



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Cabinet

Tuesday, 9 July 2024

Report of Councillor Ashley Baxter -
The Leader of the Council, Cabinet
Member for Finance, HR and Economic
Development

Provisional Outturn Report 2023/24

Report Author

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Purpose of Report

This report provides Cabinet with the details of the Council's provisional outturn position for the financial year 2023/24. 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

Cabinet is asked to review and recommend for approval to Governance and Audit Committee:

- 1. The provisional Revenue and Capital Outturn position for the financial year 2023/24.**
- 2. The following reserve movements in respect of the General Fund:**
 - **£680k of the Business Rates Volatility Reserve to be transferred to the:**
 - **ICT Reserve increase by £200k**
 - **Property Maintenance Reserve increase by £250k**
 - **Creation of a Flood Reserve of £30k**
 - **Creation of a Leisure Investment Reserve of £200k**
- 3. The following reserve movement in respect of the Housing Revenue Account:**
 - **Transfer £100k from the HRA Priorities Reserve to create an HRA Climate Change Reserve**
- 4. Delegate to the Deputy Chief Executive and s151 Officer in consultation with the Cabinet Member for Finance & Economic Development to finalise the reserve movements in order to ensure the Working Balance level for the General Fund and the Housing Revenue Account are maintained at prudent levels.**
- 5. Cabinet is asked to review and approve the budget carry forwards. (Section 3, 4, 5 & 6)**

Decision Information

Is this a Key Decision?	Yes
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Connecting communities Sustainable South Kesteven Enabling economic opportunities Housing Effective 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, 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: Paul Sutton, Interim Head of Finance and Deputy s151 Officer

Legal and Governance

1.2 The terms of reference of the Governance and Audit Committee require the Committee to consider for approval the annual revenue and capital outturn report, including the movement of reserves. Cabinet is asked to approve the budget carry forwards as set out in the supporting appendices.

Completed by: Graham Watts, Assistant Director (Governance & Public Protection) and Monitoring Officer

2. Background to the Report

2.1 This report provides Cabinet with detail of the Council's provisional outturn position for the financial year 2023/24. Throughout the financial year the Cabinet has been provided with regular and comprehensive budget monitoring reports that has enabled members to be kept updated on what has been a particularly financially volatile year. Members will recall the financial year 2023/24 was anticipated to be supported by use of the Budget Stabilisation Reserve (BSR) of £1.534m which was in response to an unprecedented increase in budgets relating to utilities, inflation, material and fuel costs. These budget heading increases were as a result of external events outside of the Council's control and were considered to be temporary in their duration. In order to ensure a balanced budget was presented to Council it was recommended that the BSR was used. As this proposal was in accordance with the reserve policy, Council approved the one-off use in order to avoid the need to significantly reduce operating expenditure.

However during the financial year, the situation gradually improved and the prudent budget increase assumptions did not materialise which has resulted in there no longer being a need for a reserve movement. This coupled with ever improving investment interest rates and therefore increasing investment income

(an additional £832k General Fund during 2023/24) has resulted in an opportunity to review Budget Stabilisation Reserve and vire some of the reserve balance to other uses. This is necessary due to a number of earmarked reserves being required to continue to invest in specific activities, particularly ongoing investment in the backlog maintenance of corporate assets, investment in ICT and the formation of a Flood Reserve.

3. Revenue Budget 2023/24 – General Fund

- 3.1 The budget set by Council on 1 March 2023 was £21.496m. Budgets have been amended as projects have commenced and these changes increased the 2023/24 budget to £23.383m. For the purposes of the outturn variance analysis, the budget carry forwards and accounting adjustments such as depreciation have been removed from this which reduces the budget for comparative purposes to £17.234m. Table 1 provides a summary of the proposed budget carry forwards.

Table 1 – General Fund Revenue Proposed Budget Carry Forwards

Project	Proposed Budget Carry Forward £'000	Funding	Commentary
Funding of Public Protection Surveys	45	2021/22 unspent grant	Request to carry over remaining budget for surveys
Funding of the Elections Act 2022 requirements	68	61k 2023/24 grant. 7k 2022/23 unspent grant	Grant received that is required to fund specific expenditure items in 2024/25
Funding for relocation of CCTV room	17	Local Priorities Reserve	Request to carry over remaining approved budget for the completion of the project
Funding of Community Fund applications	35	2023/24 unspent grant	£22k approved schemes payable in 2024/25 and £13k of Lottery SK to fund future applications
Funding of Waste Round Review	10	Workshop Reserve	Request to carry over remaining approved budget for the completion of the project
Funding of refurbishment of assets and formation of new Customer Services (revenue)	286	Budget underspend 2023/24	Request to carry over the remaining budget to meet cost of the works that will commence in July 2024
Funding of St Martin's Park Project	55	Regeneration Reserve	Request to carry over remaining budget in order to continue the progression of the project

