

# REPORT TO COUNCIL

REPORT OF: COUNCILLOR MRS L NEAL - LEADER  
COUNCILLOR T BRYANT – GOOD HOUSING  
PORTFOLIO HOLDER

REPORT NO.: HOF310

DATE: 2nd MARCH 2015

<b>TITLE:</b>	<b>Determination of Budget 2015/16 and indicative budgets to 2017/18 – General Fund, Housing Revenue Account and associated capital programmes.</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Budget Framework Proposal	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Mrs L Neal Leader of the Council Cllr Teri Bryant Housing Portfolio Holder	
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<b>INITIAL IMPACT ANALYSIS:</b>  Equality and Diversity	Stage 1 Equality impact analysis undertaken	Full impact assessment Required: N/A
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council’s website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	Report to Cabinet 2 February 2015 – Budget Proposals 2015/16 <a href="http://moderngovsvr/ieListDocuments.aspx?CId=164&amp;MId=3055&amp;Ver=4">http://moderngovsvr/ieListDocuments.aspx?CId=164&amp;MId=3055&amp;Ver=4</a>  Budget consultation results <a href="http://www.southkesteven.gov.uk/">http://www.southkesteven.gov.uk/</a> Equality impact analysis <a href="http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=261&amp;MId=3104&amp;Ver=4">http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=261&amp;MId=3104&amp;Ver=4</a>	

## 1. RECOMMENDATIONS (PART A)

### In relation to the General Fund - Revenue (Recorded Vote)

- a. to set a General Fund budget requirement of £13.014M for 2015/16 shown at Appendix A (inclusive of special expenses) taking into consideration the savings and efficiencies shown at Appendix B
- b. to approve a Council Tax freeze (no increase) for 2015/16
- c. to note the indicative base estimates for 2016/17 and 2017/18 as detailed in the summary at Appendix A.
- d. To approve the fees and charges as shown at Appendix C

### In relation to the General Fund – Capital (Recorded Vote)

- e. approve the General Fund Capital programme for 2015/16 to 2019/20 detailed at Appendix D page 1
- f. approve the Capital Financing statement detailed at Appendix D page 2

### In relation to the General Fund - Reserves and Balances (Recorded Vote)

- g. to approve the use of reserves as detailed at Appendix E

### Management and prudential indicators (Recorded Vote)

- h. to approve the Treasury Management Strategy provided at Appendix F

### In relation to the Housing Revenue Account - Revenue

- i. to approve dwelling rent increases in accordance with Government guideline rent providing an average rent of £80.91 (an average rental increase of 3.56%)
- j. to approve an increase in garage rents of 2.3%
- k. to approve an increase in service charges by 2.3%
- l. to approve the Housing Revenue Account for the year 2015/16 (including the items at Appendix H in the report) and indicative years 2016/17 and 2017/18 shown at Appendix G

### In relation to the Housing Revenue Account - Capital

- m. approve the indicative Housing Investment Programme for 2015/16 to 2019/20 detailed at Appendix I page 1
- n. approve the Capital Financing statement detailed at Appendix I page 2

### In relation to the Housing Revenue Account - Reserves and balances

- o. to approve the use of the reserves as detailed at Appendix J.

### Pay Policy Statement

- p. to approve the pay policy statement shown at Appendix K

## PART A

### 2. PURPOSE OF THE REPORT

- 2.1 The purpose of this report is to present to Council:-
- 2.2 The Budget estimates for 2015/16, revenue and capital, the level of Council tax, housing rent increase and the subsequent Treasury Management Strategy.
- 2.3 Members are asked to consider the contextual information presented and to approve the Council's budget for 2015/16.

### 3. DETAILS OF THE REPORT

#### **Budget Process - Estimates for 2015/16**

- 3.1 The budget has been compiled incorporating the key principles of the Council's Medium Term Financial Strategy (MTFS) and a balanced position has been achieved for 2015/16 against a backdrop of continuing reductions in Government funding. The principles approved by Council have assisted in achieving a budget that will continue to support the delivery of the Council's priorities. This will in turn continue the progress towards the 2021 Vision as identified in the Corporate Plan.

The principles utilised are:

- Council tax level shall be set each financial year having regard to the prevailing conditions at that time (including availability of freeze grants and referendum levels)
- Resources and un-ring fenced grants will be allocated to fund the delivery of the priority outcomes that residents have said are important to them
- An annual review of fees and charges with inflationary increases having regard to the service contribution towards delivery of the priorities and reflecting market conditions prevailing at that time
- The monies received from New Homes Bonus shall be used to fund the delivery of Council priority projects and initiatives
- Reviewing business rate pooling arrangements for 2014/15 whilst ensuring that pooling remains beneficial to the Council
- Reviewing and updating, on an annual basis, the Efficiencies and Business transformation plan and monitor achieved savings

