



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Cabinet

Tuesday, 10 March 2026

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

General Fund Finance Update Report: Quarter 3 (April to December) 2025

Report Author

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Purpose of Report

To present the Council's forecast 2025/26 financial position as at end of December 2025 with specific regard to:

- General Fund Revenue Budget
- General Fund Capital Programme

Recommendations

Cabinet is asked to:

Review and note the forecast 2025/26 outturn position for the General Fund Revenue and Capital budgets as at the end of December 2025.

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Does the report contain any exempt or confidential information not for publication?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
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: James Welbourn, Democratic Services Manager

Risk and Mitigation

1.3 A Risk Register is at Appendix B 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 financial year, Cabinet is provided with regular 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 2025/26 – General fund

3.1 The net cost of service budget set by Council on 27 February 2025 was £26.968m (excluding HRA recharge). 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 Budgets have been updated to reflect approved budget carry forwards and in-year virements; these increase the controllable budget to £28.631m.

3.3 Table 1 shows the forecast outturn position as at 31 December 2025 and Table 2 shows the significant forecast variances.

Table 1 – General Fund Revenue Forecast Outturn Position

Directorate	Current Budget 2025/26 £'000	Forecast Outturn 2025/26 £'000	Variance £'000	Variance %
Corporate Governance & Public Protection	4,443	4,599	156	3.5%
Finance Property & Waste Services	13,142	13,243	101	0.8%
Growth & Culture	9,794	9,343	(451)	(4.6%)
Housing & Projects	2,033	1,988	(45)	(2.2%)
Net Cost of Service	29,412	29,173	(239)	(0.8%)
Investment Income	(781)	(903)	(122)	(15.6%)
(Surplus) / Deficit	28,631	28,270	(361)	(1.3%)

Table 2 – General Fund Revenue – Significant Variances

CROSS DIRECTORATE	£'000
<p>Fuel</p> <p>A reduction in inflationary price increases has resulted in a forecast underspend of (£266k). The underspend has increased from Q2 as the anticipated increases haven't been as high. The current projection models a 0.3% increase per week for the remainder of 2025/26. The budget was set using a price of 141p but actual prices have been as much as 28% below this remaining relatively stable with previously predicted increases not arising.</p>	(266)
<p>Utilities</p> <p>The council continues to financially benefit from energy prices secured via the ESPO utility procurement framework which are currently being purchased at a unit rate lower than the budgeted rate.</p>	(250)
<p>Salaries</p> <ul style="list-style-type: none"> A pay award in line with the national award for 2025/26 of 3.2% was endorsed by the Employment Committee. This award is in excess of the 2% budgeted and the resulting overspend of up to £244k can be funded from the Local Priorities Reserve. However, as the General Fund is currently showing an overall underspend, it may not be necessary to utilise the Reserve. Salary budgets are prepared with a 3% vacancy factor (£572k) to reflect staff turnover. Including within the projected overspend are additional resource costs with the finance service relating to project support and backfill arrangement to support the migration to the new finance system. There has also been a number of vacancies in year requiring agency cover whilst recruitment took place. 	317

<ul style="list-style-type: none"> • Within the corporate governance directorate additional costs have been incurred to provide temporary monitoring officer cover during the year but these have been met by savings from the vacant director role and the previous Director of Growth post which was removed from the establishment. 	
<p>Investment Income Higher average interest has been achieved on investments which are currently averaging 4.27% return compared to 3.25% budget as well as higher than anticipated investment balances. This is marginally reduced from Q2 as a result of reduced level of investment balances.</p>	(122)

FINANCE, PROPERTY & WASTE SERVICES	£'000
<p>Car Park Income</p> <ul style="list-style-type: none"> • The recent extension to the Cattlemarket Car Park in Stamford has increased capacity by 146 spaces (a 53 % increase). Based on projected growth in ticket sales, this is expected to generate an additional £80k income in-year. This is a pro rata figure based on charges coming into effect from 29th August 2025. • This has been partly offset by a reduction of £20k in car park fine income due to staffing pressures on enforcement activity. 	(60)
<p>Green Waste Income Additional income of £130k has been received due to higher than budgeted take-up of the scheme. Over 31,000 households joined the green waste service for 2025/26.</p>	(130)
<p>Council Tax Administration Subsidy Grant The Local Council Tax Support Administration Subsidy Grant is no longer received separately as part of the net cost of service. This has now been rolled into Revenue Support Grant.</p>	195
<p>IT Licences There have been some budgetary pressures incurred during 2025/26 as a result of: higher than anticipated increases in annual licences; overlap in software support for the finance system; alongside an additional system implementation for Fix My Street.</p>	91
<p>Bulky Waste Income The additional vehicle intended to increase the bulky waste service capacity has not yet been delivered and a vehicle is currently being hired as a temporary solution. The income reduction is offset by vacancy savings as the required driver and loader are not yet recruited.</p>	78
<p>Trade Waste Income Whilst retention rates are at 95% there has been some turnover in the customer base including two major customers with contracts worth a total of £20k cancelling the service during the current financial year. Marketing is underway to secure alternative contracts.</p>	30

