

Cabinet



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Tuesday, 10 February 2026 at 4.00 pm
Council Chamber - South Kesteven House, St. Peter's Hill,
Grantham. NG31 6PZ

Committee Councillor Ashley Baxter, Leader of the Council (Chairman)
Members: Councillor Paul Stokes, Deputy Leader of the Council (Vice-Chairman)
Councillor Rhys Baker, Councillor Richard Cleaver, Councillor Phil Dilks, Councillor Philip Knowles and Councillor Virginia Moran

Supplement

5. **Budget Report for 2026/2027 including Indicative Budgets for 2027/2028 and 2028/2029 - Housing Revenue Account** (Pages 3 - 24)
6. **Budget Report for 2026/2027 including Indicative Budgets for 2027/2028 and 2028/2029 - General Fund** (Pages 25 - 116)

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Budget Proposals for 2026/27 and indicative Budgets for 2027/28 and 2028/29 – Housing Revenue Account

Report Author

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Purpose of Report

To present the draft budget proposals and estimates for 2026/27 for the Housing Revenue Account (HRA).

Recommendations

Cabinet is asked to make the following recommendations to Council to:

- **Approve the HRA budget for 2026/27 and indicative proposals for 2027/28 and 2028/29 (Appendix A).**
- **Approve an increase of 4.8% for 2026/27 for the social housing dwellings.**
- **Approve the proposed increase of 2% for garage rents and 3.8% increase for service charges.**
- **Approve the HRA Capital Programme and financing statement 2026/27 to 2028/29 (Appendix B).**
- **Approve the HRA Capital Programme budget carry forward of £10.416m from 2025/26 (Appendix B)**
- **Approve the movements in HRA Reserves (Appendix C)**

Decision Information

Does the report contain any exempt or confidential information not for publication? No

What are the relevant corporate priorities? All

Which wards are impacted? All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 Financial commentary is contained throughout this report. Members are asked to note the commentary on the level of reserves and the Financial Risk Register.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 The recommendations relate to proposals for the budget which forms part of the budgetary and policy framework in accordance with the Budget and Policy Framework Procedure Rules set out at Part 4(3) of the Constitution of the Council (Rules of Procedure). Members (Cabinet) must consult with the community on the proposals contained within this report as required in accordance with statutory regulation and constitutional requirements.

Completed by: James Welbourn, Democratic Services Manager

Risk and Mitigation

- 1.3 A Financial Risk Register is shown at Appendix D and risk scores are applied accordingly.

Completed by: Tracey Elliott, Risk and Governance Officer

Diversity and Inclusion

- 1.4 An Equality Impact Assessment can be found at Appendix E.

2. Background to the Report

2.1. This report is the final presentation to Cabinet of the budget proposals for 2026/27 and contains information that was included in the report presented to Cabinet on 15 January 2026.

3. HOUSING REVENUE ACCOUNT (HRA)

3.1 The 2025 - 2030 Housing Strategy was approved by Cabinet on 4 November 2025. It sets out the vision for housing across South Kesteven which is to have a range of secure, safe, good quality and sustainable housing of all tenures. It will support people to live healthy and independent lives in their homes and aims to respond to changing needs in sustainable communities.

3.2 The Housing Strategy sets out five priorities:

- A commitment to deliver new affordable and specialist housing in partnership.
- Continual improvement of the quality, standard and safety of homes
- Support people to live healthy and independent lives in their homes
- Facilitate housing to be sustainable
- Support communities to be sustainable

3.3 Nationally, councils with social housing are experiencing similar challenges which include:

- Capital investment needs driven by stock condition surveys and the requirement to ensure all properties have a minimum energy standard of EPC C.
- Revenue pressures primarily driven by day-to-day responsive repairs.
- Revenue pressures arising from enhanced regulation including Awaab's Law and the requirements for housing employees to have professional qualifications.
- Costs of building and delivering new homes to replace those sold under Right to Buy.

