



Tuesday, 10 September 2024

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

Finance Update Report – April to July 2024

Report Author

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Purpose of Report

To present the Council's year end forecast for the financial year 2024/25 as at the end of July. The report covers the General Fund Revenue Budget, the Housing Revenue Account Budget, and the Capital Programmes for the General Fund and Housing Revenue Account.

Recommendations

That Cabinet:

- 1. Reviews and notes the forecast 2024/25 outturn position for the General Fund and HRA Revenue and Capital budgets and identifies any variances that might require action or further investigation.**
- 2. Approves the increase of the Homelessness expenditure and income budgets to reflect the receipt of additional grant income totalling £268k.**

Decision Information

Is this a Key Decision?	No
Does the report contain any exempt or confidential information not for publication?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: Richard Wyles, Deputy Chief Executive and 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: Graham Watts, Monitoring Officer

Risk and Mitigation

- 1.3 A risk register is at Appendix B 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 to monitor and forecast the budget against the current economic conditions facing the Council.

3. Revenue Budget 2024/25 – General Fund

- 3.1 The budget set by Council on 29 February 2024 was £25.575m, (including investment income and excluding HRA recharges to only show those budgets which service areas are able to directly control and monitor during the year). Budgets have been amended to reflect the approved budget carry forwards from 2023/24 and these carry forwards have increased the 2024/25 budget to £27.135m.

- 3.2 Table 1 shows the forecast outturn position as at 31 July 2024.

Table 1 – General Fund Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
	£'000	£'000	£'000	%
Corporate, Governance & Public Protection	4,053	4,154	101	2.5%
Finance, Property & Waste Services	10,472	10,548	76	0.7%
Growth & Culture	10,960	10,793	(167)	(1.5%)
Housing & Projects	1,618	1,610	(8)	(0.5%)
Drainage Rates	947	976	29	3.1%
Investment Income	(914)	(979)	(65)	(7.1%)
Net Cost of Service	27,136	27,102	(34)	(0.1%)

3.3 Table 2 shows the significant forecast variances which impact across all directorates for General Fund revenue for 2024/25 as at 31 July 2024.

Table 2 – General Fund Revenue – Significant Variances

Explanation of Significant Variances	£'000
Fuel A reduction in predicated inflationary price increases has resulted in a forecast under spend based on modelling at 0.9% increase per week for the remainder of 2024/25. The budget was set using a price of 171p but actual prices have been up to 35% below this.	(236)
Salary vacancy factor The Council's salary budgets are prepared with an assumed 3% vacancy factor in order to reflect the turnover of staffing that occurs during a financial year. At the present time, the Council is enjoying a relative stable workforce and where there are vacancies, there has been a need to utilise temporary staffing arrangements. The management and monitoring of the vacancy factor will continue to be reviewed during the course of the financial year	553
Investment Income Base rates are currently remaining at higher levels than the budgeted assumption which are resulting in the ability to invest in higher interest rates.	(65)

3.4 An interim pay award in line with the proposed national award for 2024/25 was endorsed by the Employment Committee and paid in July 2024. This has been funded by the approved budgets which were increased by an assumed 5% pay award. If there are further pay increase proposals, then these proposals would need to be modelled alongside available budgets.

3.5 The budget assumptions included for utilities (electricity and gas) are in line with the latest update received from ESPO with regard to future pricing. The total

costs budgeted and forecast for energy are £1.1m for electricity and £0.4m for gas.

- 3.6 St Martin's Park continues to incur monthly running costs of around £21k which will be funded by the Regeneration reserve. These relate to monthly utility costs, which will continue to be monitored throughout the year.
- 3.7 The Council has received additional grant funding of £233k for Homelessness and a New Burdens Grant of £34k for funding the costs associated with providing Domestic Abuse support so it is recommended that the Homelessness expenditure and income budgets are increased to recognise this additional funding. As part of the 2024/25 budget setting process Council approved a budget increase of £150k for temporary accommodation to reflect the additional costs the Council is incurring in providing this statutory support, it is therefore recommended that if there is an underspend at year end on the cost of temporary accommodation that it is transferred to a general fund reserve.
- 3.8 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 2.

4. Capital Budget 2024/25 – General Fund

- 4.1 The budget set by Council on 29 February 2024 was £20.361m. Budgets have been amended in line with the approved budget carry forwards and these have increased the 2024/25 budget to £25.913m.
- 4.2 Table 3 shows the forecast outturn position as at 31 July 2024.