**Table 1**

<b>Inflation Factors</b>	<b>Assumption (%)</b>
Retail Price Index	3.3
National Business Rate	3.0
Utility Cost increase	5.0
Drainage Board Levies	Ranging from 0 – 3.0
Fuel costs	5.0
Interest Rates	0.9
Salary Vacancy Factor	3.0
Growth in numbers of Band D equivalent properties	2.7

- 3.2 Investment Income - the financial forecasts in respect of investment income over the next four years have been modelled on the following anticipated levels of interest rates (provided by the investment advisors):

**Table 2**

<b>Financial Year</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Base Rate	0.63%	1.12%	1.75%
Money Market Rate (average mid-term point.)	0.9%	1.2%	1.80%

This information has been utilised to anticipate the potential levels of interest income the Council will receive for its investment of the reserve balances. This income will be shared between the General Fund and the Housing Revenue Account. Forecast interest due to the General fund is shown in table 3 below and in Appendix A. Further details of the Council's investment strategy are contained in Appendix F to this report

- 3.3 The General Fund budget proposes a net service expenditure of £15.391M for 2015/16 broken down by priority focus as follows:

**Table 3**

		Original base 2014/15 £'000	Estimated base 2015/16 £'000	Indicative base 2016/17 £'000	Indicative base 2017/18 £'000
1	Grow the Economy	1,091	963	546	531
2	Clean, Green and Healthy	5,845	6,104	6,185	6,282
3	Leisure, Arts and Culture	3,116	2,893	2,728	2,647
4	Good Housing For All	979	992	1,056	1,119
5	Well Run Council	4,007	4,439	4,226	3,745
6	<b>Net Service Expenditure</b>	<b>15,038</b>	<b>15,391</b>	<b>14,741</b>	<b>14,324</b>
7	Net Interest	(130)	(148)	(150)	(174)
8	Minimum Revenue Provision	167	165	160	155
9	Capital Charges	(2,772)	(2,867)	(2,795)	(2,691)
10	Revenue contribution to capital	1,188	1,202	500	500
11	Local CT support grant	107	105	96	96
12	Corporate Savings	0	(300)	(305)	(310)
13	Movement on Reserves	(413)	(534)	395	552
14	<b>Budget Requirement</b>	<b>13,185</b>	<b>13,014</b>	<b>12,642</b>	<b>12,452</b>

- 3.4 The overall General Fund position for 2015/16 is shown at Appendix A. The total service expenditure (net of direct income) for 2015/16 is estimated at £15.391M. The Revenue contribution to the capital programme is £1202K as shown at Appendix A of the General Fund position. This additional one-off revenue contribution has been made in order to avoid additional use of the Council's capital receipt reserve which has been the primary source of financing for the capital programme in recent years. However it is anticipated that further receipts will be generated in the coming months as a result of specific asset disposal opportunities being taken.
- 3.5 The proposed budgets include a small number of additional items that have been identified. These can be summarised as:

**Table 4**

Reduction in recycling credits and changes in gate fee prices	£700,000**
Gravity Fields 2016 – preparatory work	£40,000*
Georgian Festival 2015	£75,000*
Changes in income levels	£98,000

\*these items will be funded from the events and festivals reserve

\*\*the combined figure shown is the total budget movement following the updated position in the reduction in recycling credit income to be received from Lincolnshire County Council and the reduction in income received in respect of recycling gate fees.

Following the period after Cabinet recommended its budget on 2 February 2015, updated information has been received with respect to a number of funding positions that will have an impact on the budget proposals. Lincolnshire County Council has updated its current proposals with respect to the income from recycling credits which may result in a further reduction of £382K in 2015/16 with further impacts of £395K in 2016/17 and £281K in 2017/18. The position is still to be resolved and some uncertainty remains. The Office of the Police and Crime Commissioner has confirmed that there will be no funding allocation with respect to second homes council tax income from 2014/15. Over the period of the 3 years budget proposals this will result in a reduction in income of £60K. Confirmation has also been received from North Kesteven District Council that they will no longer require the CCTV surveillance service from 1 May 2015 which result in a loss of income totalling £35K per annum. Due to the late notification of these budgetary changes, the base budgets shown at table 3 have not been updated to reflect them. It is proposed that for 2015/16 the changes will be met from in-year efficiencies or utilisation of the Council's section 31 grant reserve (shown at Appendix E) if necessary. For the following years, these new pressures will be considered as part of the financial framework to budget setting for 2016/17.

