

East Lindsey District Council – Q2 Finance Report 2024/25

Section 1 - Finance Summary

- The revenue forecast shows an underspend position of £822k as of 30th September 2024.
- Capital spend at the end of Quarter 2 was £16.724m against an amended full year budget of £79.315m.
- The Council held investments (including property funds and instant access accounts) of £89.095m as of 30th September 2024.

Section 2 – Finance

Section 2.1	Key Financial Issues in Quarter 2 of 2024/25
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Section 2.5	Debt Collection
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Section 2.1 – Key Financial Issues in Quarter 2 of 2024/25

- Income pressures within Planning £83k and Land Charges £30k in Q2 is forecast as a combined pressure of £113k influenced primarily by the housing market. An improvement from Q1 for Building Control fees due to a change in the local market.
- Wellbeing & Community Leadership is forecast to overspend by £288k for the year due to staffing budget pressures.
- The Council's 2024/25 net budget for investment income is £2.745m. The forecasted outturn for investment income as at Q2 is £3.931m, contributing to an overachievement of £1.186m.
- The Government have announced it will provide £3m of further funding to support Councils significantly impacted by Internal Drainage Board levies, East Lindsey has been awarded £834k for 2024/25 which is included within the overall forecast and efficiencies table.
- Monitoring of Housing Benefit Subsidy indicates a pressure of £352k in 24/25 primarily linked to Non-Registered Social Landlords increasing rents and additional units coming online where full subsidy cannot be claimed.
- Corporate Efficiency Target was agreed at £1.370m in 24/25, as at Q2 £1.113m (81.2%) has been identified with a balance of £257k remaining.

Inflation Table

Inflation	July (%)	August (%)	September (%)
CPI	2.2	2.2	1.7
RPI	3.6	3.5	2.7

Section 2.2 – Revenue Budget

Table 1 details the forecast outturn by Assistant Director. This details the Quarter 2 forecast position as of 30 September 2024 and is based on officers' projections for the remainder of the financial year.

Table 1 – Net Spend by Assistant Director Area				
Assistant Director	Revised Budget 2024/25	Forecast Outturn 2024/25	Variance (under)/over	Comments on main variances
Corporate Services	1,732	1,665	(67)	Corporate Systems (£64k) salary savings.
Economic Growth	774	747	(27)	Salary savings
Finance	15,297	15,726	429	<ul style="list-style-type: none"> • Salary savings (£39k) • Banking Charges £28k - £10k relating to 23/24 and 24/25 run rate suggests £18k pressure. • CCNs £10k and Insurances £61k. • Sundry Debt Write Off £32k. • Housing Benefit & Council Tax Admin Grant (£17k) higher than budgeted. • Housing Benefit pressure £352k regards Non-HRA Rent Rebates and Rent Allowances linked primarily to Non RSL's rent increases and additional units.
General Fund Assets	(491)	(687)	(196)	<ul style="list-style-type: none"> • Staffing savings (£76k) • Additional premises costs incurred of £36k. • (£20k) saving in respect of Campus for Future Living – budget not required in year. Insurances £43k. • (£30k) over achievement of income primarily due to car parking. • (£155k) New Asset budgets not fully required.
Governance	1,316	1,276	(40)	<ul style="list-style-type: none"> • Staffing savings (£61k) • £23k Police & Crime Commissioner grant income no longer due
Leisure & Culture	2,150	2,162	12	<ul style="list-style-type: none"> • £21k increased premises insurance • (£7k) unused budget for asset no longer in use.
Neighbourhoods	5,792	5,902	110	<ul style="list-style-type: none"> • £131k combined employee overspend (including agency and overtime) as a result of additional bank holiday working, additional Xmas leave cover and sickness combined with £106k unachieved salary efficiency target. • (£162k) fuel, Insurances £26k. • Reduced forecast on Market Stall fees £15k • Increased Waste Partnership costs with Boston £14k • Additional garden waste income (£16k) following increase in subscribers to the service in year compared to budget.
Planning & Strategic Infrastructure	915	872	(43)	<ul style="list-style-type: none"> • Staffing savings (£213k) • These savings offset additional costs of £160k in respect of professional and contractor and legal fees.
Regulatory	1,644	1,535	(109)	<ul style="list-style-type: none"> • (£170k) staffing savings • £30k reduced income on Land Search fees • (£8k) unbudgeted climate change income in respect of Energy assessments EPC & Retrofit • £10k inflationary costs on Emergency Planning contract with LCC • £13k additional professional fees linked to Building Control vacancies.

