



Tuesday, 11 February 2025

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

Finance Update Report: April to December 2024

Report Author

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Purpose of Report

To present the Council's forecast 2024/25 financial position as at end of December 2024. The report covers the General Fund Revenue Budget, Housing Revenue Account Budget, and the Capital Programmes and reserves overview for the 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 2024/25 outturn position for the General Fund, HRA Revenue and Capital budgets as at the end of December 2024.**
2. **Identifies any variances that might require action or 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Does the report contain any exempt or confidential information not for publication?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?	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 throughout 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, Assistant Director (Governance and Public Protection) and Monitoring Officer

Risk and Mitigation

- 1.3 A Risk Register is at Appendix A and shows that all known current financial 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 quarterly finance reports. These monitor and forecast (expenditure and income compared with the budgets approved by Council and provide explanations for any significant variances.

3 Revenue Budget 2024/25 – General Fund

- 3.1 The budget set by Council on 29 February 2024 was £19.744m. In order to show variances against all controllable budgets, investment income received from treasury management activity has also been included in the report.
- 3.2 This Budget Monitoring Report will be presented to the Finance and Economic Overview and Scrutiny Committee (FEOSC) on 18th February 2025 to enable members of the Committee to review and debate the forecast position.

3.3 Budgets have been updated to reflect approved budget carry forwards and in year movements; these increase the controllable budget to £27.374m.

3.4 Table 1 shows the forecast outturn position as at 31 December 2024 and Table 2 shows the significant forecast variances.

Table 1 – General Fund Revenue – Forecast Outturn

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
	£000	£000	£000	%
Corporate Governance & Public Protection	4,129	4,150	21	0.5%
Finance Property & Waste Services	11,389	11,663	274	2.4%
Growth & Culture	11,082	10,624	(458)	(4.1%)
Housing & Projects	1,688	1,590	(98)	(5.8%)
Investment Income	(914)	(1,360)	(446)	48.8%
Net Cost of Service	27,374	26,667	(707)	(2.6%)

Table 2 – General Fund Revenue – Significant Variances

Explanation of Significant Variance	£000
Fuel A reduction in inflationary price increases has resulted in a forecast underspend 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 as much as 39% below this.	(363)
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 since July 2024. This has been funded by the approved budgets which had assumed a 5% pay award. We have since received confirmation that this is the final approved national award for 2024/25. No further pay award is expected and consequently there is a forecast underspend across all salary budgets. Salary budgets are prepared with a 3% vacancy factor (£553k) to reflect staff turnover.	(199)
Property Maintenance A budget of £1m was approved and allocated to the capital programme. However the stock condition surveys identified urgent remedial works, the majority of which relate to revenue expenditure. This has created a net underspend of £220k across both capital and revenue which will be carried forward to complete ongoing works in 2025/26.	470
Car Parking Income Car Parking Income is forecast to be above budget across the majority of car parks. This takes into account the income loss of £26k resulting from the introduction of limited free parking during December. The reason for the projected income increase is due to lower income budgets being set for 2024/25 when there was uncertainty with respect to new tariffs that were being considered at that time.	(194)
Planning Fee Income There has been a national decline of 14% in the number of planning applications submitted and this has been reflected locally. However a number of major applications for solar farms with significant fees has resulted in income above budget.	(200)
Investment Income Higher forecast levels of investment income the result of 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).	(446)

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 £26.676m.
- 4.2 Table 3 shows the forecast outturn position as at 31 December 2024 and Table 4 shows the significant forecast variances.

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	1,936	1,712	(224)	(11.6%)
Finance Property & Waste Services	13,992	7,000	(6,992)	(50.0%)
Growth & Culture	6,668	6,689	21	0.3%
Housing & Projects	4,080	1,256	(2,824)	(69.2%)
Total Expenditure	26,676	16,657	(10,019)	(37.6%)

Table 4 – General Fund Capital – Significant Variances

Explanation of Significant Variance	£000
Disabled Facilities Grants The forecast reflects the current delivery of grants and future commitments, a proportion of which will be undertaken in the next financial year. The budget comprises of the original allocation of £975k, a £260k carry forward and an in-year additional award of £89k grant.	(224)
New Depot Construction of the new depot is now underway with a target completion date of November 2025. The projected spend profile suggests the majority of the expenditure will be incurred during 2025/26.	(5,667)
Property Maintenance A budget of £1m was approved and allocated to the capital programme. However the stock condition surveys identified remedial works, which were in the main revenue. An overspend of £470k is anticipated for revenue refurbishment works. This leaves a net underspend of £220k across both capital and revenue which will be carried forward to complete ongoing capital works in 2025/26.	(690)
Cattle Market, Stamford Tender evaluation underway. Works will continue into 2025/26 when it is anticipated the remaining budget will be spent.	(450)
Guildhall Arts Centre Roof Additional remedial works were identified in the initial stages, which has extended the project into the next financial year. Further additional costs are being identified as works are completed, which are likely to require additional resources. At this stage the underspend for 2024/25 has been identified to slip to 2025/26.	(128)
Deepings Community Centre Roof UKSPF funding of £200k has been secured for this project, the remaining £150k from Council resources. Works are expected to begin in February 2025 and complete in the next financial year. The UKSPF funding allocation is expected to be used during the current financial year with the remainder of the works to be completed during 2025/26.	(150)
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 surplus of £10.844m. Budgets have been updated in order to reflect the approved budget carry forwards from 2023/24 and in year movements. These changes have resulted in a revised forecast net income of £12.221m.

5.2 Table 5 shows the forecast outturn position as at 31 December 2024 and Table 6 shows the significant forecast variances.

