

## APPENDIX A - South Holland District Council – Q3 Finance Report 2025/26

### Finance Summary

- The revenue outturn shows an underspend position of £0.187m as at 31 December 2025.
- The HRA Quarter 3 forecasted position is a surplus of £0.890m.
- HRA capital forecasted spend at the end of Quarter 3 was £15.226m against a full year budget of £20.356m.
- The Council held investments of £39.400m on 31 December 2025 (£45.000m on 30 September 2025).

### Section 2 – Finance

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#### Section 2.1 – Key Financial Issues in Quarter 3 of 2025/26

- Overspends are primarily driven by £35k of unbudgeted utility costs within General Funds Assets, £25k of legal charges within Regulatory, and unachieved salary efficiency targets totalling £450k across the services. These pressures have partially been offset by increased planning application income of £320k, £105k within General Fund Assets and an underspend of £150k in Disabled Facility Grant (DFG) funding.
- The 2025/26 budget included an efficiency target of £1.203m. As at 31 December, £0.644m (54%) of savings have been identified. The remaining balance has been incorporated into Table 1 and, given the forecast outturn position is a surplus, no further efficiencies are required to deliver these savings. However, management continues to actively review and identify opportunities on an ongoing basis.
- The Government announced it would provide £5m of further funding to support Councils significantly impacted by Internal Drainage Board levies. South Holland was awarded £0.578m for 2025/26, which is included within the figures in Table 1.
- The Council's 2025/26 budget for investment income is £1.098m. At Quarter 3, investment income is forecast to outturn at £1.931m, comprising £1.297m within the General Fund and £0.634m within the HRA.

Inflation	October (%)	November (%)	December (%)
CPI	3.6	3.2	3.4
RPI	4.3	3.8	4.2

#### Section 2.2 – Revenue Budget

**Table 1** sets out the forecast outturn by Assistant Director, showing a net overspend of £0.307m. This is offset by additional investment income of £0.526m and a £30k pressure relating to impairment allowance, resulting in an overall surplus of £0.187m. The position is based on the Quarter 3 forecast as at 31 December 2025 and reflects officers' projections for the remainder of the financial year.

Table 1 – Projected Net Spend by Assistant Director Area

Assistant Director	Revised Budget 2025/26 at Q3 £'000	Outturn 2025/26 at Q3 £'000	Variance (underspend)/overspend at Q3 £'000	Comments on main variances
Corporate	1,179	1,115	(64)	The overall favourable position is mainly due to underspends in ICT and Employee Expenses. ICT savings stem from one-off and timing-related factors such as lower licensing and maintenance costs, delayed project spend, and reduced software charges.
Finance	5,596	5,556	(40)	A favourable Housing Benefit overpayments forecast is partially offset by an unachieved salary efficiency target.
Housing	(207)	(194)	13	Broadgate income not due to be achieved.
General Fund Assets	452	460	8	The Facilities service is reporting budget pressures arising from agency staffing costs, lower than anticipated rental income at Sutton Bridge Industrial Development, and reduced net rental income due to professional fees, contractor costs, and vacancy-related maintenance. Priory Road utility budgets have been exceeded although these pressures are partially offset by savings within Footway Lighting.
Governance	1,049	1,060	11	The forecast reflects pay pressures arising from interim cover arrangements, unbudgeted postage, non-routine legal costs and pay related adjustments linked to backpay, shared staffing arrangements and job evaluations. This is partially offset against a staffing vacancy.
Leisure & Culture	374	468	94	Under the current Leisure Contract, the Council is required to underwrite operational losses arising from the relocation of dry-side provision to the temporary facility. The initial loss provision incorporated into the budget has been superseded, with the latest forecast indicating a higher liability than estimated. This reflects the increased operational deficit now projected for the period of displacement and associated service interruption.
Neighbourhoods	4,460	4,516	56	Neighbourhood and street cleaning budgets show overspends due to unachieved salary efficiency targets, including prior year shared officer recharges. Additional unfunded costs have arisen from skip hire and HR costs, while Refuse and Recycling overspends have been mitigated through EPR grant funding.