- 3.6 The Council adopted a local scheme of conditions of employment but has historically made annual pay awards in line with the National Joint Council agreement with Unions. The budget assumption for 2014/15 was for a 1% pay rise with effect from 1 April 2014 and this was paid to all staff in July 2014. Subsequently the National Employers and the Trade Unions agreed a pay award of 2.2% for most grades covering the period 1 January 2015 to 31 March 2016 (£62K). Part of the award also included one off non-consolidated payments (£60K) and it is proposed to accommodate this payment from the year end provision for 2014/15. The Council introduced a local living wage arrangement for SK grades 1,2 and 3 in 2013 to be reviewed on an annual basis. The national award also

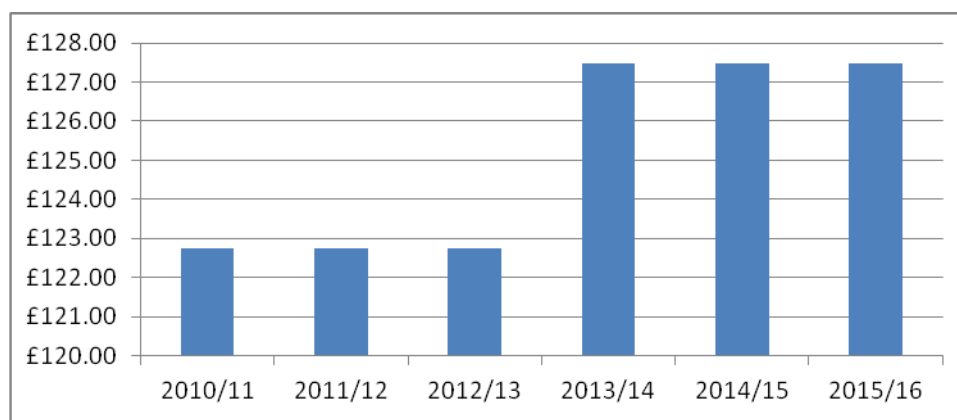
improves the offer for lower paid staff with an increase between 2.32% and 6.19%. The Council's 2015/16 pay policy statement is shown at Appendix K.

- 3.7 The Council continues its track record of delivering savings and efficiencies whilst ensuring that resources are allocated to front line services and delivering priority outcomes. In order to maintain a balanced position for 2015/16, further savings have been identified and are detailed at Appendix B.
- 3.8 The proposed Council fees and charges were approved by Cabinet in December 2014, and have been compiled in accordance with the new charges strategy. This sets out the key principles of the methodology to be used when setting fee structures. Full details of the proposed fees and charges for 2015/16 are provided at Appendix C.

#### **4. The District's basic amount of Council Tax 2015/16**

- 4.1 The calculation of the Council's basic amount of Council Tax is made by deducting from the £13.014M budget requirement (including special expense areas but excluding parishes), the external support that will be received from the Government in the form of projected baseline funding of £6.883M .This includes all specific grants – council tax support scheme, legacy council tax freeze grants, homelessness grant. An adjustment is then added to the projected forecast of the Council's element of the Collection Fund balance of £117K in order to provide a baseline funding level.
- 4.2 The Government has announced that a further Council Tax freeze grant in 2015/16 equivalent to a 1% increase is available. The grant for the 2015/16 freeze will be approximately £67K and paid to participating authorities in the financial year 2015/16 and thereafter it will be incorporated into the support grant. For the purposes of providing a budget requirement figure it has been assumed that the freeze grant of £67K is included.
- 4.3 Consultation has been undertaken with the Council's business community together with residents via an on-line survey. 51% of the feedback supported a council tax freeze for 2015/16. Cabinet at it's meeting on 2 February 2015 considered the feedback and recommended a council tax freeze for 2015/16 which will retain the Council tax charge (excluding SEA) at £127.47 for a Band D property.

#### **South Kesteven Band D charge 2010/11 – 2015/16 (recommended)**



## **5. Future outlook**

- 5.1 Budgets have been prepared for a three year period with indicative budgets for 2016/17 and 2017/18. Final settlement figures for 2015/16 have been announced by Government which show a continuing reduction in the amount of Revenue Support Grant by £1.2M. It is anticipated that grant cuts will continue beyond 2015/16 so the Council is responding by accelerating its savings and transformation proposals, building on the work that has already released significant cost reductions and efficiencies. The Council made the decision, from 2014/15, to join the Lincolnshire business rates pool. The pooling mechanism allows the financial benefits of local business growth to be retained locally rather than being paid to the Government in the form of a levy payment. Early forecast predictions estimate that this could generate in the region of £266K per annum based on an assumed level of economic growth. Cabinet has agreed to retain the Council in the Rating Pool for 2015/16 in line with the MTFs.
- 5.2 As a consequence of the changes to the base budgets as detailed at paragraph 3.5, it will be necessary to review and update the MTFs over the coming months that will also include the updated position from central government with respect to future funding proposals for government departmental spending. The primary objective of the updated MTFs will be that the Authority is moving towards a self financing model by 2019/20 without any reliance on external grant support.

