



6 February 2024

Report of Councillor Ashley Baxter
Leader of the Council

Finance Update Report: April – December 2023

Report Author

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Purpose of Report

To present the Council's forecast 2023/24 financial position as at end of December 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

It is recommended 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 December 2023**
- 2. 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information not for publication?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

1.1 The financial implications are included throughout 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 G 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 is provided with regular finance reports. These monitor and forecast the expenditure and income compared with the budgets approved by Council and provide explanations for any material variances.

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
March 2023	ICT Reserve – Play Equipment Inspection	11

	Software	
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 Management System – Revenues & Benefits	67
August 2023	ICT Reserve – Replacement CRM System	32
September 2023	Local Priorities Reserve – CCTV relocation	17
October 2023	ICT Reserve – Finance system archive/laptops	168
November 2023	ICT Reserve – CRM Data Extract	35
January 2024	Council – LSK Management Fee	123
January 2024	Cabinet – LSK Management Fee	150
Total		25,383

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 £1.393m. This is a reduction in use of reserves of £312k since quarter 2 budget update report presented to the Finance & Economic Overview and Scrutiny Committee in November and Cabinet in December.

3.3 Since the quarter 2 report, it has been confirmed there will be no further salary award payments to be made following the national settlement and as such, there is a reduction in the required approved funding of £86k.

3.4 Changes to the Corporate team structure were implemented from 2 October 2023. As such, the directorate titles and appropriate budgets have been transferred as shown in Table 2. This is in addition to the Grounds Maintenance and Street Cleansing being integrated within the Growth Directorate from the Corporate Directorate from 1 July 2023.

3.5 Table 2 shows the forecast outturn position as at 31 December 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, Governance & Public Protection	3,731	4,092	4,187	95	2.3%
Finance, Property & Waste Services	9,975	11,561	10,671	(890)	(7.7%)

Growth & Culture	9,242	9,397	9,200	(197)	(2.1%)
Housing & Projects	1,251	1,706	1,589	(117)	(6.9%)
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	24,053	22,785	(1,268)	(5.7%)
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	19,653	18,385	(1,268)	
Total Funding	(15,560)	(15,560)	(15,685)	(125)	
Transfers to/(from) earmarked reserves	(1,240)	(4,093)	(2,700)	1,393	
Net Budget (Surplus)/ Deficit	0	0	0	0	

3.6 Table 3 shows the significant forecast variances which impact across all directorates for the General Fund revenue for 2023/24 as at 31 December 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 continue to be 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 further reduction in predicted price increases has resulted in an increased forecast underspend for the remainder of 2023/24. This is monitored on a weekly basis.	(165)
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	452

Council has a relatively stable workforce and where there are vacancies temporary staff have often been employed. The vacancy factor will continue to be monitored during the course of the financial year	
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 above 5% compared with the budgeted rate of 4%.	(190)

3.7 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
March 2022	UKSPF	50
December 2022	Gonerby Hill Foot Grantham Play Park – (grant funded)	119
March 2023	UK Shared Prosperity Fund	296
July 2023	2022/23 Budget Carry Forwards	580
September 2023	Depot	8,000
October 2023	Financial System Upgrade	24
December 2023	Disabled Facilities Grant	400
December 2023	Coronation Living Heritage Fund Community Orchard Scheme	46
December 2023	Long Bennington Car Park	27
Total		21,689

4.1 Table 5 summarises the General Fund Capital forecast outturn position as at 31 December 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, Governance & Public Protection	1,328	1,813	1,813	0	0%
Finance, Property & Waste Services	3,662	12,117	3,744	(8,374)*	(69.1%)
Growth & Culture	5,466	6,058	6,058	0	0%
Housing & Projects	1,691	1,701	420	(1,281)	(75.3%)
Total Expenditure	12,147	21,689	12,035	(9,655)	(44.6%)

* this underspend primarily relates to the depot as construction will not commence until 2024/25

4.2 A full breakdown of schemes with project update and variance comments is detailed in Appendix B.

5. General Fund Reserves

5.1 Appendix C 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
December 2023	Grantham West Community Centre	100
Total		(5,513)