Table 1 – Projected Net Spend by Assistant Director Area

Assistant Director	Revised Budget 2025/26 at Q3 £'000	Outturn 2025/26 at Q3 £'000	Variance (underspend)/overspend at Q3 £'000	Comments on main variances
Planning & Strategic Infrastructure	452	458	6	The service review remains ongoing, and a surplus has been generated from Planning Application Fees and Planning Performance Agreements.
Regulatory	883	823	(60)	Income has increased across animal related licensing due to the clearance of a historic backlog, but this uplift is non-recurring. Legal costs have been incurred for the Mill House Farm Noise Abatement Notice appeal. While the salary efficiency target remains unmet, some savings have been achieved across services, alongside favourable variances from higher building related fee income and reduced spend on furniture, equipment, and ICT.
Strategic Growth & Development	266	253	(13)	As a result of current staffing arrangements within Strategy and Enabling, temporary shared management cover has been required, giving rise to additional management costs.
Strategic Project	26	32	6	Unachieved salary efficiency target.
Wellbeing & Community Leadership	2,314	2,052	(262)	Savings arise from changes to employee staffing arrangements compared to the approved budget, a Disabled Facilities Grant repayment, unspent grant funding, above budget live performance income and vacancies across services. These are partially offset by operational pressures, reduced Section 113 income, unachieved salary efficiency targets, and increased temporary accommodation expenditure.
Spalding Special Expenses	227	227	-	Spalding Special Expenses are reported to the Spalding Town Forum. The variances do not impact the General Fund reserves.
Efficiencies Requirement	(1,196)	(644)	552	£644k efficiencies identified (see table 1b) reducing the requirement from original budget of £1.203m.
<b>Sub Total – Assistant Directors – Net Costs</b>	<b>15,875</b>	<b>16,182</b>	<b>307</b>	
Recharges to HRA	(3,560)	(3,558)	2	
Internal Drainage Boards and Parish Precepts	4,978	4,978	-	
Investment Income	(771)	(1,297)	(526)	Increased interest due to favourable market rates and includes £66k Welland Homes dividends.
Minimum Revenue Provision (MRP)	450	450	-	

Table 1 – Projected Net Spend by Assistant Director Area

Assistant Director	Revised Budget 2025/26 at Q3 £'000	Outturn 2025/26 at Q3 £'000	Variance (underspend)/overspend at Q3 £'000	Comments on main variances
Impairment Allowance – Bad debt provision	3	33	30	Reduced release of Housing Benefit Overpayment bad debts.
Capital Expenditure Charged in Year	375	375	-	Capital Programme
Transfers to/(from) Earmarked Reserves	(375)	(375)	-	Capital Programme
<b>Other Income and Expenditure</b>	<b>1,100</b>	<b>606</b>	<b>(494)</b>	
<b>General Fund Budget net costs</b>	<b>16,975</b>	<b>16,788</b>	<b>(187)</b>	
Council Tax	(8,110)	(8,110)	-	
Business Rates	(7,150)	(7,150)	-	
Government Grants	(1,715)	(1,715)	-	
<b>Total Funding</b>	<b>(16,975)</b>	<b>(16,975)</b>	<b>-</b>	
<b>Total Budget - (Surplus)/Deficit</b>	<b>-</b>	<b>(187)</b>	<b>(187)</b>	

**Recommendation:**

**F1** That Cabinet notes the forecast revenue position of £187,000 underspend for 2025/26 as detailed in Table 1 and the need for continued focus on the savings and efficiency programme.

The table below gives an illustration of the achievement of the savings target balance of £1.196m noted in Table 1a above. Those items identified are monitored by the Transformation Board periodically throughout the Financial Year. The remaining balance has been incorporated into Table 1 and, given the forecast outturn position is a surplus, no further efficiencies are required to deliver these savings. However, management continues to actively review and identify opportunities on an ongoing basis.