## **6. Housing Revenue Account**

- 6.1 The recently approved Housing Revenue Account Business Plan has driven the budget setting process by providing a key focus for the allocation of resources in order to deliver the stated objectives of the plan. The full revenue summary of the HRA is shown at Appendix G.
- 6.2 The key components of the budget proposals for 2015/16 are focussed on the following:
- Letting homes , managing and supporting tenancies
  - Engaging and involving tenants in service delivery
  - Ensuring that properties meet the decent homes standard
  - Providing a timely and effective responsive repairs service
  - Continuing to improve the energy efficiency of the stock and attracting external funding
  - Ongoing investment in improving access to sheltered schemes and communal areas of accommodation
  - Acquisition and/or development of additional homes within the HRA
- 6.3 The Housing Asset Management Strategy 2013-2018 defines a number of key actions that will further improve service and operational delivery. The key objective is to improve the quality and condition of stock beyond the Decent Homes Standard to a South Kesteven Standard.
- 6.4 The Strategy details our commitment to:
- Carry out regular appraisals of the housing stock to ensure that it remains sustainable and meets local housing needs

- Focus on improving the energy efficiency of non-traditional stock and so reducing the impact of fuel poverty
- Further improve our repairs and maintenance systems together with our approach to procurement to deliver cost effective and responsive services
- Identify and develop opportunities to better utilise land and property assets to maximise the availability of affordable housing

6.5 The proposed budgets include a small number of additional items that have been identified. These can be summarised as:

**Table 5**

Increase in property maintenance budgets	£307,000
Resurfacing and parking bays	£160,000
Contribution to street cleansing	£40,000

As referred to at paragraph 3.6 the Council adopted a local scheme of conditions of employment but has historically made annual pay awards in line with the National Joint Council agreement with Unions. The budget assumption for 2014/15 was for a 1% pay rise with effect from 1 April 2014 and this was paid to all staff in July 2014. Subsequently the National Employers and the Trade Unions agreed a pay award of 2.2% for most grades covering the period 1 January 2015 to 31 March 2016 (£20K). Part of the award also included one off non-consolidated payments (£16K). It is proposed to accommodate this payment from the year end provision for 2014/15. The Council introduced a local living wage arrangement for SK grades 1, 2 and 3 in 2013 to be reviewed on an annual basis. The national award also improves the offer for lower paid staff with an increase between 2.32% and 6.19%.

The Housing Revenue Account has also continued delivering savings and efficiencies whilst ensuring that resources are allocated to front line services and delivering strategy outcomes. The main items are shown at Appendix H):

## **7. Housing Revenue Account 2015/2016 – Rent Proposals**

7.1 The main element of policy relating to the HRA for 2015/16 is the setting of rents. The Council's current policy is to keep in line with the Government's guidance on rent restructuring.

In respect of rental income, Cabinet is reminded that from April 2015, dwelling rents will increase with CPI+1% (consumer price index) in accordance with Government rent setting guidance following the achievement of rent convergence. Void rent assumptions will once again be budgeted at 1.5% although during the current year this is closer to 1% thus gaining an additional £126k in collectable income. Given the volatility of the void rate it is considered prudent to continue to budget at 1.5% for 2015/16. Right to buy (RTB) assumptions are set at 26 with the current year projected to be closer to 36 sales. The RTB assumption included in the 30 year business plan is 26 sales per annum but will be reviewed on an annual basis.

The actual rent is calculated on a property by property basis using these parameters. For 2015/16 this has produced an average increase for SKDC tenants of 3.56%. At the level of individual dwellings, the percentage increase will depend upon each property's proximity to its target, with increases varying between 2.6%

and 3.97%. In cash terms, the average rent will be £80.91 with a minimum of £53.60 and a maximum of £117.25. Garage rents and service charges are increased in line with September RPI (retail price index) figure.

7.2 Consultation has been undertaken with tenants via the Neighbourhood, Community & Tenancy Service Review Group with respect to the proposed increases and no specific concerns were raised. All tenants will be contacted and details of their specific rent increase will be provided in advance of the new financial year.

## **8. Reserves and Balances**

8.1 The Local Government Act 2003 requires the Chief Financial Officer, (section 151 officer), to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year. Under the Local Government Finance Act 1988, all balances held by the Council are at the direct disposal of the General Fund with the exception of the Housing Revenue Account balances, the Collection Fund or any funds held in trust. A statement showing the forecast balances of revenue and capital reserves and their movements is provided at Appendix E (General Fund) and Appendix J (HRA).

During the course of the budget preparation work Cabinet has requested a review of the reserves and their intended purpose to ensure they are focussed on supporting the delivery of the priorities of the Council. The following are a summary of the proposed key changes made to the reserves:

- Formation of a community fund reserve of £300K to contribute towards development of local community initiatives
- Replenishment of the events and festivals reserve to support Gravity Fields 2016 and the Georgian Festival 2015

8.2 The General Fund working balance is required so that the Council has sufficient funds available to meet its cash flow requirements and to protect services against unforeseen events that have a financial consequence and are not included in the budget framework. The balance has been reviewed and will be set at £1.912M representing 12.5% of net operating expenditure. This is in line with current Council policy.