Assistant Director	Revised Budget 2024/25	Forecast Outturn 2024/25	Variance (under)/over	Comments on main variances
Strategic Growth & Development	2	2	-	
Wellbeing & Community Leadership	1,307	1,595	288	<ul style="list-style-type: none"> • CCTV pressure of £29k following increases in shared costs • Increased costs within the Telecare Service of £39k following change in agreement with PSPS. • Adjustment in respect of capitalisation of DFG costs £70k brings additional cost back to revenue. • Assumes salary efficiency target of £157k not met. • Salary savings (£17k)
Sub Total – Assistant Directors Net Costs	30,438	30,795	357	
Internal Drainage Boards & Parish Precepts	9,051	9,051	-	
Investment Income	(2,745)	(3,931)	(1,186)	Increased Investment Income linked to increased interest rates and cashflow surplus.
10-year Discount Factor of Early Debt Repayment	(834)	(834)	-	
Cost of Borrowing	3	10	7	Base rate impact
Minimum Revenue Provision	41	41	-	
Impairment Allowance	50	50	-	
Capital Expenditure Charged In Year	9,802	9,802	-	
Transfers to/(from) Earmarked Reserves	(9,344)	(9,344)	-	
Efficiencies Requirement	(1,259)	(1,259)	-	See table 1b. Savings assumed to be fully met
Other Income and Expenditure	4,765	3,586	(1,179)	
General Fund Budget net costs	35,203	34,381	(822)	
Council Tax	(11,740)	(11,740)	-	
Government Grants	(12,681)	(12,681)	-	
Business Rates	(10,782)	(10,782)	-	
Total Budget - (Surplus)/Deficit	-	(822)	(822)	

Recommendation:

That Executive Board notes the forecast revenue position of a £822k underspend for 2024/25 as detailed in Table 1.

General Fund Revenue Budget Movement

Full Council approved the general fund revenue budget of £35.202m in February 2024. Table 1b summarises the in-year budget movements in Q2. As the Council is required to set a balanced budget, each movement has corresponding approval to utilise grant allocations or reserve balances to ensure the net budget position is unchanged.

Table 1a – Q2 General Fund Revenue Budget Movement				
Description	AD	Approval	Funding	£'000
Greater Lincolnshire Wildlife Trust Partnership	Planning & Strategic Infrastructure	Proforma B	Service Transformation Reserve	13
Agency Costs in Planning Policy	Planning & Strategic Infrastructure	Proforma B	Service Transformation Reserve	53
CapitaOne Alignment	Finance	Proforma B	Service Transformation Reserve	5
Unit4 Migration (Revenue Cost)	Finance	Proforma B	Service Transformation Reserve	25
Shared Officer JE Further Phase	Finance	Proforma B	Service Transformation Reserve	11
HR Transformation - Alignment of T&Cs	Finance	Proforma B	Service Transformation Reserve	12
CIPFA Review	Finance	Proforma B	Service Transformation Reserve	5
Service Transformation Reserve				124
Lightfoot Telematics (Revenue Cost)	Regulatory	Proforma B	Carbon Reduction Reserve	9
Ecologist Position	Planning & Strategic Infrastructure	Proforma B	Carbon Reduction Reserve/S113	46
Carbon Reduction Reserve				55
Central Legal Works and Subscriptions	Governance	Proforma B	Legal & Appeals Reserve/Recharge income	42
Kingfisher Legal Fees - Continuation of 23/24 provision	GF Assets	Proforma B	Legal & Appeals Reserve	23
Legal & Appeals Reserve				65
Additional Waste Support	Neighbourhoods	Proforma B	Corporate Priorities Reserve	10
LRSP Grant Year 1	Leisure & Culture	Decision Notice	Corporate Priorities Reserve	95
Corporate Priorities Reserve				105
Public Conveniences Contract	Neighbourhoods	Decision Notice	Economic Growth Reserve	101
Economic Growth Reserve				101
PCC Elections	Governance	S151 Approval	DHLUC Grant	297
General Elections	Governance	S151 Approval	Home Office Grant	245
Lincolnshire Wolds Outdoor Festival	Economic Growth	BM Approval	Grant (LCC/WLDC)	19
Domestic Abuse Housing Alliance Grant	Wellbeing & Community	Proforma B	DAHA Grant	5
Grants				566
Total Q2 movement				1,016

The 2024/25 budget includes an efficiency target, efficiencies forecast outturn so far are:

Table 1b – Efficiency	Amount £'000	Comments
Original Budget	(1,370)	
Members Allowances	(126)	Agreed at Full Council offset by efficiencies
Solar PV	171	Budget omission
Procurement	40	Budget not required
Heritage Electricity	26	Electricity budget reduced in line with prior year actuals
Revised Budget	(1,259)	
IT	168	Forecasted within service, vire to efficiency at year end.
Additional IDB Support	834	Confirmed by Local Government Minister, received Oct 2024
Efficiency Gap	257	

Income

The Council has several demand-led budget areas which are reliant on income for services provided. These are shown in **Table 2** below.

Table 2 – Trading Income Budgets				
Income Area	Revised Budget	Forecast	Variance (above)/ below budget	Comments
	£'000	£'000	£'000	
Car Parking	(3,208)	(3,231)	(23)	Impact of summer season
Kingfisher Caravan Park	(1,118)	(1,081)	37	Income raised in advance ahead of summer season, forecasted pressure linked to empty plots and discount.
Planning	(1,374)	(1,290)	83	Reduction in activity linked to slow down in housing market.
Licensing	(315)	(315)	0	Income is broadly in line with expected levels at Q2
Markets	(100)	(85)	15	Market income affected by poor weather
Land Charges	(101)	(71)	30	Reduction in income due to slow down in housing market
Building Control	(445)	(445)	0	Q2 improvement in position
Commercial Rents	(2,321)	(2,309)	12	Anticipated to be broadly in line with budget for 2024/25
Green Waste	(1,560)	(1,576)	(16)	Increase in subscriptions
TOTAL	(10,543)	(10,404)	139	

Section 2.3 – Reserves and Q2 Capital budget report

2.3.1 – Specific and General Reserves

As of 30th September 2024, specific reserves are forecast to outturn at £30.658m for 2024/25, after a net transfer from reserves of £3.404m to cover planned revenue and capital expenditure. **Table 3** reflect the outturn position.