Funding of Depot (revenue)	93	Regeneration Reserve	Request to carry over remaining approved budget for the continued development of the project
Funding of Maintenance of Assets requirements	142	Maintenance Reserve £12k Budget underspend 2023/24 £106k	Carry forward requested in order to deliver the backlog of property maintenance including car parks, leisure centres and Arts centres
Funding of the District Local Plan	64	Local Priorities Reserve	Request to carry over remaining budget in order to continue the progression of the project
Funding of Development Management projects	109	2023/24 unspent grant	Grants received that are required to fund specific expenditure items in 2024/25
Funding of the UK Shared Prosperity project	136	2023/24 unspent grant	
Funding of the 'Greening Grantham'- feasibility project	10	2023/24 unspent grant	
Funding of the Future High Street project (Revenue)	77	2023/24 underspend	Request to carry over remaining budget in order to continue the progression of the project
Funding of Climate Change Initiatives	33	Climate Change Reserve	Request to carry over remaining budget in order to complete the projects
Funding of the Rough Sleeper project	109	2023/24 unspent grant	Request to carry over remaining grant in order to fund committed spend in 2024/25
TOTAL	1,289		

- 3.2 The forecast outturn position as at Quarter 3 was reported to the Finance and Economic Overview and Scrutiny Committee on 20 February 2024. This report is the final report for the financial year 2023/24 and represents a summary of the outturn compared to the budgets.
- 3.3 The General Fund outturn position is shown in Table 2. Appendix A provides details of the significant variances which impact across all Directorates along with supporting information explaining the main variances per service area by Directorate.

Table 2 – General Fund Revenue Outturn Positions (excluding accounting adjustments within Net cost of Service)

Description	2023/24 Current Budget	2023/24 Current Budget (less proposed Budget C/F and accounting adjustments)	2023/24 Provisional Outturn	Variance to Current Budget	2023/24 Outturn Variance
	£'000	£'000	£'000	£'000	%
Corporate, Governance & Public Protection	4,128	3,989	3,903	(86)	(2.2%)
Finance, Property & Waste Services	11,652	9,750	8,757	(993)	(10.2%)
Growth & Culture	8,745	4,632	3,817	(815)	(17.6%)
Housing & Projects	1,685	1,566	589	(977)	(62.4%)
HRA recharge	(2,814)	(2,814)	(2,780)	34	1.2%
Drainage Rates	871	871	902	31	3.6%
Investment Income	(760)	(760)	(1,592)	(832)	(109.5%)
Net Cost of Service	23,507	17,234	13,596	(3,638)	(21.1%)

4. General Fund Capital Programme 2023/24

- 4.1 The budget set by Council on 1 March 2023 for the 2023/24 General Fund Capital Programme was £12.147m. Budgets have been amended as projects have commenced and these changes increased the 2023/24 budget to £21.991m. For the purposes of the outturn variance analysis, the budget carry forwards have been removed from this which reduces the budget for comparative purposes to £7.610m. Table 3 provides a summary of the proposed budget carry forwards.

Table 3 – General Fund Capital Proposed Budget Carry Forwards

Project	Proposed Budget Carry Forward £'000	Funding	Commentary
Disabled Facilities Grant	260	Housing Delivery Reserve	Completion of works committed in 23/24
CCTV	353	Local Priorities Reserve & S106	Continuation of the project
Street Scene Vehicles	178	Usable Capital Receipts	Delays in procurement 23/24
Vehicle Replacement Programme	10	Usable Capital Receipts	Underspend to support 24/25 programme
Guildhall Arts Centre Boiler	107	Property Maintenance Reserve	Continuation of the project
Guildhall Arts Centre Roof	50	Usable Capital Receipts	Continuation of the project
Changing Places	40	Grant	Continuation of the project
Long Bennington PC play equipment	27	S106	Continuation of the project
Future High Street Fund	107	Grant	Continuation of the project
UKSPF Mobile Food Hub	50	Grant	Continuation of the project
UKSPF Connected Towns	244	Grant	Continuation of the project
SK Prosperity Fund	125	Grant	Continuation of the project
Coronation Community Orchards	46	Grant	Continuation of the project
Leisure Centre Pool Covers	232	Grantham & Climate Change Reserve	Continuation of the project
St Martin's Park Stamford	10	Local Priorities Reserve	Continuation of the project
Property Maintenance	158	Usable Capital Receipts	Continuation of the project
TOTAL	1,997		