8.3 The HRA has a number of reserves split between revenue and capital. The revenue reserves consist of the insurance reserve, the improvement reserve and the working balance. The working balance is intended to provide financial support to the HRA should any significant unforeseen costs arise during the financial year. The capital reserves that are primarily used to finance the HRA capital programme are the major repairs reserve and the capital receipts reserve. In addition the HRA has a loan repayment reserve which is receiving annual surplus allocations in order to meet the maturity payment of £25M in 2019/20. However before this payment is made, the HRA has other financing options it can consider such as re-financing the loan in order to utilise the surpluses for other priorities in accordance with the Housing Strategy. Therefore this will be kept under review and members will have the opportunity to consider the financing options available to them before the payment maturity period.

## **9. Capital Programme 2015/16 - 2019/20**

- 9.1 The recommended combined Capital Programme provides a forecast outturn of £9.147M and an indicative 5 year programme totalling £42.497M. This is a significant and ambitious capital programme in terms of number of projects and level of investment and demonstrates the Council's continued commitment to enhancing the district and its amenities and infrastructure.

### General Fund Programme

- 9.2 The General Fund capital programme is focussed on the delivery of priority projects particularly in relation to Grow the Economy – economic regeneration. Full details are provided at Appendix D and it shows an ambitious programme over the next 5 year period together with the forecast outturn position for 2014/15. The main areas of focus are still the cinema development at St Peter's Hill and investment in service land and supporting local businesses. An additional £400k will be invested at the Meres Leisure Centre, which will leave a further significant reduction in the management fee. The Council will also invest in plant and equipment to support waste management and street cleansing.

In order to boost the lettings of the Bourne core area retail developments it is proposed to utilise £75K of the current year underspends to provide customised retail shell units. Final account discussions for the scheme are currently underway and due to additional section 278 works, it is anticipated that the scheme costs will increase by £237K. However it is expected that this additional cost will be recovered from an increase in future capital receipts.

The overall level of investment in the local area will provide a significant economic boost and ensure the Council continues its track record of delivering its priorities. The financing of the programme is also provided and demonstrates the Council can continue to fund the programme over the period of the programme without the need for external borrowing.

### Housing Investment Programme (HIP)

- 9.3 The HIP is forecast to outturn at £6.832M for 2014/15. The proposed 5 year programme currently focuses on delivery of the decent homes programme together with a range of additional estates management projects. Funding the HIP will be met from the major repairs reserve and useable capital receipts reserve.

The HRA Capital programme is primarily driven by the objectives of the recently approved Business Plan and delivers a number of outcomes including more fuel efficient housing stock and more new affordable homes. There is a projected increase in the 2015/16 capital programme from £3.3m to £7.3m. Full details of the HRA programme can be found at Appendix I. Expenditure during 2014/15 resulted in 13 new homes being completed with a further 20 in progress at Lincoln Road Stamford and anticipated to mostly be completed by the end of May 2015. The investment in LED lighting, to reduce future running costs, was approved by Council in September 2014 and whilst the majority of the work is expected to be in place a proportion (£275K) will carry on into the new financial year. Allocation of budget for strategic land acquisition (£198K) has been rolled forward into 2015/16 budget proposals.

The breakdown of the newly proposed budget requirements are detailed below:

**Table 6**

PROJECT	£(000)
Central Heating, Ventilation and Boiler Replacements (300 homes)	50
New Build Properties including site preparation (12)	1,500
Re-roofing (100 homes)	213
Re-wiring (80 homes)	140
Kitchen & Bathroom Refurbishments (280 homes)	200
Replacement Door Programme (16)	4
External Wall Insulation (99 homes)	1,010
Fencing ( pilot project)	120
Software upgrades	65
Programme slippage from 2014/15	833
Changes to budget allocations from indicative 2015/16	(66)
<b>Total</b>	<b>£4,069</b>

### Proposed Financing of the Capital Programme

9.4 Appendix D and Appendix I provides details of the proposed method of financing the capital programmes, which will be reviewed when preparing the Statement of Accounts for each financial year to enable the most financially advantageous form of financing for the Council. In respect of the General Fund it is proposed to utilise existing reserves and together with a revenue contribution of £1.202M in 2015/16. In respect of HIP it is proposed to finance the programme from the Major Repairs Reserve and useable capital receipts reserve.

## **10. Prudential Code**

10.1 The Council complies with the Prudential Code for controlling Local Government capital. The key objectives of the code are to ensure that:

- Capital Investment Plans are affordable, prudent and sustainable
- All external borrowings and other long term liabilities are within prudent and sustainable levels
- Treasury Management decisions are taken in accordance with good practice and in a manner that supports prudence, affordability and sustainability
- The Local Authority is accountable for decisions made
- It supports local strategic planning, local asset management planning and proper option appraisal.

10.2 The Council's current financial planning systems demonstrate the affordability of the capital programme and the 2015/16 estimates have been prepared in the context of these plans and controls.

## **11. Treasury Management and Investment Strategy**

11.1 In accordance with the requirements of the Local Government Act 2003 a Treasury Management Strategy is provided within Appendix F outlining the Council's prudential indicators for 2015/16 – 2017/18 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements as provided by the Local Government Act 2003.