Table 1b – Efficiency Description	Amount £'000	Comments
Original Budget	1,203	
IDB funding	(578)	Central Government funding in support of drainage board levy increases
Audit Build Back Grant	(37)	Grant received to support increasing audit costs. Budgets already included the increase therefore taken the grant against efficiencies.
Regulatory Service Review	(7)	Savings identified
Neighbourhoods Service Review	(22)	Savings identified
<b>Identified Savings</b>	<b>(644)</b>	
Investment Interest	-	Q3 Forecast suggests £0.526m over achievement of income
Planning Application Fee	-	Q3 Forecast suggests £0.320m over achievement of income, currently taken to Reserves to support further service review and restructure plans.
Regulatory F&C	-	Q3 Forecast suggests £0.110m over achievement of income
DFG Grant	-	£0.150m grant unutilised
Wellbeing & Communities Service Review	(7)	Savings identified
<b>Remaining Balance</b>	<b>(552)</b>	

## Section 2.3 – Reserves

At 31 December 2025, the closing balance for the General Fund Reserves are £8.197m. HRA Reserve balances are £8.599m closing balance after net transfer out of (£6.124m).

<b>Table 2 – Specific and General Reserves Balance</b>				
<b>Reserve</b>	<b>Balances at 1 April 2025 £'000</b>	<b>Forecast Contributions into Reserves £'000</b>	<b>Forecast Use of Reserves £'000</b>	<b>Balances at 31 March 2026 £'000</b>
<b><u>General Fund</u></b>				
Parish Loans	100	-	-	100
Council Tax	1,638	3	-	1,641
Repayment Reserve	66	-	-	66
Investment and Growth	2,707	1,432	(1,839)	2,300
Transformation	297	-	(258)	39
Planning Reserve	837	130	-	967
Waste Transformation Reserve	-	1,231	(225)	1,006
<b>Specific Reserves Total</b>	<b>5,645</b>	<b>2,796</b>	<b>(2,322)</b>	<b>6,119</b>
General Fund	2,078	-	-	2,078
<b>Total</b>	<b>7,723</b>	<b>2,796</b>	<b>(2,322)</b>	<b>8,197</b>
<b><u>Housing Revenue Account</u></b>				
HRA General Reserve	12,496	890	(7,510)	5,876
Insurance	200	-	-	200
Major Repairs	2,501	3,937	(3,915)	2,523
<b>Total</b>	<b>15,197</b>	<b>4,827</b>	<b>(11,425)</b>	<b>8,599</b>

## Section 2.4 – Housing Revenue Account Budget

Table 3 – Projected Net Spend by Service Area				
Service Area	Revised Budget 2025/26 £'000	Forecast Q3 2025/26 £'000	Variance (underspend) / overspend £'000	Comments on main variances
Rent Income – Dwellings	(18,926)	(18,926)	-	
Charges for Services and Facilities	(1,383)	(1,462)	(79)	The variance reflects a realignment of communal aerial income, where historic budgets were overstated and the forecast has been by £17k. Offset by underbudgeted sewage charge income £80k, and £16k additional room hire income contributing positively to the overall position.
Contributions to Expenditure	(5)	(5)	-	
<b>Total Income</b>	<b>(20,314)</b>	<b>(20,393)</b>	<b>(79)</b>	
Repairs and Maintenance	5,456	5,357	(99)	Favourable variance is mainly driven by staffing efficiencies including a new in-house post, a pension opt-out and later than budgeted recruitment, along with savings across roofing and materials costs, and under budgeted OFGEM income now aligned to actuals. Partially offset by increased vehicle related pressures due to fleet delays and reduced capitalised salary income from later Green Homes recruitment. £184k of the planned transfer from reserves to fund surveys removed, as funding is no longer required from reserves and can instead be covered by in year surplus.
Supervision and Management	4,871	4,783	(88)	Favourable variance is driven by 52.7k underspend in Housing Delivery due to vacant posts and reduced projects, £50k reduced compensation costs, unutilised transformation project expenditure, lower subscription and utility spend, increased RTB income alongside staffing underspends across service due to duplicated budgets, lower SCP starters, later recruitment, offsetting waking watch professional fees, tree maintenance costs, NEC IT pressures, and redundancy costs following communities restructure.
Rents, rates, taxes, and other charges	91	89	(2)	Council tax forecast brought up to actual expenditure.
Depreciation	4,197	3,937	(260)	25/26 Depreciation charges.
Movement in Allowance for bad debts	75	75	-	
Statutory recharge to the HRA for support services	3,547	3,549	2	
<b>Total Expenditure</b>	<b>18,237</b>	<b>17,790</b>	<b>(477)</b>	