6.2 Table 8 shows the HRA forecast outturn position for 2023/24 as at 31 December 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)	(27,666)	737	2.59%
Expenditure	19,306	21,312	22,309	997	4.21%
Net Cost of HRA Services	(9,097)	(7,091)	(5,357)	1,734	24.45%
Interest Payable	2,238	2,238	2,238	0	
Investment Income	(660)	(660)	(825)	(165)	
Surplus for the year	(7,519)	(5,513)	(3,944)	1,569	

6.3 Table 9 shows the significant forecast variances for the HRA Revenue fund schemes for 2023/24 as at 31 December 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 void works. 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
Major Void Repair Costs There has been a significant increase in the numbers of properties coming back to the authority in a very poor condition requiring substantial works to relet. Due to the extent of works required these works are placed with external contractors to complete. Labour and material price increases have also impacted on the budget.	100
Heating Due to delays in procuring a contract for the heating replacement programme, there has been an increased dependency on repairs to existing systems. Alternative heating systems such as air source heat pump systems incur higher servicing costs than the standard solid fuel systems.	260
Damp & Mould Unbudgeted damp and mould costs of £140k will be incurred during the current financial year in order to respond to the required works following the introduction of new legislation. To date 329 properties have been identified for improvement. Positive Input Ventilation (PIV) units have been installed in 240 properties with a further 89 scheduled in before the end of the financial year.	140

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

7. HRA Capital Programme 2023/24

The budget set by Council on 1 March 2023 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 – Round 1	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 31 December 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 (including Social Housing Decarbonisation Fund)	5,398	5,474	3,000	(2,474)

ICT	470	740	740	0
Purchase of Vehicles	0	81	20	(61)
New Build Programme	4,500	5,500	2,900	(2,600)
Refurbishment & Improvements	8,129	9,371	7,750	(1,621)
Local Authority Housing Fund – Rounds 1 & 2	0	6,627	6,366	(261)
Total Expenditure	18,497	27,793	20,776	(7,017)

7.2 A full breakdown of schemes with commentary is shown at Appendix E.

8. HRA Reserves

8.1 Appendix F 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 financial year.

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 December 2023	83.02%	79.37%	71.51%
Actual collection rate to end of December 2023	82.81%	82.68%	71.20%

9.2 Council Tax:

- Collection of £83.731m as at 31 December 2023 against an annual debt of £99.900m. As shown in the table above the collection rate was 0.21% below the expected target at 31 December 2023 which equates to a reduction in the collection of Council Tax £210k.
- Residents continue to face the impacts of Cost of Living and support is being provided by the Council's Cost of Living Team.
- The service continues to issue reminders and summonses in line with the recovery timetable and provide advice & support for those council taxpayers who are struggling to meet their obligations.

9.3 Business Rates:

- Collection of £33.760m as at 31 December 2023 against an annual debt of £40.834m. As shown in the table above the collection rate was 3.31% above the expected target at 31 December 2023 which equates to an increase in the collection of business rates of £1.352m.
- The business rates base remains volatile – which is resulting in notifications of successful appeals (this have the effect of reducing rateable values).

9.4 Rent:

- Collection of £20.077m as at 31 December 2023 against an annual debt of £28.197m. As shown in the table above the collection rate was 0.30% below the expected target rate at 31 December 2023 which equates to a reduction in the collection of rent of £86k).
- Our Income Recovery Team continue to provide advice & support for those tenants who are struggling to meet their obligations.

10. Reasons for the Recommendations

10.1 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 December 2023.

11. Consultation

11.1 This report will be presented to the Finance and Economic Overview and Scrutiny Committee on 20 February 2024. 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 2025/26 – General Fund, Housing Revenue Account and associated Capital Programmes Report.
[Council Budget Report 23-24.pdf \(southkesteven.gov.uk\)](#)

12.2 Finance Update Report: April to September 2023
[Cabinet 2023-24 Finance Update Apr - Sept.pdf \(southkesteven.gov.uk\)](#)

13. Appendices

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

Appendix B – 2023/24 General Fund Capital Programme

Appendix C – 2023/24 General Fund Reserves

Appendix D – 2023/24 HRA Summary

Appendix E – 2023/24 HRA Capital Programme

Appendix F – 2023/24 HRA Reserves

Appendix G – 2023/24 Finance Risk Register

14 Other Options Considered

14.1 This is a monitoring report, therefore there were no other options considered.