4.2 Table 4 summarises the General Fund capital outturn position as at 31 March 2024.

Table 4 – General Fund Capital Outturn Position

Directorate	2023/24 Current Budget £'000	2023/24 Budget (less C/F approved by Council Feb 2024 and proposed Budget C/F) £'000	2023/24 Provisional Outturn £'000	2023/24 Outturn Variance £'000
Corporate, Governance & Public Protection	1,813	1,200	1,200	0
Finance, Property & Waste Services	12,187	2,629	2,746	117
Growth & Culture	6,290	586	515	(71)
Housing & Property	1,701	1,198	372	(826)
Total Expenditure	21,991	5,613	4,833	(780)
Financed By:				
Capital Grant and Contributions	9,084	2,249	1,911	(338)
Reserves	1,460	770	601	(169)
Useable Capital Receipts	3,223	2,370	1,952	(418)
Borrowing	8,224	224	369	145
Total Financing	21,991	5,613	4,833	(780)

5 General Fund Reserves 2023/24

- 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 C.

Table 5 – General Fund Reserves Outturn Position

Description	Actual Balance as at 31 March 2023 £'000	Provisional Movement £'000	Provisional Balance as at 31 March 2024 £'000
Revenue Reserve			
Discretionary Reserves	12,088	(1,354)	10,734
Governance Reserves	6,818	(1,251)	5,567
Grants	1,064	1,205	2,269
Working Balance*	1,986	(44)	1,942
Total GF Revenue Reserves	21,956	(1,444)	20,512
GF Capital Reserve			
Capital Reserves	3,554	(559)	2,995
Total GF Reserves	25,510	(2,003)	23,507

* this is an estimated position and will be finalised when the statement of accounts is produced.

- 5.2 It is recommended that £680K of the Business Rates Volatility Reserve is to be transferred to the:
- ICT reserve – increase by £200K to replenish the level of the Reserve.
 - Property Maintenance Reserve - increase by £250K to respond to deliver the backlog of property maintenance including car parks, leisure centres and arts centres.
 - Creation of a Flood Reserve of £30K to fund unforeseen costs in the event of extreme weather conditions.
 - Creation of a Leisure Investment Reserve of £200K in order to provide one-off funding in respect of leisure initiatives.
- 5.3 Discretionary Reserves - Significant movements included:
- £460K capital expenditure.
 - £448K revenue expenditure on ICT improvements.
 - £500K repayment of LLEP funding.
 - £241K to support revenue expenditure relating to property maintenance.
 - £58K match funding the Future High Street project.
 - New Homes Bonus funding of £459K was added to reserves.
- 5.4 Governance Reserves – Significant movements included:
- £27K capital expenditure within Grantham Special Expense Area (SEA).
 - £117K was transferred to Stamford Town Council upon closure of the Stamford SEA.

- £662K was used to fund revenue expenditure including £375K to fund the pay award.
 - A further £740K was transferred to discretionary reserves.
 - £125K was transferred from the Pay Award Reserve as this is no longer required as a pay award is included within the 2024/25 budget.
- 5.5 Grants provided funding for £109K capital expenditure and £218K revenue expenditure. Grants received in year with balances carried forward include.
- £61K new burdens grants.
 - £689K UK Shared Prosperity Fund.
 - £804K to support homelessness prevention.
- 5.6 The working balance movement will be confirmed once all the accounting entries are complete, and the statements are completed. However, the current policy is to retain a working balance level that is 10% - 15% of net operating expenditure. The final working balance will be meeting this policy balance requirement.
- 5.7 Capital Reserves were used to fund £2m capital expenditure and £1.4m was received from the sale of Council assets. This related to the sale of the former Offices at St Peter's Hill Grantham and the receipts from sales of end of life vehicles and other surplus assets.

6. Revenue Budget 2023/24 – Housing Revenue Account

- 6.1 The budget set by Council on 1 March 2023 resulted in a surplus of £6.9m. This surplus is used to provide funding for the external loan and to enable reserve levels to be maintained that subsequently fund the capital programme and service improvements. For the purposes of the outturn variance analysis the budget carry forwards have been removed and the actual surplus for the year is £6.95m. The surplus is fully utilised to fund future investment in stock growth and property maintenance. Table 6 provides a summary of the proposed budget carry forwards.