Table 3 – Projected Net Spend by Service Area				
Service Area	Revised Budget 2025/26 £'000	Forecast Q3 2025/26 £'000	Variance (underspend) / overspend £'000	Comments on main variances
<b>Contribution from Operations</b>	<b>(2,077)</b>	<b>(2,603)</b>	<b>(526)</b>	
Investment Income	(327)	(634)	(307)	
Interest Payable	2,591	2,347	(244)	
<b>Net Operating (Surplus)/Deficit</b>	<b>187</b>	<b>(890)</b>	<b>(1,077)</b>	
HRA General Reserve (Use of Reserve) / Contribution	(187)	-	<b>(187)</b>	Budget assumed a transfer from General Reserve to cover the deficit; current forecast shows a surplus removing the requirement to fund the deficit.
<b>Total Budget - (Surplus)/Deficit</b>	<b>-</b>	<b>(890)</b>	<b>(890)</b>	

**Recommendation:**

**F2** The forecast revenue position of the HRA for 2025/26 (projected surplus of £890,000) as detailed in Table 3.

## Section 2.5 – Housing Revenue Account Capital Position

Table 4 - HRA Capital Position				
	Budget 2025/26 £'000	Actual 2025/26 £'000	Forecast 2025/26 £'000	Variance (underspend)/ overspend £'000
Central Heating	770	663	970	200
Kitchen/Bathroom	1,648	935	1,648	-
Renewable Energy	8,309	2,602	5,325	(2,984)
Smoke Alarms	279	246	299	20
Electrical Upgrades	5	67	75	70
Roofs and Gutters	970	65	70	(900)
Doors and Windows	1,603	134	625	(978)
Flat Entrance Doors Sheltered Schemes	90	178	250	160
Fire Remedial Works	201	84	100	(101)
Chimneys	8	130	200	192
Paths and Drives	38	-	88	50
Boundary Walls	3	-	3	-
Damp and Remedial Works	-	10	-	-
TV Aerials - Sheltered Schemes	106	50	106	-
Fees	432	-	505	73
Sewerage Treatment Plant	440	75	200	(240)
Car Parks	124	-	-	(124)
Community Centre Refurbishment	100	15	100	-
Structural Works	100	34	50	(50)
ICT Strategy / Infrastructure	49	-	4	(45)
Replacement Laptops	28	-	-	(28)
Major Adaptions	955	1,270	2,008	1,053
Sheltered Alarm Upgrade	329	317	329	-
Housing Repairs Vehicles	450	431	431	(19)
Northon's Lane Holbeach	714	467	714	-
Jubilee Way Gosberton	-	-	-	-
Pheasant Street Holbeach	15	-	15	-
Primus Close Moulton Chapel	8	2	8	-
Biehler Avenue Weston	23	(13)	23	-
Wignals Gate S106 Acquisition	-	1	1	1
Cobgate Whaplode	10	(5)	10	-
Coalbeach Lane Surfleet	18	(7)	18	-
LAHF2 Frogmore Lane Holbeach	10	-	10	-
LAHF2 Tulip Fields Holbeach	8	(8)	8	-
River Close Surfleet	13	(6)	13	-
Purchase of Homes South Holland	700	-	-	(700)
Purchase Homes - Holbeach	300	-	-	(300)
LAHF 3	1,500	4	1,020	(480)
<b>Total</b>	<b>20,356</b>	<b>7,741</b>	<b>15,226</b>	<b>(5,130)</b>