Table 3 - Specific and General Reserves Balance Forecast Outturn				
Reserve	Balances at 1st April 2024	Contributions To Reserves	Use of Reserves	Balances at 31st March 2025
	£'000	£'000	£'000	£'000
Investments Volatility Reserve	1,009	-	-	1,009
Economic Growth Reserve	5,537	1,825	3,501	3,861
Business Rates Volatility Reserve	5,795	-	-	5,795
Property Fund Reserve	175	-	-	175
Housing Reserve	2,599	219	729	2,089
Repairs and Maintenance Reserve	795	154	851	98
Carbon Reduction Reserve	1,413	464	1,393	484
Insurance Reserve	867	-	60	807
Capital Reserve	4,733	434	3,777	1,390
Service Transformation Reserve	952	50	331	671
Legal and Appeals Reserve	742	-	41	701
Technology Reserve	439	68	72	435
Corporate Priorities (Investment) Reserve	8,548	4,357	577	12,328
Wellbeing Reserve	458	-	124	334
Climate Change Reserve	-	481	-	481
Specific Reserves Total	34,062	8,052	11,456	30,658
General Fund	1,822	-	-	1,822
Total	35,884	8,052	11,456	32,480

Executive Board approval is sought as a 'backstop position' to fund the extension of officer contracts within the Home Energy Advice and Retrofit Team currently delivering HUG2 grants for three months.

A number of fixed term contracts end on 31 March 2025 at the end of the current funded scheme. A new scheme has been announced by Government for 2025/2026 from 1 April 2025 which will provide a new budget, but any decision on this is anticipated to be no earlier than mid-January 2025 and there is a need to give some assurance to staff in case of any gap in funding award. This funding is not expected to be required subject to confirmation of the new grant award.

Recommendation:

That Executive Board approves that a commitment is made from the Carbon Reduction Reserve of £102k in advance of awaited funding announcements to support this area of work.

Section 2.3.2 – Q2 Capital budget report

This section covers:

- Revisions to the Capital Programme
- Progress against the 2024/25 approved capital programme and the forecast outturn
- Funding of the Capital Programme

Table 4 – 2024/25 Capital Programme and Forecast Outturn

Scheme	Approved Budget 2024/25	Changes to approved budget	Revised Budget 2024/25	Actual September 2024/25	Forecast Outturn 2024/25	Variance (under)/over
	£000	£000	£000	£000	£000	£000
Capitalised Planned Enhancements	526	11	537	67	537	-
Car Park Resurfacing	187	-	187	5	187	-
Disabled Facilities Grants	2,652	-	2,652	1,111	2,652	-
Community Housing Fund	647	-	647	2	2	(645)
Kingfisher Enhancements	117	15	132	34	132	-
3G Football Pitch	160	-	160	-	-	(160)
Changing Places	32	(32)	-	-	-	-
IT Investment	270	-	270	88	270	-
Neighbourhoods Vehicles	1,151	285	1,436	801	1,436	-
Green Homes Grant	676	-	676	-	-	(676)
Sustainable Warmth	15,078	-	15,078	2,373	7,310	(7,768)
Decarbonisation of Assets	1,591	-	1,591	-	1,371	(220)
CDF – Phase 2	2,537	-	2,537	464	2,537	-
CDF – Pier Transformation	4,037	-	4,037	-	4,037	-
Horncastle Industrial Estate	400	-	400	-	400	-
Neighbourhoods Growth	100	-	100	-	100	-
Environmental Health	66	-	66	14	66	-
Sutton on Sea Paddling Pool	400	-	400	-	400	-
District EV Charging Point	71	-	71	-	71	-
Local Authority Housing Fund	1,832	1,067	2,899	743	2,899	-
PSPS Investment	181	-	181	-	181	-
Bin Lift Safety Upgrade	14	(14)	-	-	-	-
Pool Car Renewal	49	(2)	47	47	47	-
Regional Skills Pilot	44	-	44	-	44	-
Community Building Decarbonisation Pilot	125	-	125	-	125	-
Swimming Pool Support Fund	336	-	336	-	336	-
Affordable Housing	-	378	378	-	378	-
Unit 4 Implementation	-	50	50	-	50	-
Homelessness Prevention Team Vehicle	-	25	25	-	25	-
Total Projects (Excl. Towns Funds, UKSPF & LW:C&HP)	33,279	1,783	35,062	5,749	25,593	(9,469)
Towns Fund - Mablethorpe Leisure and Learning Hub	3,654	-	3,654	3,303	3,654	-