- The reporting of the prudential indicators setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix F Section 1);
- The Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year (Appendix F Section 1);
- The treasury management strategy statement which sets out how the Council's treasury service will support the capital decisions taken above in accordance with the CIPFA Code of Practice on Treasury Management (Appendix F Section 2);
- The investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss (in accordance with the CLG investment guidance) (Appendix F Section 3);

11.2 A review of the Treasury Management strategy has taken place in conjunction with the Council's treasury management advisors to ensure the strategy provides a framework for effective, efficient treasury management activity and ensure the Council's exposure to risk is minimised. Whilst it is widely acknowledged that exposure to risk cannot be removed, good governance and scrutiny arrangements help to ensure the exposure is minimised. The Council's arrangements in respect of robust monitoring and reporting of treasury management activities are based on best practice. Specifically, Governance and Audit Committee ensure the governance and scrutiny function is undertaken on behalf of the Council and during the past year has received specific treasury management training and receives regular half yearly reporting information.

## **12. Collection Fund**

- 12.1 All relevant transactions associated with Council Tax and Non Domestic Business Rates are shown in the Collection Fund.
- 12.2 To comply with CIPFA's Best Value Accounting Code of Practice authorities are required to forecast the outturn on the Collection Fund as at 31<sup>st</sup> March each year in order to distribute this amount to precepting bodies in the following financial year (together with any remaining unallocated surplus or deficit from previous years).
- 12.3 For this financial year SKDC has forecast the outturn for 2014/15 and in 2015/16 will distribute this forecast surplus whilst at the same time collecting the remaining deficit from the 2013/14 outturn. Remaining surplus (or deficit) from previous years occurs when there is a difference between the forecast for that year and the actual outturn.
- 12.4 Any surplus or deficit arising from Council Tax transactions is shared between South Kesteven District Council, Lincolnshire County Council and Lincolnshire Police (the precepting bodies) in proportion to their demands on the Collection Fund. Any surplus or deficit arising from Non Domestic Business Rates is shared between South Kesteven District Council, Lincolnshire County Council and Central Government in the ratio 40:10:50 respectively.

- 12.5 The accumulated surplus on the Collection Fund at 31<sup>st</sup> March 2014 was £120K but £353K has been distributed during 2014/15. The forecast outturn for 2014/15 is a surplus of £850K. A breakdown of the £850K which will be distributed during 2015/16 is:

**Table 7**

<b>Precepting Body</b>	<b>Distribution Surplus/(Deficit) £</b>
South Kesteven District Council	(116,915)
Central Government	(389,669)
Lincolnshire CC	1,135,018
Lincolnshire Police	221,172
<b>Total Surplus on Collection Fund</b>	<b>849,606</b>

- 12.6 With respect to second homes income, Lincolnshire County Council has yet to confirm it's allocation for 2015/16 whilst the Lincolnshire Police Crime Commissioner has confirmed it will no longer be allocating funding from 2014/15. The amount estimated to be received from the County Council for 2015/16 is £108K and from the Police had been £20K.

**13. Statement by Chief Finance Officer (S151 officer)**

- 13.1 The 2015/16 Budget and indicative budgets for 2016/17 to 2017/18 have been drawn up to take account of the Council's various strategies, policies and the financial context, in particular:

- The Corporate Plan – 2021 Vision
- The Medium Term Financial Strategy (MTFS)
- The Housing Revenue Account Business Plan
- Service Strategies and Plans
- Asset Management Strategy
- The economic context and recent grant announcements
- The 2014/15 forecast outturn

The MTFS will continue to be reviewed and updated following national policy announcements, in particular any further changes to funding arrangements. This is necessary as the Council progresses its work to close the budget gap referred to at paragraph 5.1 in the report.

- 13.2 The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer must report on:

- (a) the robustness of the estimates made for the purposes of the budget calculations and;
- (b) the adequacy of the proposed financial reserves

**14. OTHER OPTIONS CONSIDERED**

- 14.1 N/A

## 15. RESOURCE IMPLICATIONS

15.1 These are contained in the report.

## 16. RISK AND MITIGATION

16.1 In formulating my opinion a number of risks and factors have been taken into account.

- a. The **grant settlement from Government for future years** has been announced for 2015/16 only. It is anticipated that further cuts will be announced in the next spending review following the General Election. The Council will need to meet the shortfall by growing both its business base and stimulating the conditions for housing growth.
- b. The impact of the **economic climate** will place higher demand on particular services in relation to social care and well being, specifically benefit advice and support and homelessness. This may create additional resource pressures in these service areas.
- c. **Investment Income, fees and charges and other revenue** – the forecast in respect of investment income is included in the budget proposals and shows an improvement over the three year period. Given the current volatility in respect of the economic market there is a risk of investment income not achieving the budgeted level. A number of fee income budgets have been included in the proposed budgets which, in themselves, carry a level of risk of not being achieved due to the economic climate or changes in contractual arrangements. Budgeted income from recycling remains at risk until we have a final understanding of the County Council's contractual position. In the event income levels differ from those that have been budgeted, then the financial impact will be mitigated by use of the section 31 revenue grant which is forecast at £1.255M at 31 March 2015.
- d. **Rental income** – With the introduction of a number of welfare reform changes there is extra emphasis on the collection of rent from tenants to ensure the current rental collection performance is achieved. This is particularly relevant in the context of the Housing Business Plan financial model in order to ensure the ambitious plans of the Council are financially affordable.