Table 4 - HRA Capital Position

	Budget 2025/26 £'000	Actual 2025/26 £'000	Forecast 2025/26 £'000	Variance (underspend)/ overspend £'000
<b>Funded By</b>				
Capital Receipts	(321)	(439)	(322)	(1)
Major Repairs Reserve	(8,113)	(5,110)	(3,915)	4,198
Grants and Contributions	(3,479)	(54)	(3,479)	-
Reserve Financing	-	-	-	-
External Borrowing	(6,602)	-	-	6,602
HRA General Reserve	(1,841)	(2,138)	(7,510)	(5,669)
<b>Total</b>	<b>(20,356)</b>	<b>(7,741)</b>	<b>(15,226)</b>	<b>5,130</b>

### Progress against approved budgets

- **Central Heating:** Programme is progressing ahead of schedule. The uplift aligns the forecast with the accelerated delivery.
- **Kitchen & Bathrooms:** Delivery impacted positively following analysis of stock condition data. Properties removed from programme following survey identifying current condition of kitchen as good/fair and therefore extending the lifetime, budget to be utilised in full.
- **Renewable Energy:** Progress continues with installations underway. Completion of Green Homes Wave 2 expected by September, subject to access and utility delays by National Grid. Wave 3 works have commenced.
- **Roofs and gutters:** The underspend on roofs reflects rephasing of the programme following under-performance of the previous contractor. Delivery remains significantly behind profile, with works currently limited to reactive roof replacements only while a new contract is procured. As a result, an underspend is forecast for 2025/26, and no further planned roof works are anticipated this financial year.
- **Major Adaptations:** High demand and complexity of cases have placed pressure on budget. Programme adjustments are ongoing, increased demand is reflected in future years budgets.
- **Doors and Windows:** The programme has been integrated into Green Homes Wave 3, where retrofit assessments now determine the final scope of works. As the programme commenced later than planned, delivery schedules have been refined, ensuring that only confirmed and deliverable works are reflected in the updated forecast.
- **Sewage Treatment Plant:** The forecast has been reduced as only two schemes will complete this financial year. Current progress indicates spend of approximately £200k, with no further schemes expected to be invoiced before 31 March 2026.
- **Northon's Lane Holbeach** - The project is continuing into 2025/26 when the final homes will complete.
- Various Affordable housing project schemes continue into 2025/26 when the expenditure will be incurred at project completion.

#### Recommendation:

**F3** That Cabinet notes the HRA Capital Programme position as detailed in Table 4 of Appendix A and the changes set out in this report.

### Right To Buy Receipts

During Quarter 3 there were seven Right to Buy sales (nineteen in Q2, six in Q1). Receipts from Right to Buy (RTB) sales can be used for funding new house purchases within the HRA, but there is a time limit for these receipts to be used on new builds or acquisitions, or the money is payable to DLUHC.

This limit was increased from 3 to 5 years in March 2021 and is calculated on an annual basis. Three further changes were introduced on 31 July 2024. The maximum permitted contribution from RTB receipts to be used on affordable homes new builds or acquisitions for 2024/25 and 2025/26 has increased from 50% to 100%. Right to buy receipts are permitted to be used with section 106 contributions. The cap on the percentage of replacement affordable homes delivered as acquisitions each year (2024/25 50%) taken off. On 2 July 2025 through Parliamentary Statement announced further changes to take effect from 1 April 2026. RTB receipts flexibilities from July 2024 made permanent. RTB receipts may be combined with grant funding from 2026/27 onwards, where permitted under the relevant grant conditions and spend deadline for retained receipts increased to 10 years for receipts received from 2027/28 onwards (remains 5 for earlier).

There was no payback risk for SHDC as at 31<sup>st</sup> March 2025. The next review point will be 31<sup>st</sup> March 2026.

## Section 2.6 – Treasury Management

During the financial year, the Council has made investments in line with the agreed Treasury Management Strategy.