Table 6 – HRA Revenue Proposed Budget Carry Forwards

Project	Proposed Budget Carry Forward	Funding	Commentary
Funding of Stock condition surveys	90	Budget underspend 2023/24	Request to carry over underspend for completion of the project in 2024/25
Earlesfield Project	97	HRA Priorities Reserve & Budget	Request to carry over underspend for completion of the project in 2024/25

		underspend 2023/24	
Earlesfield – Community Centre	80	HRA Priorities Reserve	Request to carry over underspend for completion of the project in 2024/25
Total	267		

6.2 Table 7 shows the HRA revenue outturn position for 2023/24 and shows the variance comparison between budget and provisional outturn.

Table 7 – HRA Revenue Outturn Position 2023/24

Description	2023/24 Current Budget	2023/24 Current Budget (less proposed Budget C/F)	2023/24 Provisional Outturn	2023/24 Variance
	£'000	£'000	£'000	£'000
Expenditure				
Repairs and Maintenance	9,756	9,614	10,485	871
Supervision and Management - General	2,674	2,549	2,453	(96)
Supervision and Management - Special	2,035	2,035	1,870	(165)
Depreciation and Impairment of Fixed Assets	35	35	40	5
Debt Management Expenses	3,944	3,944	4,651	707
Provision for bad debts	394	394	394	0
Other Expenditure (Pension Deficit) **	66	66	0	(66)
Support recharge from General Fund	2,814	2,814	2,780	(34)
Total Expenditure	21,718	21,451	22,673	1,222
Income				
Dwelling Rents	(27,283)	(27,283)	(26,824)	459
Non-Dwelling Rents	(300)	(300)	(282)	18
Charges for Services and Facilities	(750)	(750)	(826)	(76)
Other Income	(70)	(70)	(13)	57
Total Income	(28,403)	(28,403)	(27,945)	458
Net Cost of HRA Services	(6,685)	(6,952)	(5,272)	1,680
Interest Payable and Similar Charges	2,238	2,238	2,237	(1)
Interest and Investment Income	(660)	(660)	(2,301)	(1,641)
Investment Property Inc & Exp *	0	0	(24)	(24)
Net (Gain)/loss on sale of HRA Assets *	0	0	(371)	(371)
External Grant Funding	0	0	(6)	(6)
Capital receipts pooling *	0	0	0	0
Accumulated Absences	0	0	14	14
HRA (Surplus)/Deficit	(5,107)	(5,374)	(5,723)	(349)

- * Accounting adjustment reversed out on the HRA balance.
 ** Costs in relation to pension deficit are charged at service level.

7. HRA Capital Programme 2023/24

- 7.1 The budget set by council on 1 March 2023 for the 2023/24 HRA Capital programme was £18.497m. Budgets have been amended as projects have commenced and these changes increased the 2023/24 budget to £25.649m. For the purposes of the outturn variance analysis, the budget carry forwards have been removed from this which reduces the budget for comparative purposes to £25.472m. Table 8 provides a summary of the proposed budget carry forwards.

Table 8 – HRA Capital Proposed Budget Carry Forwards

Project	Proposed Budget Carry Forward	Funding	Commentary
Housing System Enhancements	116	HRA Priority Reserve	Request to carry over underspend for completion of the project in 2024/25
Choice Based Lettings	59	HRA Priority Reserve	Request to complete system enhancements
New Build Programme	1,000	Useable Capital Receipts	Request to carry over underspend for completion of the project in 2024/25
Local Authority Housing Fund	622	Grant	Request to carry over underspend for completion of the project in 2024/25
Passenger Lifts	556	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Fire Prevention	625	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Compliance Works	99	Major Repairs Reserve	Request to carry over underspend for continuation of

			the project in 2024/25
Bathroom Refurbishments	132	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Fencing	262	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
External Wall Finishes	101	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Total	3,572		