3.4 The HRA budgets have been set in the context of delivering the aims of the Housing Strategy balanced against the need to maintain a sustainable 30-year financial business plan.

3.5 The Financial challenges facing the HRA required Council in 2025/26 to allocate further resources in response to increasing revenue costs. These pressures continue into 2026/27 and this financial growth is reflected in the proposed revenue budgets shown at **Appendix A**. Line 27 of Appendix A shows the full extent of the decrease in the balances. The Major Repairs Reserve balance reduces from **£10.508m** as at 31 March 2026 to **£2.796m** as at 31 March 2029.

3.6 In order to avoid creating an unsustainable medium-term outlook for the HRA, corrective actions have been carried out across all budget areas of the HRA. The most significant work has been to approach the formation of the capital programme from a zero-base approach using data from the stock condition survey.

3.7 This analysis has enabled a more accurate and targeted capital programme but within a financial limit that does not put the HRA under financial pressure in the medium term. However, in the longer-term HRA Business Plan projections indicate a potential need to draw on further reserves before potentially falling in a deficit position by 2032/33. Consequently, spending plans will need to be reviewed in order to take corrective action to avoid a deficit. The recent announcement from Government regarding the outcome of the rent convergence proposals will provide an increase in revenue income which may bring the business plan back into balance. Work will be undertaken to model the impact of the proposals and update the HRA business plan accordingly.

3.8 The provisional capital programme for the next 3 Financial Years is shown at **Appendix B**. Summary details are provided in **section 5** of this report.

4. Housing Revenue Account 2026/2027 – Rent Proposals

4.1 Following a previous consultation, the Government announced as part of the Spending Review a 10-year rent settlement for social housing from 1 April 2026 in which will permit rents to increase by Consumer Prices Index (CPI) +1% per annum. The rental income budgets are set in accordance with this rent setting guidance formula which is set at 4.8% for 2026/27.

4.2 In response to feedback, the Government has recognised a need for Social Rent Convergence. This would help to fund the investment in new and existing social housing required to deliver the government's ambitions.

4.3 Convergence would allow rents for Social Rent properties that are currently below 'formula rent' to increase by an additional amount each year, over and above the CPI+1% limit, until they 'converge' with formula rent. Formula rent refers to the formula used to calculate the rent that may be charged for a given property when it is let to a new tenant. A convergence mechanism was originally introduced in 2002 but was scrapped in 2015.

4.4 Consultation on this proposal was launched in July 2025 which set out a number of options for implementation which included should the additional charge be set at £1 or £2 extra per week, should rent convergence be introduced from 1 April 2026 and how long should rent convergence be in place for.

4.5 An announcement was made on the 28 January 2026 regarding the outcome of the consultation which confirmed the following:

- From 1 April 2027 rent can be set with an additional £1 a week as long as this does not result in the rent exceeding formula rent.

- From 1 April 2028 rent can be set with an additional £2 a week as long as this does not result in the rent exceeding formula rent

Therefore, no allowance has been made in 2026/27 for the potential impact on dwelling rents income.

4.6 Rent setting proposals increase the annual budgeted rental income from **£29.856m** in 2025/26 to **£31.091m** in 2026/27. The average weekly rental by bedroom type is shown in **Table 1** below.

4.7 Garage rents are proposed to increase by **2%** and service charges are proposed to increase **3.8%**. Further analysis of rent details is provided in **Tables 1 and 2**.