Towns Fund - Sutton on Sea Colonnade	6,102	205	6,307	1,988	6,307	-
Towns Fund - Sutton on Sea Colonnade Further Works	600	-	600	-	600	-
Towns Fund - Skegness Foreshore	2,332	-	2,332	232	2,332	-
Towns Fund - Skegness Railway Station	2,564	-	2,564	410	2,564	-
Towns Fund - Skegness Town Centre Transformation	1,168	-	1,168	231	1,168	-
Towns Fund - Skegness Learning Campus	9,124	-	9,124	2,993	9,124	-
Towns Fund - Mablethorpe Campus for Future Living	2,520	-	2,520	623	2,520	-
Towns Fund - Mablethorpe Mobi hub	1,851	-	1,851	3	1,851	-
Towns Fund - Mablethorpe High Street	105	-	105	11	105	-
Towns Fund - Mablethorpe Sandilands	1,915	-	1,915	90	1,915	-
Towns Fund – Skegness Multi-User Trail	217	-	217	2	217	-
Towns Fund – Skegness Cultural	1,447	195	1,642	211	1,642	-
Total Towns Funds	33,599	400	33,999	10,097	33,999	-
UKSPF	751	-	751	356	751	-
UKSP – Rural	1,350	-	1,350	168	1,350	-
Community Reserve Fund	-	250	250	100	250	-
Total UKSPF	2,101	250	2,351	624	2,351	-
Spilsby Sessions House	4,871	-	4,871	97	1,500	(3,371)
Alford Manor House	1,962	-	1,962	89	600	(1,362)
Alford Windmill	1,070	-	1,070	68	600	(470)
Total Lincolnshire Wolds: Culture & Heritage Programme	7,903	-	7,903	254	2,700	(5,203)
Grand Total – All Projects	76,882	2,433	79,315	16,724	64,643	(14,672)

The revised capital budget as at Q2 is £79.315m, with an estimated outturn of £64.643m, potential slippage into future years is starting to be identified as indicated in the final column.

Grant Funded projects represent most of the total revised capital budget for 2024-25 at £60.909m (77%). The other projects make up £18.406m (23%) of total revised capital budget.

The overall expenditure as at Q2 is showing spend of £16.724m, this will continue to be closely monitored as the year progresses.

Changes to approved capital budget – Table 4b

The changes to the approved budget total £2,433k as detailed below:

Project Description	Amount £'000	Approval
Capitalised Planned Enhancements	11	Accelerated expenditure at Embassy Theatre to coincide with Culture House works, item previously included within the Capital Programme approved at Council 28 February 2024 within 2028/29.
Kingfisher Enhancements	15	Proforma approved by S151 for continued enhancement works at Kingfisher Caravan Park.
Changing Places	(32)	Scheme completed, decommitment of remaining budget.
Neighbourhoods Vehicles	285	Request to accelerate spend for a refuse vehicle, item previously included within the Capital Programme approved at Council 28 February 2024 within 2027/28. Decision notice approved 10 November 2022 for £67k, budget not allocated.
Bin Lift Safety Upgrade	(14)	Upgrade works now provided by supplier free of charge, decommitment of proforma
Pool Car Renewal	(2)	Scheme completed, decommitment of remaining budget.
Towns Fund - Sutton on Sea Colonnade	205	Reallocation of previous Towns Fund Contingency, from Skegness Cultural.
Towns Fund – Skegness Cultural	(205)	£205k reallocation of previous Towns Fund Contingency, to Sutton on Sea Colonnade.
Executive Board Approval	263	
Local Authority Housing Fund	1,067	Approved at Council 9 October 2024.
Affordable Housing	378	Approved at Council 11 December 2024.
Unit 4 Implementation	50	Proforma approved by S151 for Unit 4 Implementation.
Homelessness Prevention Team Vehicle	25	Proforma approved by S151 for Homelessness Prevention Team Vehicle.
Towns Fund – Skegness Cultural	400	Approved at Council 9 October 24.
Community Reserve Fund	250	Approved at Council 8 May 2024.
Approved Changes	2,170	
Total	2,433	

Progress against approved budgets

- **Community Housing Fund** – Parties developing Alford are going through various processes, such as modern methods of production, and are taking longer than initially planned. Affordable housing projects have long processes as can take many years.
- **3G Football Pitch** – Planning process delaying scheme, likely to be slipped into 2025/26. Further clarification for Q3.
- **Green Homes** – All phases have finalised.
- **Sustainable Warmth** – Phases of the Sustainable Warmth programme have finalised. The current phase is forecast to underspend in year, with no payback of grant as this portion of the grant has not been received. Underspend linked to delays in approvals of schemes within the Central Government department.
- **Spilsby Sessions House** – Now on site, team working towards project delivery. Complex site, forecast on the pessimistic side, may see acceleration within quarters 2 and 3.
- **Alford Manor House** – Forecast to start on site in January 2025, team working hard around procurement to accelerate delivery of the project.

- **Alford Windmill** – Forecast to start on site in January 2025, team working hard around procurement to accelerate delivery of the project.

2024/25 Funding

All Projects	Approved Budget 2024/25	Revised Budget 2024/25	Forecast Outturn 2024/25	Variance
	£000	£000	£000	£000
Capital Reserve	(4,012)	(4,013)	(4,013)	-
Other Reserve - Economic Growth	(8,384)	(8,784)	(8,784)	-
Other Reserve - Housing	(647)	(647)	(2)	645
Other Reserve - Repair & Replacement	(757)	(1,544)	(1,384)	160
Other Reserve - Technology	(72)	(72)	(72)	-
Other Reserve – Carbon Reduction	(1,000)	(1,000)	(1,000)	-
Other Reserve – Corporate Priorities	(400)	(650)	(650)	-
Other Reserve – New Initiative/Contingency Reserve	(220)	(220)	-	220
Other Reserve – S106	-	(378)	(378)	-
External Grants	(59,849)	(60,909)	(47,262)	13,647
Internal Borrowing	(1,541)	(1,098)	(1,098)	-
Totals	(76,882)	(79,315)	(64,643)	14,672

Capital Resources

The current Capital Programme is financed from reserves and external grants in line with the Capital Strategy.