## 17. ISSUES ARISING FROM IMPACT ANALYSIS

17.1 An impact analysis has been undertaken and is available as background papers.

## 18. CRIME AND DISORDER IMPLICATIONS

18.1 N/A

## 19. COMMENTS OF FINANCIAL SERVICES

19.1 In recommending the budget to the Council, the Cabinet must take account of the advice of the Chief Finance Officer in respect of the above. For 2015/16 it can be confirmed that the budget presented to the Cabinet is robust in its formulation and the level of reserves is adequate for the organisation.

## **20. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

- 20.1 The budget forms part of the Council's Budgetary Framework. Members should have regard to the comments of the Strategic Director as the Council's Chief Financial Officer which are set out in section 13 above when making recommendations in accordance with the Local Government Act 2003. Any budget must be set in accordance with the Budget and Policy Framework Procedure Rules as set out in the Constitution.

## **21 COMMENTS FROM OTHER RELEVANT SERVICES**

- 21.1 N/A

## **22. APPENDICES:**

Appendix A – Revenue Estimate 2015/16 and indicative budgets 2016/17,  
and 2017/18

Appendix B – General Fund Savings and Efficiencies

Appendix C – Fees and Charges

Appendix D – General Fund Capital Programme and Financing

Appendix E – General Fund Reserves and Balances

Appendix F – Treasury Management Strategy

Appendix G – HRA Summary Account

Appendix H – HRA Savings and additional items

Appendix I – Housing Improvement Programme and Financing

Appendix J – HRA Reserves and Balances

Appendix K – Pay Policy Statement

## **COUNCIL TAX SETTING - PART B**

### **1 INTRODUCTION**

The purpose of this part of the report is to set the level of Council Tax for 2015/16 in accordance with relevant statutory requirements.

### **2 RECOMMENDATIONS**

The requirements are set out in paragraphs 32 to 36 of the Local Government Finance Act 1992, as amended (the "Act") and it is necessary for the Council to adopt the following formal recommendations:-

- 1) That the following amounts be calculated by the Council for the year 2015/16 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 (as amended)
  - a) £77,763,996 being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act (including special expense and parish precepts).
  - b) £63,605,236 being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act.
  - c) £14,158,760 being the amount by which the aggregate at a) above exceeds the aggregate at b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
  - d) £6,476,000 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed Non-Domestic Rates and Revenue Support Grant increased by the amount of the sum to be transferred from the Collection Fund to the General Fund
  - e) £171.67 being the amount at c) above less the amount at d) above, all divided by the Council's tax base of 44,753.20 as recorded in minute 29 of the cabinet meeting of 1 December 2014, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year 2015/16.
  - f) £2,071,850 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
  - g) £127.47 being the amount of e) above, less the result given by dividing the amount of f) above by the Council's tax base relating to special items as set on 1 December 2014, calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

h) Part of the Council's area

being calculated by adding to the amount at (g) above the amounts of special items relating to dwellings in those parts of the Council's area, divided in each case by the individual tax bases as recorded in minute 33 in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which special item relates.

<b><u>Parish</u></b>	<b><u>Adjusted Band D Equivalents</u></b>
	No.
Grantham combined	10295.23
Stamford combined	6753.02
Bourne Combined	4978.27
Allington	338.90
Ancaster	543.21
Aslackby	103.80
Barholm & Stowe	33.35
Barkston and Syston combined	242.89
Barrowby	683.50
Baston	544.72
Belton & Manthorpe	202.93
Billingborough	452.34
Bitchfield & Bassingthorpe	53.72
Boothby Pagnell	62.15
Braceborough & Wilsthorpe	139.34
Ropsley, Humby, Braceby, Sapperton combined	345.40
Burton Coggles	37.77
Careby	74.22
Carlby	200.66
Carlton Scroop and Normanton combined	126.26
Castle Bytham	284.72
Caythorpe & Frieston	513.16
Claypole	507.85
Colsterwoth, Gunby & Stainby, North Witham combined	743.16
Corby Glen & Birkholme	389.66
Counthorpe & Creeton	25.33
Deeping St James	2365.68
Denton	120.43
Dowsby	51.75
Dunsby	44.45
Stoke Rochford and Easton combined	90.58
Edenham	106.83
Fenton	57.33
Folkingham	267.24
Foston	210.09
Fulbeck	211.80