Table 1 - 4.8% increase

Bedrooms	% of Dwelling Stock	Average Weekly Rent 2025/26	Average Weekly Rent 2026/27	Average Increase	% Increase
Bedsit	0.52%	70.34	73.72	3.38	4.8%
1 Bedroom	13.65%	87.19	91.38	4.19	4.8%
2 Bedrooms	43.35%	97.17	101.83	4.66	4.8%
3 Bedrooms	40.17%	107.02	112.16	5.14	4.8%
4 Bedrooms	2.16%	115.56	121.11	5.55	4.8%
6 Bedrooms	0.15%	131.51	137.83	6.31	4.8%

Table 2 – Property Analysis of Increase

Increase per Week	Number of Properties	% of Properties
Under £3.99	317	5.44%
£4.00 - £4.49	1,277	21.92%
£4.50 - £4.99	2,179	37.41%
£5.00 - £5.49	1,552	26.64%
£5.50 - £5.99	410	7.04%
£6.00 - £6.49	39	0.67%
£6.50 - £6.99	12	0.21%
£7.00 - £7.49	4	0.07%
£7.50 - £7.99	9	0.15%
Over £8.00	26	0.45%

4.8 In setting the budget for rental income for future years, in addition to the 4.8% rent increase, the following assumptions have been made:

- Void rent of 1.5%
- Following Government changes to the Right To Buy (RTB) discount rates the sales forecast has been set at **15** for 2026/27 based on the reduced activity levels during 2025/26 since the changes were introduced.

Table 3 – Housing Revenue Account Budget Assumptions

Cost Heading	2026/27		2027/28		2028/29	
	% Increase	Annual Increase on base budget	% Increase	Annual Increase on base budget	% Increase	Annual Increase on base budget
Pay Award	3%	£209k	2%	£130k	2%	£133k
Fuel *	10%	£5k	5%	£8k	5%	£12k
Gas*	5%	£19k	5%	£13k	5%	£14k
Electricity*	10%	£25k	5%	£14k	5%	£15k

*These budgets have been rebased in 2026/27 following an underspend in 2024/25 and forecast savings in 2025/26 to ensure they are more accurate set based on current consumption levels and reduced unit prices. The increases in 2026/27 are based on the reduced base budget for these areas

4.9 Actuary Triennial Review – Following the triennial review the Actuary has reduced the employer primary contribution rates for the following three-year period as the Fund is currently over funded. This follows a number of years where additional levels of contributions were required as the fund was previously in deficit. Therefore, the employer contribution will reduce from **24.8%** to **17.7%** from 2026/27 to 2028/29. This reduction in financial terms amounts to **£364k** and will be used to offset against the pay award assumption increased that is referenced in this report.

4.10 Treasury Investment Income - the financial forecasts for investment income remain volatile with most economists predicting a reduction in Base Rate. Estimated interest rates for investments, based on projections from the Council's Treasury Advisors, are shown at **table 4** below.

Table 4 – Treasury Investment Financial Forecasts

Financial Year	2026/27	2027/28	2028/29
Forecasted Interest Rate	3.50%	3.25%	3.00%
Assumed Interest Receivable	£1.203m	£0.804m	£0.652m

5 CAPITAL PROGRAMME 2026/27 – 2028/29

Housing Investment Programme (HIP)

5.1 The capital programme for the period 2026/27 – 2028/29 has been derived using the results and analysis of the recent Stock Condition Survey.

5.2 This analysis allows the Council to focus the resources of the HRA to address outstanding refurbishment and improvements in key parts of the stock including:

- energy efficiency investment
- ensuring ongoing investment in compliance works; and
- scheduled improvements such as replacements of kitchens and bathrooms, replacement roofing and installation of secure and efficient doors and windows.

5.3 Since it was previously presented to Cabinet on 15 January 2025, the indicative HRA Capital Programme has been amended to include currently known budget carry forwards from 2025/26. If further carry forwards are identified, they will be included in the outturn report when actual spend for 2025/26 has been determined.