Table 5 indicates the forecast capital resources available to the Council at the end of 2024/25. The estimated position for the following year is also provided.

Please note that table 5 is based on a forecast outturn position for 2024/25.

	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Capital Resources available at start of each year	11,767	11,635	8,156
Capital Investment (estimate in future years)	(27,207)	(79,315)	(7,545)
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)	-	100	100
- Funding from other reserves	4,488	13,295	175
- External Grants	21,926	60,909	6,723
- Internal borrowing	283	1,098	647
- Budgeted contributions to capital reserve	378	434	434
Capital Resources at end of each year	11,635	8,156	8,690

Recommendation:

That Executive Board approves amendments of £263k to the Capital Programme at Appendix A – Table 4b to take into account the changes set out in this report.

Section 2.4 – Treasury Update

Investments on 30 September 2024

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

Table 6 details the cash investments held by the Council on 30 September 2024 excluding accrued interest. The peaks and troughs in cash flow are managed daily. 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 includes money held on behalf of these other organisations and does not represent the value of ELDC's own resources alone.

Table 6 - Cash Investments on 30 September 2024

Financial Institution	Country	Amount (£)	Start Date	Maturity Date	Fixed / Variable	Yield
Barclays Current Account	UK	24,049	N/A	Instant Access	N/A	0.00%
Barclays Bank	UK	2,590,017	N/A	Instant Access	Variable	4.20%
Handelsbanken Plc	Sweden	6,764	N/A	Instant Access	Variable	4.20%
CCLA Money Market Fund	Various	7,500,000	N/A	Instant Access	Variable	4.99%
Blaenau Gwent Council	UK	3,000,000	26/07/24	28/10/24	Fixed	5.25%
Uttlesford DC	UK	3,000,000	07/05/24	07/11/24	Fixed	5.35%
North Ayrshire Council	UK	3,000,000	10/05/24	11/11/24	Fixed	5.30%
Goldman Sachs Bank	UK	3,000,000	17/05/24	18/11/24	Fixed	5.27%
Aberdeen City Council	UK	3,000,000	05/02/24	05/12/24	Fixed	5.55%
London Borough of Barking & Dagenham	UK	3,000,000	19/06/24	19/12/24	Fixed	5.25%
City of Stoke-on-Trent Council	UK	3,000,000	21/12/23	20/12/24	Fixed	5.60%
Great Yarmouth Council	UK	2,500,000	16/02/24	14/02/25	Fixed	6.00%
ANZ Bank	Australia	3,000,000	03/06/24	03/03/25	Fixed	5.38%
PCC for Merseyside	UK	3,000,000	03/05/24	02/05/25	Fixed	5.30%
Rushmoor BC	UK	3,000,000	14/05/24	14/05/25	Fixed	5.30%
South Cambridgeshire Council	UK	3,000,000	20/05/24	19/05/25	Fixed	5.25%
Canterbury City Council	UK	3,000,000	21/05/24	21/05/25	Fixed	5.25%
CIC Bank	France	5,000,000	03/06/24	02/06/25	Fixed	5.36%
South Ayrshire Council	UK	3,000,000	10/07/24	09/07/25	Fixed	5.20%
UBS	Switzerland	5,000,000	12/07/24	11/07/25	Fixed	4.94%
TOTAL		61,620,830				

At Quarter 1 the level of investments was £57.7m.

Invest EL Loans

In addition to the above loans the Council has issued loans to Invest EL as follows:

Loan	Amount	Start Date	Maturity Date	Yield
Caravan Sales Loan	272,600	01/07/20	In Perpetuity	4.00%
Caravan Hire Fleet Loan	268,952	01/07/20	01/07/30	4.00%
Caravan Hire Fleet Expansion Loan	720,000	15/02/21	14/02/41	4.00%
	<u>380,000</u> 1,100,000	07/02/22	07/02/42	4.00%
Housing Development Loan	500,000	30/06/21	31/03/25	4.00%
	<u>500,000</u>	16/11/21	31/03/25	4.00%
	1,000,000			
Cash Flow Loans	500,000	20/01/22	31/03/25	4.00%
	200,000	19/05/22	31/03/25	4.00%
	300,000	12/07/22	31/03/25	4.00%
	250,000	20/09/22	31/03/25	4.00%
	1,250,000			
TOTAL	3,891,552			

Interest earned on these loans in the current financial year to 30 September 2024 is £78,044. A further repayment is expected before 31st March 2025 of the Housing Development Loan.

Property Fund Investments

The Council has purchased property fund units. **Table 7a** and **7b** below provides a breakdown in relation to the purchase of these units.