7.2 Table 9 summarises the HRA capital outturn position as at 31 March 2024.

Table 9 – HRA Capital Outturn Position

Capital Scheme	2023/24 Current Budget £'000	2023/24 Budget (less C/F approved by Council Feb 2024 and proposed Budget C/F) £'000	2023/24 Provisional Outturn £'000	2023/24 Outturn Variance £'000
Energy Efficiency Initiatives	5,474	5,474	2,576	(2,898)
ICT	740	565	565	0
Repair Vehicles	81	19	19	0
New Build Programme	5,500	4,500	1,173	(3,327)
LAHF	4,483	3,861	3,861	0
Refurbishment & Improvement	9,071	7,181	7,765	584
Physical Disabled Adaptations	300	300	314	14
Total Expenditure	25,649	21,900	16,273	(5,627)

Financed By:				
HRA Capital Receipts Reserve	5,500	4,500	1,160	(3,340)
Grants & Contributions	2,985	2,363	3,577	1,214
HRA Improvement Reserve	4,465	4,290	2,054	(2,236)
Major Repairs Reserve	12,699	10,747	9,482	(1,265)
S106	0	0	0	0
Total Financing	25,649	21,900	16,273	(5,627)

- 7.3 Appendix E provides a detailed table of the HRA capital programme outturn positions together with significant variances.

8 HRA Reserves 2023/24

Table 10 – HRA Reserves Outturn Position

Description	Actual Balance as at 31 March 2023 £'000	Net Provisional Movement £'000	Provisional Balance as at 31 March 2024 £'000
Revenue Reserve			
HRA Priorities Reserve	14,784	(3,407)	11,377
HRA Climate Reserve	0	100	100
LAHF	630	38	668
Working Balance*	1,762	505	2,267
Total HRA Revenue Reserves	17,176	(2,764)	14,412
HRA Capital Reserve			
HRA Capital Receipts Reserve	12,155	744	12,899
Major Repairs Reserve	19,553	(2,291)	17,262
Total HRA Capital Reserves	31,708	(1,547)	30,161
Total HRA Reserves	48,884	(4,311)	44,573

* this is an estimated position and will be finalised when the statement of accounts are produced.

- 8.1 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.

8.2 HRA Priorities Reserve movements:

- £2.054m has been used from this reserve to fund capital programme projects improving HRA IT systems and match funding the LAHF grant to enable the purchase of 21 houses.
- £0.5m was used to support revenue expenditure including:
 - £250K for continuing works on the Earlesfield Estate,
 - £150K to fund additional costs associated with the annual pay award
 - £90K for the relocation of the depot to Turnpike Close
 - £22K to begin improvements to the West Grantham Community Centre.
- A new HRA Climate Reserve has been established in the sum of £100K which has been transferred from the HRA Priorities Reserve.

8.3 The LAHF Reserve holds the Local Authority Housing Fund grant awarded to the Council in 2023/24 which will be used to fund capital expenditure in fulfilment of the grant conditions in 2024/25.

8.4 HRA Working Balance - 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. The Council policy is to aim to keep the working balance at approximately 10% of the operating expenditure. This is a provisional balance as the statement of accounts is still being finalised.

8.5 HRA Capital Receipts Reserve – The Council has established a capital receipts reserve where the ‘Right to Buy’ sale receipts are allocated. During the year £1.904m receipts have been received with 25 right to buy sales (compared to 42 RTB sales in 2022/23). £1.160m of the reserve has been used to contribute towards the financing of the capital programme. This reserve will continue to be utilised to contribute to the provision of affordable housing and the provision of additional Council housing stock.

8.6 Major Repairs Reserve – This reserve has been decreased by £2.291m, in accordance with the HRA business plan an annual allocation is required in order to provide sustainable funding for the HRA capital programme. To provide financing for the future programme an allocation of £7,192m has been utilised. This will continue to be the primary financing for the housing improvement elements of the Capital Programme.

9. Reasons for the Recommendations

9.1 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.

- 9.2 This report provides an overview of the provisional outturn financial position for the Council for 2023/24.

10. Other Options Considered

- 10.1 Cabinet need to approve budget carry forwards and there are a number of recommendations to the Governance & Audit Committee. Therefore, the option for not producing a provisional outturn report was discounted.

11. Consultation

- 11.1 The Outturn report is presented to Cabinet for its consideration and in order for it to make specific recommendations to the Governance and Audit Committee.

12. Appendices

- 12.1 Appendix A – 2023/24 General Fund Significant Variance Analysis
- 12.2 Appendix B – 2023/24 General Fund Capital Programme – Outturn
- 12.3 Appendix C – 2023/24 General Fund Reserves Statement
- 12.4 Appendix D – 2023/24 HRA Revenue Significant Variance Analysis
- 12.5 Appendix E – 2023/24 HRA Capital Programme – Outturn