5.4 The 2026/27 programme (including carried forwards) is summarised at **Table 5** and detailed at **Appendix B**.

Table 5 – HRA Capital Programme Summary

	2025/26 Carry Forwards £'000	2026/27 Proposed Budget £'000	2027/28 Indicative Budget £'000	2028/29 Indicative Budget £'000
Energy Efficiency Initiatives	0	5,841	1,250	1,250
Vehicle Purchase	765	221	238	0
New Build Programmes	8,551	4,000	3,000	3,000
Refurbishment and Improvement Works	1,100	7,122	8,322	8,322
Physical Adaptations	0	300	300	300
HRA Budget	10,416	17,484	13,110	12,872
Financing:				
Capital Receipts	8,551	4,000	3,000	3,000
Grants and Contributions	0	2,295	0	0
Reserves	1,865	11,189	10,110	9,872
Total Financing	10,416	17,484	13,110	12,872

5.5 The schemes being carried forward in the 2025/26 programme are:

- **£0.765m** Repairs Vehicles (funded from Major Repairs Reserve)
- **£8.551m** Housing Development Investment (funded from Capital Receipts)
- **£0.500m** Alarms (funded from Major Repairs Reserve)
- **£0.600m** Fire Protection (funded from Major Repairs Reserve)

6 CAPITAL FINANCING

6.1 The HRA Capital Programme is proposed to be financed from HRA earmarked reserves. This is currently affordable without the need for borrowing because the HRA is able to create an operating surplus which contributes to the Major Repairs Reserve.

6.2 The HRA capital programme for 2026/27 (including carry forwards) is proposed to be financed from the following:

- **£12.551m** Capital Receipts Reserve
- **£2.295m** Grant Funding
- **£13.054m** Major Repairs Reserve

7 RESERVES AND BALANCES

7.1 A number of specific reserves assist in the delivery of HRA services, which are used to fund both revenue and capital expenditure. Furthermore, the HRA has a specific working balance which provides financial support to the HRA should any significant unforeseen costs arise during the Financial Year.

7.2 The Major Repairs Reserve is the primary source of funding for the HRA capital programme. It is proposed that it will fund investment in the housing stock over the next 3 years. Further detail of the HRA Reserves can be found in **Appendix C**.

Table 6 - Budgeted HRA Reserve Movements

Reserve Heading	2026/27 £'000	2027/28 £'000	2028/29 £'000
Priorities Reserve	(100)	(100)	(100)
Working Balance	(134)	272	(1,394)
Capital Receipts	(10,074)	(773)	(1,357)
Major Repairs Reserve	(6,004)	(2,436)	267

- The Priorities Reserve is used to fund HRA service priorities. In 2026/27 **£100k** of the reserve will be used to fund New Build Feasibility studies.
- The Capital Receipts Reserve movements shown in **Table 6** above are proposed to contribute towards financing the new build scheme over the 3-year capital programme.
- An annual revenue contribution is required to the Major Repairs Reserves which funds capital investment in the Council's housing stock. The Major Repairs Reserve of **(£13.054m)** will contribute towards the 2026/27 programme (including carry forwards), further details regarding the financing of each scheme are detailed in **Appendix B**.
- A sum of **£3.222m** is transferred annually from the HRA account to the working balance which is used to fund the principal repayment of the external HRA self-financing loan taken out in 2012. An annual contribution is also

made from the working balance to the Major Repairs Reserve to ensure sufficient resources are available to fund investment in the housing stock. In 2026/27 this contribution will be **£1.714m**.

- 7.3 Based on the current level of capital expenditure over the next 3 years the MRR balance is forecast to significantly decrease from **£15.316m** as at 31 March 2025 to a projected balance of **£2.063m** at 31 March 2029. Together with the increased pressure in dealing with the revenue repairs and maintenance issues puts a severe financial strain on the HRA with the overall level of reserves forecast to reduce from **£35.723m** at 31 March 2025 to **£7.752m** at 31 March 2029.
- 7.4 Whist the current HRA Business Plan shows a balanced position in the Medium Term, longer-term projections show the need to draw on further reserves before potentially falling into a deficit by 2032/33.
- 7.5 This could be mitigated through the capacity to increase rents through rent convergence. Following the recent announcement regarding the outcome of the consultation (outlined in para 4.5 above) work will be undertaken to model this impact.
- 7.6 If the outcome of rent convergence proposals is insufficient to deal with the projected deficits within the HRA Business Plan, it will be critical to revisit the future capital and revenue spending projections to ensure a balanced, fully funded business plan is attainable.