Table 7a - Pooled Investment Fund (Revenue Expenditure)

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Hermes Property Unit Trust	24/06/16	1,621,443	48,643	3.00	1,670,086
	30/09/16	234,555	5,435	2.32	239,990
	26/01/17	556,376	33,547	6.03	589,923
	02/10/17	344,460	9,087	2.64	353,547
	28/11/17	248,899	5,686	2.28	254,585
	26/12/17	192,410	3,517	1.83	195,927
	26/04/19	694,860	1,033	0.15	695,893
Total		3,893,003	106,948	2.75	3,999,951

Table 7b - Property Funds (Capital Expenditure)

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Schroder UK Real Estate Fund	07/07/16	2,021,637	(25,629)	(1.27)	1,996,008
	07/10/16	505,375	(6,373)	(1.26)	499,002
	01/12/17	1,478,726	18,280	1.24	1,497,006
	07/09/18	813,680	(5,659)	(0.70)	808,021
Sub Total		4,819,418	(19,381)	(0.40)	4,800,037
Threadneedle Property Unit Trust	31/08/18	2,902,441	86,572	2.98	2,989,013
	28/09/18	483,966	16,116	3.33	500,082
	31/10/18	1,267,037	42,855	3.38	1,309,892
Sub Total		4,653,444	145,543	3.13	4,798,987
BlackRock UK Property Fund	28/09/18	4,734,550	65,482	1.38	4,800,032
M&G Investments UK Property Fund (after repayments)	14/09/18	297,824	105,707	2.25	403,531
AEW UK Core Property Fund	31/10/18	4,505,538	294,462	6.54	4,800,000
TOTAL		19,010,774	591,813		19,602,587

Table 8a and 8b below provides the fair value and performance information of the property fund investments on 30 September 2024 and projected outturns.

Table 8a - Pooled Investment Fund (Revenue Expenditure)

Financial Institution	Purchase Cost (£)	Q2 Budgeted Net Revenue 2024/25 (£ / %)	Q2 Estimated Net Revenue (£ / %)	2024/25 Budgeted Net Revenue 2024/25 (£ / %)	2024/25 Estimated Outturn Net Revenue (£ / %)	Net Asset Value (£)	Total Gain/(Loss) Since Purchase (£ / %)	Capital Gain/(Loss) Since 31/03/24 (£ / %)	2024/25 Combined Annual Return (%)
Federated Hermes Property Unit Trust	3,999,951	80,218 4.00%	88,651 4.42%	159,998 4.00%	168,431 4.21%	3,665,122	(334,829) (8.37%)	(99,667) (2.65%)	1.77%

Table 8b - Property Funds (Capital Expenditure)

Financial Institution	Purchase Cost (£)	Q2 Budgeted Net Revenue 2024/25 (£ / %)	Q2 Estimated Net Revenue (£ / %)	2024/25 Budgeted Net Revenue 2024/25 (£ / %)	2024/25 Estimated Outturn Net Revenue (£ / %)	Net Asset Value (£)	Total Gain/(Loss) Since Purchase (£ / %)	Capital Gain/(Loss) Since 31/03/24 (£ / %)	2024/25 Combined Annual Return (%)
Schroder UK Real Estate Fund	4,800,037	96,264 4.00%	90,722 3.77%	192,002 4.00%	186,460 3.88%	4,284,319	(515,718) (10.74%)	(30,618) (0.71%)	3.06%
Threadneedle Property Unit Trust	4,798,987	96,243 4.00%	85,502 3.55%	191,960 4.00%	181,219 3.78%	4,044,730	(754,257) (15.72%)	88,126 2.23%	5.78%
BlackRock UK Property Fund	4,800,032	96,263 4.00%	79,164 3.29%	192,001 4.00%	174,902 3.64%	4,197,477	(602,555) (12.55%)	20,247 0.48%	3.77%
M&G Investments UK Property Fund (after distribution payments)	403,531	8,093 4.00%	8,093 4.00%	16,141 4.00%	16,141 4.00%	514,372	110,841 N/A	(64,599) N/A	N/A

AEW UK Core Property Fund	4,800,000	96,263 4.00%	79,387 3.30%	192,000 4.00%	175,124 3.65%	4,133,371	(666,629) (13.89%)	14,655 0.36%	3.66%
TOTAL	19,602,587	393,126	342,868	784,104	733,846	17,174,269	(2,428,318)	27,811	
Adjustment for 2023/24 Accrual			(23,186)		(23,186)				
TOTAL REVENUE & CAPITAL FUNDS	23,602,538	473,344	408,333	944,102	879,091	20,839,391	(2,763,147)	(71,856)	

The overall change in the combined Net Asset Values for all funds during the first half of 2024/25 has been a reduction of £71,856 compared to an increase of £82,461 at Quarter 1.

At the year end the movement in fair value of the Revenue Fund gets charged to the revenue account. There is currently a statutory override which has been extended to 31 March 2025 which allows for these movements in fair value on pooled investments funds to be reversed out through the MIRS so there is no bottom-line impact.

The movement in fair value of the Capital Funds gets charged to the revenue account and reversed out through the MIRS to the capital adjustment account each year end so there is no bottom-line impact.

Property Fund Dividends

An analysis of revenue distributions received since the purchase of the property funds to 30 September 2024 can be found in **Table 9** below.