GROWTH AND CULTURE	£'000
<p>Planning Fee Income Planning Fee Income has risen above estimated levels during Quarters 1 to 3. This is partially due to the Council receiving an application for a solar farm with combined application fees of £162k. In addition, the Government increased planning application fees in April 2025 for some applications, e.g. the fee for householder applications has doubled. This increase was not known at budget setting. An increase in the number of applications received in the Quarter has also contributed to the additional income.</p>	(250)
<p>LeisureSK (LSK) Ltd Under the new agency model LSK Ltd is projecting a surplus during the current financial year which will be passed back to the Council (under the operating model) and will be used to contribute towards the £150k cashflow support provided at the beginning of the financial year</p>	(127)

4 Capital Budget 2025/26 – General Fund

- 4.1 The budget set by Council on 27 February 2025 was £15.179m. Budgets have been amended in line with the approved budget carry forwards and further budget approvals, increasing the 2025/26 budget to £18.444m.
- 4.2 Table 3 shows the forecast outturn position as at 31 December 2025 and Table 4 shows the significant forecast variances with further detail provided in Appendix A.

Table 3 – General Fund Capital Forecast Outturn Position

Directorate	Current Budget £'000	Forecast Outturn £'000	Variance £'000	Variance %
Corporate Governance & Public Protection	1,370	1,380	10	0.73
Finance, Property and Waste Services	12,218	10,980	(1,238)	(10.13)
Growth and Culture	2,032	1,939	(93)	(4.58)
Housing and Property	2,824	2,884	60	2.12
Total	18,444	17,183	(1,261)	(6.84)

Table 4 – General Fund – Significant Variances

Explanation of Significant Variance	£'000
Street Scene Vehicle Procurement Following approval of the contract in October 2025 to procure 54 vehicles, the relevant orders have been raised but due to the large number of vehicles, delivery is now expected in April 2026. Therefore, a budget carry forward request has been made.	(1,326)
Vehicle Replacement Programme Overspend anticipated due to savings of £45k available on early purchase of freighter as opposed to delaying into 2026/27.	200
Depot The depot is now live and operational. Project closure reports are being prepared with an overall saving across the whole project of £126k.	(99)
Financial System Upgrade There were some additional project support costs required to ensure the finance system Go Live date was achieved in August 2025. This project is now completed and no further spend is required.	54
Decarbonisation Scheme Project commenced on site in July 2025 and due to complete by March 2026. Removal of Combined Heat and Power units and provision of temporary generators together with increased contract cost of £24k has resulted in an overspend of £60k. This is to be financed from Property Maintenance Reserve.	60
Council Chamber Audio Equipment This project has been carried forward into the next financial year with the overall budget increasing by £20k to £88k and included in the 2026/27 capital programme.	(68)

4.3 As part of the 2026/27 Budget report being presented to Council on 26 February 2026 a total of **£1.389m** is being requested as Carry Forwards from the current year's programme into 2026/27:

- **£1.326m** Street Scene Vehicle Procurement
- **£0.040m** Cycle Shelter
- **£0.023m** Coronation Orchards

5 Performance Update - Council Tax and Business Rates

5.1 Table 5 details the current collection rates against target for 2025/26.

Table 5 – Collection Rates

Target Rates	Council Tax	Business Rates
Target annual collection rate	98.33%	98.68%
Target collection rate to end of December 2025	82.61%	81.32%
Actual collection rate to end of December 2025	82.49%	80.81%
Variance compared to Target	(0.12%)	(0.51%)

5.2 Council Tax:

- Collection of **£91.430m** as of 31 December 2025 against an annual debt of **£110.838m**. As shown in the table above, the collection rate is below target (2024/25 collection) by **0.12%** or **£133,006** (SKDC share being **£11,971**). However, this is within 2025/26 tolerance target of +/- 1%.
- All 7 Districts in Lincolnshire share their collection rates each month. 6 of the Districts are also below their collection targets of which we are the closest to meeting the target.
- South Kesteven also have the highest net collectable debt in the county (**£110.838m**). The next highest debt is **£109.446m**.

5.3 Business Rates:

- Collection of **£37.458m** as of 31 December 2025 against an annual debt of **£46.352m**. As shown in the table above, the collection rate was **0.51%** or **£236,396** below target (2024/25 collection). However, this is within 2025/26 tolerance target of +/- 1%.
- All 7 District Councils in Lincolnshire share their collection rates each month. Only 2 Districts are above their collection target.
- South Kesteven has the second highest net collectable debt in the county (£46.352m), The highest Council's debt is £47.265m.

6 Other Options Considered

- 6.1 Cabinet should have oversight of Council budgets, therefore, the option of not producing a monitoring report was discounted.

7 Reasons for the Recommendations

- 7.1 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 Consultation

- 8.1 Budget Monitoring reports are presented throughout the Financial Year to the Cabinet and Finance, Economic Overview Scrutiny Committee (FEOSC) to keep Members up to date regarding the projected financial outturn position. This report was presented to FEOSC at their meeting on 24 February 2026.

9 Appendices

- 9.1 Appendix A – 2025/26 General Fund Capital Monitoring
- 9.2 Appendix B – 2025/26 Finance Risk Register