



Finance Update Report: April - September 2024

Report Author

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To present the year end forecasts for the financial year 2024/25 as at 30 September 2024 including General Fund Revenue Budget, Housing Revenue Account Budget, and Capital Programmes for the General Fund and Housing Revenue Account.

Recommendations

Cabinet is requested to review and note the forecast 2024/25 Outturn projections for:

- General Fund Revenue
- General Fund Capital Programme
- Housing Revenue Account Revenue
- Housing Revenue Account Capital Programme

and to identify any variances requiring action or further investigation.

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information not for publication?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? All priorities

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: James Welbourn, Democratic Services Manager and Deputy Monitoring Officer

Risk and Mitigation

- 1.3 A risk register is attached 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 Net Cost of Services Budget set by Council on 29 February 2024 was £19.744m. In order to show variances against controllable income and expenditure, investment income that is received from treasury management activity has also been included in the report.
- 3.2 Budgets have been updated in order to reflect the approved budget carry forwards from 2023/24 and in year virements, which increase the Net Cost of Services Budget to £28.321m.

3.3 Table 1 shows the forecast outturn position as at 30 September 2024.

Table 1 – General Fund Revenue Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
	£'000	£'000	£'000	%
Corporate, Governance & Public Protection	4,053	4,068	15	0.4%
Finance, Property & Waste Services	11,514	11,292	(222)	(1.9%)
Growth & Culture	11,053	10,743	(310)	(2.8%)
Housing & Projects	1,668	1,661	(7)	(0.4%)
Drainage Rates	947	976	29	3.1%
Investment Income	(914)	(1,144)	(230)	(25.2%)
Net Cost of Service	28,321	27,596	(725)	(2.6%)

3.4 Table 2 shows the significant forecast variances which impact across all directorates for General Fund revenue for 2024/25 as at 30 September 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 39% below this.	(236)
Salaries An interim pay award in line with the proposed national award for 2024/25 of - £1,290 uplift for pay scales up to and including SK20 - 2.5% uplift for pay scales from SK20A and above 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. We have since received confirmation that this is the final approved national award for 2024/25 and as such, no further pay award is due resulting in a forecast underspend. The Council's salary budgets are prepared with a 3% vacancy factor (£553k) to reflect turnover of staffing that occurs during a financial year. The in year	(175)

vacancies are forecast at (£621k) more than achieving the vacancy factor.	
Investment Income Higher forecast levels of investment income are based on a combination of: more investments being held; and higher average interest achieved on those investments (currently 5.3% compared to 4.75% included in the budget).	(230)

3.5 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 further budget approvals, increasing the 2024/25 budget to £25.986m.

4.2 Table 3 shows the forecast outturn position as at 30 September 2024.

Table 3 – General Fund Capital Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
	£'000	£'000	£'000	%
Corporate, Governance & Public Protection	1,847	1,847	0	0.0%
Finance, Property & Waste Services	13,477	7,366	(6,111)	(45.3%)
Growth & Culture	6,582	6,582	0	0.0%
Housing & Projects	4,080	1,256	(2,824)	(69.2%)
Total	25,986	17,051	(8,935)	(34.4%)

4.3 An allocation of £1m is included in the capital programme towards General Fund asset maintenance and responding to the backlog. Following an analysis of condition surveys, the majority of maintenance relates to repairs and end of life or obsolete replacements or parts. The costs of such expenditure will be charged as revenue rather than capital. Consequently, at year end, capital maintenance budgets will show an underspend and conversely revenue budgets will show an overspend. Nevertheless, the overall financial impact will be balanced.

4.4 Table 4 shows the significant forecast variances for the General Fund capital schemes for 2024/25 at 30 September 2024.

Table 4 – General Fund Capital – Significant Variances

Explanation of Significant Variances	£'000
New Depot RIBA Stage 4 detailed design phase is now complete, and construction has commenced on site with a target completion date of November 2025. The projected spend profile suggests the majority of the expenditure will be incurred during 2025/26.	(5,931)
Decarbonisation Scheme External funding has been awarded (£3.588m) following a successful application for a comprehensive decarbonisation scheme at Grantham Meres Leisure Centre. The budget has been re-profiled in line with the Framework Agreement although it is expected that £1.256m will be spent this financial year on installation of the solar PV array. This is a two-year project with the majority of costs budgeted in 2025/26.	(2,824)

5. Revenue Budget 2024/25 – HRA

- 5.1 The HRA revenue budget set by Council on 29 February 2024 showed an overall net income of £14.021m. Budgets have been updated in order to reflect the approved budget carry forwards from 2023/24 and in year virements. These changes have resulted in a revised forecast net income amount of £12.221m.
- 5.2 Table 5 shows the forecast outturn position as at 30 September 2024.

Table 5 – HRA Revenue Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
	£'000	£'000	£'000	%
Expenditure				
Repairs & Maintenance	11,189	11,374	185	(1.6%)
Supervision & Management – General	2,682	2,764	82	3.1%
Supervision & Management – Special	1,956	1,948	(8)	(0.4%)
Depreciation & Impairment	4,062	4,062	0	0.0%
Total Expenditure	19,889	20,148	259	1.3%
Income				
Dwelling Rents	(28,916)	(28,916)	0	0.0%
Non-Dwelling Rents	(356)	(356)	0	0.0%
Charge for Services & Facilities	(722)	(722)	0	0.0%
Other Income	(17)	(11)	6	35.3%
Interest & Investment Income	(2,099)	(2,627)	(528)	(25.2%)
Total Income	(32,110)	(32,632)	(522)	(1.6%)
Net Cost of HRA Services	(12,221)	(12,483)	(263)	(2.2%)