Table 3 – General Fund Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
	£'000	£'000	£'000	%
Corporate, Governance & Public Protection	1,588	1,588	0	0.0%
Finance, Property & Waste Services	13,692	6,162	(7,530)	(55.0%)
Growth & Culture	6,591	6,591	0	0.0%
Housing & Projects	4,080	1,256	(2,824)	(69.2%)
Total	25,951	15,597	(10,354)	(39.9%)

4.3 Table 4 shows the significant forecast variances for the General Fund capital schemes for 2024/25 at 31 July 2024.

Table 4 – General Fund Capital – Significant Variances

Explanation of Significant Variances	£'000
New Depot Project is currently progressing through RIBA Stage 4 detailed design phase with the view to entering into contract and works commencing on site in November 2024. Based on the project plan, the majority of the expenditure will be incurred during 2025/26.	(7,530)
Decarbonisation Scheme The budget has been re-profiled in line with the Framework Agreement. This is a two-year project with the majority of costs being in 2025/26.	(3,587)

5. Revenue Budget 2024/25 – HRA

5.1 The budget set by Council on 29 February 2024 included an operating surplus of £7.409m. Budgets have been amended as projects have commenced and these changes have increased the 2024/25 surplus position to £7.142m.

5.2 Table 5 shows the forecast outturn position at 31 July 2024.

Table 5 – HRA Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
	£'000	£'000	£'000	%
Expenditure				
Repairs & Maintenance	10,992	10,987	(5)	0.0%
Supervision & Management – General	2,681	2,757	76	2.8%
Supervision & Management – Special	1,956	1,966	10	0.5%
Depreciation & Impairment	4,062	4,062	0	0.0%
Total Expenditure	19,691	19,771	80	0.4%
Income				
Dwelling Rents	(28,916)	(28,916)	0	0.0%
Non-Dwelling Rents	(356)	(356)	0	0.0%
Charge for Services & Facilities	(900)	(900)	0	0.0%
Other Income	(17)	(17)	0	0.0%
Interest & Investment Income	(2,099)	(2,248)	(149)	(7.1%)
Total Income	(32,289)	(32,438)	(149)	(0.5%)
Net Cost of HRA Services	(12,598)	(12,667)	(69)	(0.6%)

5.3 Table 6 shows the significant forecast variances which impact across all directorates for the HRA revenue for 2024/25 as at 31 July 2024.

Table 6 – HRA Revenue – Significant Variances

Explanation of Significant Variances	£'000
Supervision and Management – General As a result of a longer than anticipated implementation of the new housing system, there has been a requirement to continue to retain access to the outgoing housing system in order to maintain service continuity.	40
Salary Vacancy Factor The Council's salary budgets are prepared with an assumed 3% vacancy factor in order to reflect the turnover of staffing that occurs during a financial year. At the present time, the Council is enjoying a relative stable workforce and, where there have been vacancies, there has been a need to employ temporary staff. The vacancy factor will continue to be reviewed regularly.	182
Investment Income Base rates remain at higher levels than budgeted, which is resulting in an improved level of return.	(149)

6. Capital Budget 2024/25 – HRA

6.1 The budget set by Council on 29 February 2024 was £21.492m. Budgets have been amended in line with the approved carry forwards and these changes have increased the 2024/25 budget to £27.208m.

6.2 Table 7 shows the forecast outturn position as at 31 July 2024.

Table 7 – HRA Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance £'000	Variance %
	£'000	£'000		
Energy Efficiency Initiatives	5,104	5,104	0	0.0%
ICT	355	355	0	0.0%
Replacement Vehicles	342	342	0	0.0%
New Builds	11,865	10,825	(1,040)	(8.8%)
Refurbishment & Improvement Compliance Works	3,914	3,914	0	0.0%
Other Works	150	150	0	0.0%
Refurbishment & Improvement Works	5,478	4,285	(1,193)	(21.8%)
Total	27,208	24,975	2,233	(8.2%)

6.3 Table 8 shows the significant forecast variances which impact across all directorates for the HRA Fund capital for 2024/25 as at 31 July 2024.

Table 8 – HRA Capital – Significant Variances

Explanation of Significant Variances	£'000
New Builds An updated development of the Larch Close Grantham project was approved by Cabinet in July 2024 and as a result of the re-design the commencement date has been delayed until November 2024. Works are therefore expected to complete with the majority of the expenditure in 2025/26.	(1,040)
Roofing A new roofing contract is now in place and expected to start in October. Due to the possibility of inclement weather the project might continue into 2025/26. This will be reassessed throughout the year with the contractor to provide a programme of works.	(750)
Kitchens & Bathrooms Starting in September a new contractor is being sought due to the expiry of the current contract. This is likely to result in an underspend.	(443)

7. Other Options Considered

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

8. Reasons for the Recommendations

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

8.2 This report provides an overview of the forecast 2024/25 financial position for the Council and focuses on the position as at the end of July 2024.

9. Consultation

9.1 This report will be presented to the Finance and Economic Overview and Scrutiny Committee on 17 September 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.

10. Appendices

10.1 Appendix A – 2024/25 – General Fund Significant Variance Analysis

10.2 Appendix B – 2024/25 – Finance Risk Register