Table 5 – HRA Revenue Forecast Outturn Position

Directorate	Current Budget 2024/25	Forecast Outturn 2024/25	Variance	Variance
Expenditure	£000	£000	£000	%
Repairs & Maintenance	11,189	12,066	877	7.8%
Supervision & Management - General	2,682	2,834	152	5.7%
Supervision & Management - Special	1,956	2,035	79	4.0%
Depreciation and Impairment	4,062	4,062	0	0.0%
Total Expenditure	19,889	20,997	1,108	5.6%
Income				
Dwelling Rents	(28,916)	(28,572)	344	(1.2%)
Non-Dwelling Rents	(356)	(316)	40	(11.2%)
Charge for Services & Facilities	(722)	(753)	(31)	4.3%
Other Income	(17)	(17)	0	0.0%
Interest & Investment Income	(2,099)	(3,173)	(1,074)	51.2%
Total Income	(32,110)	(32,831)	(721)	2.2%
Net Operating Surplus	(12,221)	(11,834)	387	(3.2%)

Table 6 – HRA Revenue – Significant Variances

Explanation of Significant Variance	£000
Repairs & Maintenance A review of the works required through the stock condition survey is identifying a greater level of revenue rather than capital works. These are particularly in areas such as compliance, damp and mould and general repair works. There is a corresponding underspend within the capital budget. And although they are financed separately there is a significant amount of revenue funding for capital, which can be managed through the year end top up of the Major Repairs Reserve.	877
Supervision & Management - General The forecast overspends relate to: additional decant costs on the Earlesfield project; costs incurred due to mobilisation of the new housing system; and the requirement for the retention of legacy access.	152
Dwelling Rents The dwelling rent forecast has been calculated from the new rents system. The forecast is impacted by the changes in the working assumptions relating to the number of right to buys and the number of new builds and stock acquisitions.	344
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).	(1,074)

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.

Table 7 shows the forecast outturn position as at 31 December 2024 and Table 8 shows the significant forecast variances.

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	5,434	330	6.5%
ICT	355	355	0	0.0%
Replacement Vehicles	342	342	0	0.0%
New Builds	11,865	9,431	(2,434)	(20.5%)
Refurbishment & Improvement	3,914	3,646	(268)	(6.8%)
Compliance Works				
Other Works	150	100	(50)	(33.3%)
Refurbishment & Improvement Works	5,478	4,559	(919)	(16.8%)
Total Expenditure	27,208	23,867	(3,341)	(12.3%)

Table 8 – HRA Capital – Significant Variances

Explanation of Significant Variance	£000
New Builds The new build and acquisition programme continues to make significant progress. It 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 February 2025. 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 that funds are available to complete the project in 2025/26.	(2,434)
Housing Stock Refurbishment & Improvement Programme The programme is made up of multiple budgets managed as an overall programme. A review of the works required through the stock condition survey is identifying a greater level of revenue rather than capital works. The programme made up of the variances below therefore forecasts an underspend of £1,056k. There is a corresponding overspend within revenue and although they are financed separately there is a significant amount of revenue funding to capital, which can be managed through the year end top up of the Major Repairs Reserve.	
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.	330
Passenger Lifts The Council intended to install 6 new lifts at Sheltered Housing Schemes during 2024/25. So far 3 lifts have been installed, the remaining 3 lifts have been ordered and are expected to be installed before the end of the financial year. The underspend is caused by the lifts costing less than the budget	(236)

Explanation of Significant Variance		£000
Alarms	The works programme for alarms has been completed for the year with a significant underspend, which is anticipated to be carried forward to 2025/26.	(317)
Fire Prevention	Fire Risk Assessment surveys completed at the Council's Sheltered Housing Schemes have identified a need for fire compartmentation works 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 and the contract commenced in November. The contractor has provided a programme of works but due to the delayed start and the impact of inclement weather a significant proportion of costs will be incurred in 2025/26.	(1,100)
Fencing	The works programme for fencing has been completed for the year with a significant underspend.	(222)
Kitchens & Bathrooms	Additional contractor capacity has been procured to enable a programme of works to include refurbishments and major void works which exceeds the original budget. This can be funded from underspends in other areas.	525
Doors & Windows	Additional contractor capacity has allowed an expanded programme to be undertaken to deliver additional works in year. This can be funded from underspends in other areas.	100
Structural Refurbishment	This budget is responsive in nature and has been less than anticipated.	(90)

7 Collection Rates

7.1 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 December 2024	82.81%	82.68%	72.88%
Actual collection rate to end of December 2024	82.61%	81.32%	73.16%

7.2 Council Tax:

- Collection of £87.478m at 31 December 2024 against an annual debt of £105.892m was on target. Collection rate is below target by 0.20% or £212k.
- All 7 Districts in Lincolnshire share their collection rates monthly with 6 of the districts below their target collection. South Kesteven have the highest net collectable debt in the County (£105.892m). South Kesteven has also collected the highest amount at 31 December 2024.

7.3 Business Rates:

- Collection of £35.035m at 31 December 2024 against an annual debt of £43.084m. As shown in the table above, the collection rate was 1.36% or £586k below target.
- All 7 District Councils in Lincolnshire share their collection rates monthly with 5 of the districts currently below their target collection. South Kesteven has the highest net collectable debt in the County (£43.084m),

7.4 Rent:

- Collection was £21.645m as at 31 December 2024 against an annual debt of £29.586m. As shown in the table above, the collection rate was 0.28% above target equating to an increase in the collection of £83k.

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 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 September 2024.

9 Consultation

9.1 Budget Monitoring reports are presented throughout the financial year to the Finance and Economic OSC and to Cabinet to keep members up to date regarding the projected financial outturn position.

10 Appendices

10.1 Appendix A – 2024/25 – Finance Risk Register.