Greatford	126.02
Great Gonerby	719.78
Great Ponton	120.38
Haconby & Stainfield	182.26
Harlaxton	331.02
Heydour	148.48
Honington	64.27
Horbling	154.63
Hougham	77.62
Hough-on-the-Hill	156.76
Ingoldsby	113.57
Irnham	107.05
Kirkby Underwood	76.61
Langtoft	745.07
Lenton, Keisby & Osgodby	65.41
Little Bytham	110.71
Little Ponton & Stroxtun	65.73
Londonthorpe & Harrowby without combined	1608.55
Long Bennington	897.86
Market Deeping	2032.09
Marston	148.41
Morton & Hanthorpe	802.49
Old Somerby	87.07
Pickworth	75.24
Pointon & Sempringham	188.70
Rippingale	330.35
Sedgebrook	142.53
Skillington	130.63
South Witham	433.28
Stubton	71.83
Swayfield	137.54
Swinstead	72.71
Tallington	202.15
Thurlby	780.48
Toft Lound & Manthorpe	137.23
Uffington	314.14
Welby	78.64
Westborough & Dry Doddington	145.96
West Deeping	115.23
Witham-on-the-Hill	94.72
Woolsthorpe	138.51
Wyville cum Hungerton	19.80

- i) The amounts on the attached schedule (Appendix A to Part B), being the amounts given by multiplying the amounts at g) above and h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in valuation Band 'D', calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into

account for the year in respect of categories of dwellings listed in different valuation bands.

- j) That it be noted that for the year 2015/16, Lincolnshire County Council has stated the following amounts as a precept issued to the Council in accordance with Section 40 of the Local Government Finance Act, 1992, for each of the categories of dwellings shown below:-

**Valuation Band**

<b>A £</b>	<b>B £</b>	<b>C £</b>	<b>D £</b>	<b>E £</b>	<b>F £</b>	<b>G £</b>	<b>H £</b>
tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc

- k) That it be noted that for the year 2015/16, Police and Crime Commissioner has stated the following amounts as a precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

**Valuation Band**

<b>A £</b>	<b>B £</b>	<b>C £</b>	<b>D £</b>	<b>E £</b>	<b>F £</b>	<b>G £</b>	<b>H £</b>
tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc

- l) That, having calculated the aggregate in each case of the amounts at i), j) and k) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts in Appendix B to Part B as the levels of Council Tax for the year 2015/16 for the categories of dwellings shown in Appendix A to Part B.

**3 BACKGROUND**

- 3.1 The Council’s budget requirement has been recommended by the Cabinet and is dealt with in Part A of this report. Parish precepts are added to the District Council’s net expenditure requirement. Government support and adjustments to Collection Fund relating to Community Charge and District Council’s share of Council Tax are then deducted from the spending requirement to give a Demand on the Collection Fund.
- 3.2 The Council Tax Base of 44,753.2 was approved at the Cabinet meeting held on 1 December 2014 and the budget requirement will be spread by reference to the tax base previously approved, taking into account the precepts of individual Parishes recoverable over the Parish tax base.
- 3.3 The Council Tax bill for 2015/16 includes the requirements of Lincolnshire County Council and the Lincolnshire Police Authority which are responsible for setting their own Council Tax levels.

3.4 Lincolnshire County Council determined its Council Tax requirement at the meeting held on 20 February 2015, as follows:

Total Council Tax Requirement	tbc
SKDC precept element	tbc
Band D tax	tbc

3.5 The Lincolnshire Police and Crime Panel considered the Police and Crime Commissioner Lincolnshire's proposals at its meeting held on 24<sup>th</sup> February 2015. Subsequently The Police and Crime Commissioner has confirmed his Council Tax requirement as follows:

Total Council Tax Requirement	tbc
SKDC precept element	tbc
Band D tax	tbc

3.6 The overall increases for Band D tax payers, by Authority, are shown in the table below:

<b>Council Tax Details 2015/16</b>				
	2014/15 Band D	2015/16 Band D	Increase £	Increase %
Lincolnshire County Council	1065.69	tbc	tbc	tbc
Lincolnshire Police & Crime Commissioner	193.86	tbc	tbc	tbc
South Kesteven District Council	127.47	127.47	0	0
South Kesteven + Special Expenses	139.62	139.62	0	0
South Kesteven + Special Expenses + Parishes*	171.07	171.67	0.60	3.5%

\*the parish precept is net of localised council tax support grant allocation

#### **4 SETTING THE COUNCIL TAX**

4.1 The Local Government and Finance Act 1992 requires the Council to set Council Tax across the 8 valuation bands, and all precepting Parishes. The levels of overall Council Tax by Parish are attached at Appendix B to Part B.

#### **5. COMMENTS OF FINANCIAL SERVICES**

5.1 The financial implications of this section are included in Part A of the report above.

#### **6 COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

6.1 The Local Government Finance Act 1992 sets out the requirements placed upon the Council in relation to making formal recommendations relating to the setting of Council Tax and the Council's responsibilities as a billing authority.