Table 9 – Property Fund Dividend Information

Financial Institution	Actual Net Dividend Distributions Received Pre 2024/25	Net Dividend Distributions Received 2024/25	Adjustment For 2023/24 Accrual	Total Net Distributions Received Since Purchase
Federated Hermes Property Unit Trust	1,003,936	88,651	2,165	1,094,752
Schroder UK Real Estate Fund	1,175,284	90,722	(1,406)	1,264,600
Threadneedle Property Unit Trust	1,121,628	85,502	(3,470)	1,203,660
BlackRock UK Property Fund	818,458	79,164	1,760	899,382
M&G Investments UK Property Fund (excluding liquidation distributions)	679,584	8,093	0	687,677
AEW UK Core Property Fund	1,062,580	79,387	(22,235)	1,119,732
Total Revenue	5,861,470	431,519	(23,186)	6,269,803

The M&G UK Property fund is liquidating its assets and therefore their fund valuation is reducing as repayments are made. Of the £4.8m originally invested, M&G have now paid East Lindsey DC distribution payments totalling £4,396,469 as of 30 September 2024, from the asset sale proceeds leaving a book value of £403,531 outstanding.

Maturity Structure of Investments

An analysis of the maturity structure of investments on 30 September 2024 can be found in **Table 10**.

Table 10 - Maturity Structure of Investments on 30 September 2024.

Period to Maturity	Amount (£)	% of Portfolio
Instant Access	10,100,773	11%
Less than one month	3,000,000	3%
One to three months	18,000,000	20%
Three to six months	5,500,000	6%
Six to nine months	17,000,000	19%
Nine months to a year	8,000,000	9%
InvestEL	3,891,552	5%
>12 Months	23,602,538	27%
TOTAL	89,094,863	100%

Summary of Investment Income Received Against Budget and Forecast Outturn

Table 11 below provides a comparison of investment income received against budget at Quarter 2 and a forecast outturn position for the year.

Table 11 - Investment Income Received Against Budget and Outturn

Investment Type	2024/25 Budget Quarter 2	2024/25 Actual Quarter 2	2024/25 Variance Quarter 2	2024/25 Annual Budget	2024/25 Forecast Outturn	2024/25 Forecast Variance
Treasury Investments						
Gross Interest	(902,214)	(1,776,102)	(873,888)	(1,799,498)	(3,050,459)	(1,250,961)
Brokers Fees	<u>10,027</u>	<u>3,554</u>	<u>(6,473)</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Net Position	(892,187) (5.075%)	(1,772,548) (5.378%)	(880,361) (0.303%)	(1,779,498)	(3,030,459)	(1,250,961)
Property Funds						
Gross Distributions	(573,618)	(494,834)	78,784	(1,144,102)	(1,065,318)	78,784
Less Management Fees	<u>100,274</u>	<u>86,502</u>	<u>(13,772)</u>	<u>200,000</u>	<u>186,228</u>	<u>(13,772)</u>
Net Distributions	(473,344) (4.000%)	(408,332) (3.647%)	65,012 0.353%	(944,102)	(879,090)	65,012
M&G Property Fund Liquidation Distributions (<i>to be used for Minimum Revenue Provision Contributions as the original capital purchase was unfinanced capital expenditure</i>)	0	0	0	0	0	0
Total Net Income	(1,365,531) (4.531%)	(2,180,880) (4.920%)	(815,349) (0.389%)	(2,723,600)	(3,909,549)	(1,185,949)

*Broker fees noted in Table 11 are not included in the Investment Income position stated in Table 1. They are reported under AD Finance.

Treasury investments achieved an average rate of 5.378% (Q1 5.493%) and property fund investments achieved an average rate of 3.647% (Q1 3.525%). The combined rate achieved on all investments was 4.920% (Q1 4.969%).

At 30 September 2024 there was a favourable variance of £815,349 (Q1 £396,362) and the forecast outturn was a favourable variance of £1,185,949 (Q1 £1,013,241).

The higher level of investment income achieved compared to the original budget is due to interest rates in the market being higher than the budgeted return for 2024/25 and balances available for investment being higher due to slippage in the 2023/24 capital programme.

External Borrowing

The Council has no external borrowing.

Summary of the Net Position Against Budget and Forecast Outturn

The table below provides an analysis of the net position following the decision to repay the PWLB borrowing and takes account the discount which must be allocated to revenue over a ten-year period in accordance with proper accounting practice.

Table 12 - Net Position Against Budget and Forecast Outturn

	2024/25 Budget Quarter 2	2024/25 Actual Quarter 2	2024/25 Variance Quarter 2	2024/25 Annual Budget	2024/25 Forecast Outturn	2024/25 Forecast Variance
Net Investment Income (Table 11)	(1,365,531)	(2,180,880)	(815,349)	(2,723,600)	(3,909,549)	(1,185,949)
Premature Repayment of Borrowing Discount Allocated to Revenue	(418,356)	(418,356)	0	(834,425)	(834,425)	0
Overall Net Position	(1,783,887)	(2,599,236)	(815,349)	(3,558,025)	(4,743,974)	(1,185,949)