8 Statement by the Chief Finance Officer (s151 Officer)

- 8.1 The Council's Chief Finance Officer is required to comment on the robustness of the budget estimate and the adequacy of the proposed financial reserves in accordance with the requirements of the Local Government Act 2003. The estimates are considered robust. Employee costs are based on the approved establishment, contractual inflation is included, there is a reasonable provision for inflation, interest income is based on the advice of the Council's treasury management advisors and income targets are considered to be achievable.
- 8.2 The Council's Housing Revenue Account is currently experiencing financial pressures and the s151 Officer has highlighted this during the past year. In November 2025, the Council approved one-off funding of £2.781m for the financial year 2025/26. However, the financial proposals for 2026/27 onwards show further reserve reductions based on current spending plans for both capital and revenue and these expenditure levels are not sustainable. Consequently, an urgent review of the HRA Business Plan will be needed to ensure the ongoing sustainability of the HRA.

9 Other Options Considered

- 9.1 The alternative options are considered as part of the report in sections 3 to 7.

10 Reasons for the Recommendations

- 10.1 The Council is required to set a HRA Budget each year and to set rent levels in accordance with the Government rent setting guidance.

11 Consultation

- 11.1 The draft budget proposals were presented to Budget - Joint OSC on 13 January 2026 for consideration. Feedback was reported back to Cabinet on 15 January.

12 Appendices

- 12.1 Appendix A – 2026/27 Revenue summary – Housing Revenue Account (HRA)
- 12.2 Appendix B – 2026/27 Capital Programme – HRA
- 12.3 Appendix C – 2026/27 Reserves Statement – HRA
- 12.4 Appendix D – HRA Finance Risk Register
- 12.5 Appendix E – HRA Equality Impact Assessment

Appendix A

APPENDIX A

2025/26 - 2028/29 HRA Revenue Summary

	Description	2025/26 Revised Budget £	2026/27 Proposed Budget £	2027/28 Indicative Budget £	2028/29 Indicative Budget £
EXPENDITURE					
1	Repairs & Maintenance	13,589	13,521	13,118	13,134
2	Supervision & Management - General	2,543	2,649	2,734	2,804
3	Supervision & Management - Special	2,261	2,055	2,090	2,127
4	Depreciation and Impairment Losses	4,181	5,336	5,443	5,552
5	Debt Management	36	37	38	39
6	Provision for Bad Debts	206	212	218	224
7	Other Expenditure (Pension Deficit)	0	0	0	0
8	Support Recharge from General Fund	2,960	3,049	3,110	3,172
9	TOTAL EXPENDITURE	25,775	26,859	26,751	27,053
INCOME					
10	Dwelling Rents	(29,856)	(31,091)	(32,184)	(33,209)
11	Non Dwelling Rents	(322)	(292)	(296)	(299)
12	Charges for Services & Facilities	(886)	(903)	(922)	(940)
13	Other Income	(18)	(18)	(18)	(18)
14	TOTAL INCOME	(31,082)	(32,304)	(33,418)	(34,466)
NET COST OF HRA SERVICES					
15	Interest Payable & Similar Charges	2,043	1,945	1,847	1,750
16	Interest & Investment Income	(1,798)	(1,203)	(804)	(652)
17	NET POSITION BEFORE RESERVE MOVEMENTS	(5,061)	(4,703)	(5,625)	(6,315)
MOVEMENT ON HRA RESERVE BALANCE					
18	HRA BALANCE AT START OF YEAR	1,573	3,005	2,872	3,144
19	NET POSITION AS AT 31ST MARCH	5,061	4,703	5,625	6,315
20	Repayment of Principle	(3,222)	(3,222)	(3,222)	(3,222)
21	Funding from HRA Priority Reserve	3,307	100	100	100
22	Major Repairs Reserve (MRR) Transfer	(3,714)	(1,714)	(2,231)	(4,587)
23	HRA BALANCE AT END OF YEAR	3,005	2,872	3,144	1,750
MRR MOVEMENTS					
24	MRR BALANCE AT START OF YEAR	15,316	10,508	4,965	2,529
25	Depreciation & MRR Transfers	7,895	7,050	7,674	10,139
26	Capital Financing	(12,703)	(12,593)	(10,110)	(9,872)
27	MRR BALANCE AT END OF YEAR	10,508	4,965	2,529	2,796