The peaks and troughs in cash flow are managed on a daily basis. Because the Council collects money on behalf of other organisations which are paid out at future dates (e.g. Council Tax and Business Rates) the value of investments held at any point in time does not represent the value of Council's own resources alone.

Treasury Investments - Investments held by the Council on 31 December 2025 (excluding accrued interest) totalled £39.400m compared with £45.000m on 30 September 2025.

Welland Homes Loans - In addition to the treasury investments the Council has issued nine loans to Welland Homes totalling £6.546m. Interest of £211,382 has been received on these loans for the first three quarters of the financial year. In addition to the interest the Council also received its first dividend from Welland Homes of £65,953 in August 2025.

Income Received Against Budget and Forecast Outturn – The budget for net investment income for the first three quarters of the financial year was £827,383 and the actual was £1,487,897 (including the Welland Homes dividend) giving a surplus of £660,514. The annual budget for net investment income is £1,098,100 and the forecast outturn is £1,931,410 giving a forecast surplus of £833,310.

External Borrowing and Interest Rates – The Council has £67.456m of HRA long term external borrowing. The budget for interest payments for the first three quarters of the financial year was £1,909,024 and the actual was £1,768,641 giving a saving of £140,383. The annual budget for interest payments is £2,591,414 and the forecast outturn is £2,347,469, a projected saving of £243,945. The Council budgeted to borrow £10m for the HRA on 1 September 2025 but this borrowing is not likely to be taken in 2025/26 based on current cash balances.

The 50 year PWLB certainty rate was 5.71% on 31 December 2025 compared with 5.97% on 30 September 2025. During Quarter 3 the Bank of England Base Rate has been reduced from 4.00% to 3.75%.

Debt Restructuring - In March 2026 the Council repaid its £67.456m of PWLB HRA borrowing at 3.48% and received a discount of £18.372m. These loans were replaced with £50m of PWLB HRA borrowing at an average rate of 4.528%. These loans will mature between 2028 and 2030 when we anticipate interest rates to be lower. There will be a saving with the annual interest payments reducing by approximately £83k in 2026/27 and 2027/28. In addition to the savings on interest payable, the Council will be able to credit the revenue account with one tenth of the discount (£1.837m) each year for the next ten years commencing in 2025/26.

Q3 Treasury Report – Further details of the treasury position at 31 December 2025 can be found in the Q3 Treasury Report which was submitted to the Governance and Audit Committee on 19 March 2026.

### Recommendation:

**F4** Note that the Council carried out debt restructuring on the HRA borrowing in March 2026 as outlined in Appendix A, Section 2.6.

## Section 2.7 – Debt Collection

A review of debts is undertaken every month, and monitoring is reported against targets. In line with the financial procedure limits debts below £1,050 require sign off by the Chief Finance Officer with all debts for this amount or over requiring Cabinet approval. Arrangements are in place for regular reporting and review of sundry debts and proactive management is taking place which is also resulting in debt levels and age of debt reducing.

An analysis of the sundry debts the Council held as at 31 December 2025 is shown in Table 5.

Table 5– Sundry Debt Analysis							
0-30 days £	31-60 days £	61-90 days £	91-120 days £	121-183 days £	184-365 days £	Over 365 days £	Total £
85,314	24,190	3,302	9,312	71,367	265,093	199,194	657,772

Note: This does not include invoices not yet due totalling £52,075.18.

## Section 2.8 – Council Tax and Business Rates

Collection and recovery remain challenging in 2025/26 as a result of the ongoing cost of living crisis. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

The debt recovery programme continues through the remainder of the year.

### Council Tax – 2025/26 Quarter 3 In-Year Collection

The collectable debit for the year at 31 December 2025 was £69.300m with a net collection rate of 82.19% achieved (82.56 % at 31 December 2024).

### Business Rates – 2025/26 Quarter 3 In-Year Collection

The collectable debit for the year at 31 December 2025 was £27.900m with a net collection rate of 80.84% achieved (80.57% at 31 December 2024).