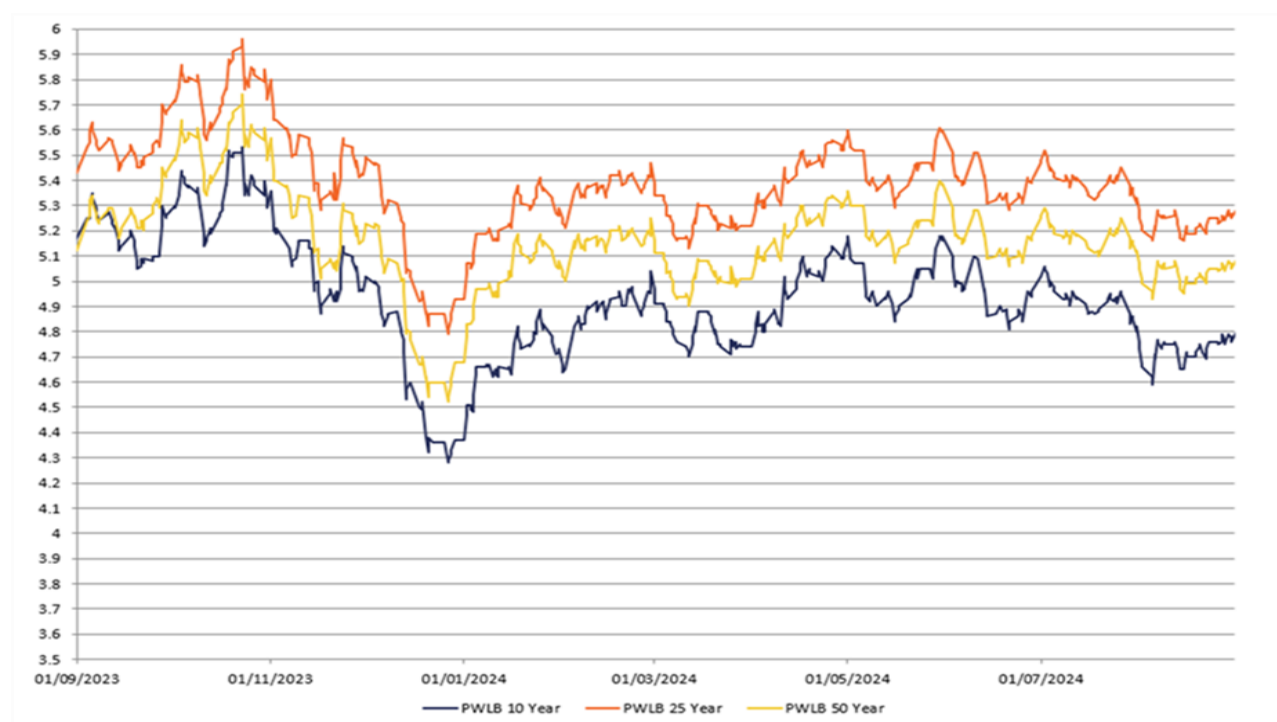
At 30 September 2024 there was a favourable variance of £815,349 (Q1 £396,362) and the forecast outturn was a favourable variance of £1,185,949 (Q1 £1,013,241).

Public Works Loan Board (PWLB) Borrowing Rates

During the first five months of the financial year PWLB rates have generally been on a downward trajectory reflecting the expectation that interest rates will fall during the remainder of the financial year.

The 50 year PWLB certainty rate was 5.05% on 31 August 2024 compared with 5.18% at the end of June 2024.

The following graph shows the PWLB rates over the last 12 months.

Graph 1 – PWLB Borrowing Rates**Summary**

The Bank of England Base Rate was cut by 0.25% to 5.00% at the July Monetary Policy Committee meeting and there have been no further changes.

Local authorities are now offering higher rates compared with Financial Institutions by around 0.25% in the one year period. The number of Local Authorities looking to borrow is slowly starting to pick up as we head into the second half of the financial year.

Section 2.5 – Debt Collection

A review of debts is undertaken every month, and monitoring is reported against targets. In line with the new financial procedure limits there are no debts in excess of £75,000 requiring Executive Board approval for write off. Debts below this level have been submitted to the s151 Officer and Portfolio Holder for write off.

An analysis of the sundry debts the Council held as at 30th September 2024 is shown in Table 8 below:

0-30 days £	31-60 days £	61-90 days £	91-120 days £	121-183 days £	184-365 days £	Over 365 days £	Total £
1,811,273	27,514	26,993	1,128,029	219,931	27,085	430,615	3,425,014

Note: This does not include details of invoice amounts £708,685.59 (that are not yet due).

Section 2.6 – Council Tax and Business Rates

There remains uncertainty over the longer term effect on collection and recovery as a result of the ongoing impact of the pandemic, and the cost of living challenges. In recognition, we continue to remain prudent in setting the bad debt provision in this area. A programme of statutory recovery activity is in place throughout the year.

Council Tax Support Scheme (CTS)

Following the annual review during 2023/24, the 2024/25 scheme has remained unchanged from the previous year, allowing for national up-ratings. A more fundamental review of the scheme is underway in 2024/25.

Council Tax – 2024/25 Quarter 2 In-Year Collection

The collectable debit for the year at 30 September 2024 was £102.6m with a net collection rate of 53.15% achieved (53.52% at 30 September 2023).

Business Rates – 2023/24 In-Year Collection

The collectable debit for the year at 30 September 2024 was £41.6m with a net collection rate of 56.25% achieved (59.45% at 30 September 2023). (It should be noted that the addition of a large hereditament to the rating list in the summer has impacted the collection rate at this time but this will be resolved in the next period).