5.3 Table 6 shows the significant forecast variances which impact across all directorates for the HRA revenue for 2024/25 as at 30 September 2024

Table 6 – HRA Revenue – Significant Variances

Explanation of Significant Variances	£'000
Repairs & Maintenance Increase in material costs (£344k) and disrepair compensation claims (£70k) have been offset by employee restructure and vacancy savings (£229k).	185
Supervision and Management – General The forecast overspends relate to additional decant costs on the Earlesfield project and costs incurred due to mobilisation of the new housing system and requirement for the retention of legacy access.	82
Salary Vacancy Factor The Council's salary budgets included in Repairs and Maintenance and Supervision and Maintenance are prepared with a 3% vacancy factor in order to reflect the turnover of staffing that occurs during a financial year.	
Investment Income Higher forecast levels of investment income are based on a combination of: more investments being held; and higher average interest achieved on those investments (currently 5.3% compared to 4.75% included in the budget).	(528)

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 30 September 2024.

Table 7 – HRA Capital Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
	£'000	£'000	£'000	%
Energy Efficiency Initiatives	5,104	5,534	430	8.4%
ICT	355	355	0	0.0%
Replacement Vehicles	342	342	0	0.0%
New Builds	11,865	10,563	(1,302)	(11.0%)
Refurbishment & Improvement Compliance Works	3,914	4,613	699	17.9%
Other Works	150	150	0	0.0%
Refurbishment & Improvement Works	5,478	4,285	(1,193)	(21.8%)
Total	27,208	25,842	(1,366)	(5.0%)

6.3 Table 8 shows the significant forecast variances which impact across all directorates for the HRA Fund capital for 2024/25 as at 30 September 2024.

Table 8 – HRA Capital – Significant Variances

Explanation of Significant Variances	£'000
New Builds The new build and acquisition programme continues to make significant progress. This is reviewed regularly by the Housing OSC. In July 2024, Cabinet approved a contract award for a housing development at Larch Close, Grantham to Mercer Building Solutions. They are currently working on detailed designs and discharging the planning conditions although these are more complex than anticipated. Works are expected to begin on site during November 2024. The delays have resulted in a forecast budget underspend in 2024/25, consequently a budget carry forward will be requested at year end to ensure there are sufficient funds available to complete the project in 2025/26.	(1,302)
Housing Stock Refurbishment Improvement Programme The programme is made up of multiple budgets managed as an overall	

programme. The programme includes the variances below equate to a forecast underspend of £64k. Virements will be undertaken against individual budget lines.	
Central Heating & Ventilation This overspend is due to works associated with: the Earlesfield Project; reactive installation of replacement heating systems; and the Riverside Communal Heating System.	430
Electrical Rewires A fire risk assessment and electrical testing at one of the Council's Sheltered Housing Schemes has identified that electrical improvement works and upgraded emergency lighting is required to meets regulations.	700
Passenger Lifts The Council intends to install 6 new lifts at Sheltered Housing Schemes during 2024/25. So far 1 lift has been installed and 2 more are in process. The remaining 3 lifts have been ordered and are expected to be installed before the end of the financial year. The cost of the lifts is less than originally anticipated.	(216)
Fire Prevention The fire risk assessments surveys completed at the Council's Sheltered Housing Schemes have identified fire compartmentation works which need to be completed to ensure the buildings meet current regulations. The cost of these essential works has resulted in a project budget overspend which will be funded from underspends on other capital schemes.	215
Roofing in July 2024, Cabinet approved a contract award for HRA Roofing Services to Foster Property Maintenance Ltd. The contract is expected to commence in October. The contractor will provide a programme of works but due to both the delays in the commencement of works in 2024/25 and the expected impact of inclement weather during the latter part of the year a budget underspend is anticipated.	(750)
Kitchens & Bathrooms In October 2024, Cabinet approved a contract award for Kitchen and Bathroom Replacements to Gratton Construction Ltd. The delay in procuring the new contract will impact on the number of kitchens and bathrooms that can be installed during 2024/25.	(443)

7. Other Options Considered

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

8. Collection Rates

8.1 Table 9 details the current collection rates against target for 2024/25.

Table 9 - Collection Rates

Target Rates	Council Tax	Business Rates	Rents
Target annual collection rate	98.48%	99.06%	97.35%
Target collection rate to end of September 2024	55.52%	55.88%	49.55%
Actual collection rate to end of September 2024	55.52%	55.93%	49.97%

8.2 Council Tax:

- At 30 September 2024 collection of £58.772m was on target against an annual debt of £105.848m.
- Collection rates are being maintained, through an increase in recovery activity, despite an increase in the level of arrears due to non-payment.
- All 7 Districts in Lincolnshire share their collection rates monthly. South Kesteven have the highest net collectable debt in the county (£105.848m), with the next Councils debt being £102.909m. South Kesteven have also collected the highest amount as of 30 September 2024.

8.3 Business Rates:

- At 30 September 2024, £24.157m has been collected against an annual debt of £43.188m. The collection rate is 0.05% above target.
- All 7 District Councils in Lincolnshire share their collection rates monthly. South Kesteven have the highest net collectable debt in the county (£43.188m), with the next Councils debt being £41.611m.

8.4 Rent:

- Collection was £14.969m as of 30 September 2024 against an annual debt of £29.958m. As shown in the table above, the collection rate was 0.42% above target equating to an increase in the collection of £125k.

9. Reasons for the Recommendations

9.1 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.

9.2 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 September 2024.

10. Consultation

- 10.1 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.

11. Appendices

- 11.1 Appendix A – 2024/25 – General Fund Significant Variance Analysis
- 11.2 Appendix B – 2024/25 – Finance Risk Register