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2026/27 -2028/29 HRA Capital Programme and Financing Statement

	Description	Funding Source	2025/26 Carry Forwards £'000	2026/27 Proposed Budget £'000	2027/28 Indicative Budget £'000	2028/29 Indicative Budget £'000
1	Energy Efficiency Initiatives Central Heating, Ventilation and Boiler Replacements	Major Repairs Reserve	0	1,250	1,250	1,250
2	Decarbonisation Works	Grant/Major Repairs Reserve	0	4,591	0	0
			0	5,841	1,250	1,250
3	Purchase of Vehicles Repairs Vehicles	Major Repairs Reserve	765	221	238	0
			765	221	238	0
4	New Build Programme Housing Development Investment	Capital Receipts Reserve	8,551	4,000	3,000	3,000
			8,551	4,000	3,000	3,000
5	Refurbishment and Improvement Compliance Works Rewiring	Major Repairs Reserve	0	150	150	150
6	Lifts	Major Repairs Reserve	0	252	252	252
7	Alarms	Major Repairs Reserve	500	50	50	50
8	Fire Protection	Major Repairs Reserve	600	200	1,400	1,400
9	Compliance Works	Major Repairs Reserve	0	50	50	50
10	Tunstall Upgrades	Major Repairs Reserve	0	100	100	100
11	Roofing	Major Repairs Reserve	0	750	750	750
12	Fencing	Major Repairs Reserve	0	300	300	300
13	Exterior Refurbishment	Major Repairs Reserve	0	400	400	400
14	Kitchens	Major Repairs Reserve	0	2,500	2,500	2,500
15	Bathrooms	Major Repairs Reserve	0	900	900	900
16	External Wall Finishes	Major Repairs Reserve	0	250	250	250
17	Doors	Major Repairs Reserve	0	125	125	125
18	Windows	Major Repairs Reserve	0	900	900	900
19	Communal Rooms	Major Repairs Reserve	0	75	75	75
20	Door Entry Systems	Major Repairs Reserve	0	20	20	20
21	Structural Refurbishment	Major Repairs Reserve	0	100	100	100
	Major Repairs Reserve		1,100	7,122	8,322	8,322
22	Other Works Physical Adaptations	Major Repairs Reserve	0	300	300	300
			0	300	300	300
23	Total HRA Capital Programme		10,416	17,484	13,110	12,872
24	HRA FINANCED BY: HRA Capital Receipts Reserve		8,551	4,000	3,000	3,000
25	Grants and Contributions		0	2,295	0	0
26	Major Repairs Reserve		1,865	11,189	10,110	9,872
27	Total HRA Capital Programme Financing		10,416	17,484	13,110	12,872

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2025/26 - 2028/29 HRA Reserves Statement

