of 2023/24 and into 2024/25.	
Communal Rooms	(115)
A Sheltered Housing review is underway in order to develop a programme of works.	
Compliance Works	(25)
This project will not be completed until early 2024/25 as the Council is awaiting the appointment of a contractor for radon gas detection works.	
Fire Prevention	(58)
This scheme includes compartmentation, fire doors, emergency lighting and fire alarm replacement. Contractor appointed and programme now in place. Due to the delayed start the programme will not complete until early 2024/25	
Bathroom Refurbishments	(318)
Over 90 bathrooms have been completed to date; the number of completions has been impacted by 7 access refusals. The Council is currently procuring a new contractor to work alongside the existing contractor in order to meet demand.	
Kitchen Refurbishments	(123)
The programme has completed circa 100 kitchens with a further 81 programmed. The Council is currently in the process of procuring a new	

contractor to work alongside the existing contractor in order to meet demand.	
External Wall Finishes	(625)
This scheme includes external wall insulation, rendering and cladding. Due to the late commencement of other higher priority SHDF programmes these works have been rescheduled for 2024/25.	
Repairs Vehicles	(61)
The procurement of the vehicles will be undertaken during 2024/25 and therefore it is anticipated that the budget will be carried forward.	

8. HRA Reserves

8.1 Appendix D details the HRA forecast reserve movements for 2023/24. The appendix shows the balances as at 31 March 2023 and their projected use for the current and future financial years.

9. Collection Rates

9.1 Table 13 details the current collection rates against target for 2023/24.

Table 13 – Collection Rates

Target Rates	Council Tax	Business Rates	Rents
Target Annual collection rate	98.48%	98.32%	97.35%
Target collection rate to end of September 2023	55.47%	56.58%	48.67%
Actual collection rate to end of September 2023	55.52%	55.88%	48.52%

9.2 The collection rate for Business Rates is 0.70% below target which equates to £287k due to numerous changes to liable and occupation received from the Valuation Office.

9.3 The collection rate for rents is 0.15% below target which equates to £42k. There is always a reduction at this time of year due to changes in benefits as a result of child benefit and tax credit reviews.

10. Reasons for the Recommendations

10.1 Committee Members should be kept updated on the financial position of the Authority, as effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities. Monitoring enables the early identification of variations against the plan and facilitates timely corrective action.

10.2 This report provides an overview of the forecast 2023/24 financial position for the Council and focuses on the position as at the end of September 2023.

11. Consultation

11.1 This report will be presented to the Finance and Economic Overview and Scrutiny Committee on 28 November. Reports will be presented at each Finance and Economic Overview and Scrutiny Committee (OSC) to ensure that members are kept regularly updated regarding the projected financial outturn position.

12. Background Papers

12.1 Determination of Budget 2023/24 and indicative budgets for 25/26 – General Fund, Housing Revenue Account and associated Capital Programmes Report. [Council Budget Report 23-24.pdf \(southkesteven.gov.uk\)](http://southkesteven.gov.uk/Council-Budget-Report-23-24.pdf)

12.2 Provisional Outturn Position 2022/23 report
[Outturn report 2022-23 Governance Audit.pdf \(southkesteven.gov.uk\)](http://southkesteven.gov.uk/Outturn-report-2022-23-Governance-Audit.pdf)

12.3 Finance Update Report: April to September 2023
<http://moderngovsvr/documents/s39738/Budget%20Monitoring%20Report%20-%20Period%20up%20to%2030%20September%202023.pdf>

13. Appendices

13.1 Appendix A – 2023/24 General Fund Significant Variance Analysis

13.2 Appendix B – 2023/24 General Fund Reserves

13.3 Appendix C – 2023/24 HRA Revenue Summary

13.4 Appendix D – 2023/24 HRA Reserves

13.5 Appendix E - Finance Risk Register

14. Other Options Considered

14.1 Not to receive the update. This update will be presented to Finance and Economic Overview and Scrutiny Committee on 28 November 2023 so this is the next stage in this report's process.