		Balance as at 31 March 2025 £000	Forecast Movement £000	Forecast Balance 31 March 2026 £000	Forecast Movement £000	Forecast Balance 31 March 2027 £000	Forecast Movement £000	Forecast Balance 31 March 2028 £000	Forecast Movement £000	Forecast Balance 31 March 2029 £000
Revenue Reserves										
1	HRA Climate Reserve	500	(43)	457	0	457	0	457	0	457
2	HRA Priorities Reserve	5,761	(2,264)	3,497	(100)	3,397	(100)	3,297	(100)	3,197
3	Reactive Repairs Reserve	1,000	(1,000)	0	0	0	0	0	0	0
4	Working Balance	1,573	1,432	3,005	(133)	2,872	272	3,144	(1,394)	1,750
5	Total HRA Revenue Reserves	8,834	(1,875)	6,959	(233)	6,726	172	6,898	(1,494)	5,404
HRA Capital Reserve										
6	HRA Capital Receipts Reserve	11,573	465	12,038	(9,622)	2,416	(773)	1,643	(1,357)	286
7	Major Repairs Reserve	15,316	(4,808)	10,508	(5,543)	4,965	(2,436)	2,529	267	2,796
8	Total HRA Capital Reserves	26,889	(4,343)	22,546	(15,165)	7,381	(3,209)	4,172	(1,090)	3,082
9	Total HRA Reserves	35,723	(6,218)	29,505	(15,398)	14,107	(3,037)	11,070	(2,584)	8,486

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Appendix D – Housing Revenue Account Finance Risk Register

Risk	Likelihood	Impact	Residual Risk Score	Mitigating Action
1. Unbalanced HRA Business Plan	3	4	14 High	Continue to undertake financial modelling of the HRA Business Plan to ensure ongoing affordability and financial sustainability. The balance between increased revenue spend dealing with repairs and maintenance, regulatory compliance and ensuring decent homes against the delivery of with capital programme will be key. Review of the Government proposals around rent convergence will be undertaken once published in early 2026 to consider potential for increased rental income. Modelling being undertaken with the Councils treasury advisors to assess if there could be any financial benefit to refinancing the existing HRA debt.
2. Insufficient levels of reserves	3	4	14 High	Over the next 3-year period as a consequence of future spending levels there is a significant reduction in reserve balances due to the financing of the capital program which is unsustainable. Therefore, a fundamental review using stock condition data is necessary to plan in the medium-term stock investment levels.
3. Increase in bad debts as a result of economic circumstances	3	2	8 High	Rent collection is the key income source for the HRA. The council has in place pro-active debt management procedures in place.
4. Increased maintenance costs of HRA Stock – both revenue and capital	3	3	12 High	The budget proposals for 2026/27 include continued significant in the social housing stock which is required to meet new government requirements for decent homes standard. Effective budget monitoring is in place to analyse financial spend to identify any pressures at an early stage and ensure corrective action is undertaken
5. Fuel price volatility	1	3	6 Medium	Weekly monitoring of fuel charge and proactive interventions to ensure optimisation of fuel consumption.
6. Inflation increases beyond budgeted levels	2	2	5 Medium	Budget assumptions kept up to date with most recent projections and monthly sensitivity analysis is produced to monitor the impact of inflationary increases.

		Impact				
		4	10 Medium	13 High	15 Very High	16 Very High
		3	6 Medium	9 High	12 High	14 Very High
		2	3 Low	5 Medium	8 High	11 High
		1	1 Low	2 Low	4 Medium	7 Medium
			1	2	3	4
			Unlikely	Possible	Likely	Certain
			Low but not impossible <20%	Fairly likely to occur 21% - 50%	More likely to occur than not 51% - 80%	Expected to occur in most circumstances >80%

Likelihood



Equality Impact Assessment

Question	Response
1. Name of policy/funding activity/event being assessed	HRA Budget and Rent Setting 2026/27
2. Summary of aims and objectives of the policy/funding activity/event	To set the Rent for 2026/27
3. Who is affected by the policy/funding activity/event?	Housing Tenants
4. Has there been any consultation with, or input from, customers/service users or other stakeholders?	Rent increase policy is set by government.
5. What are the arrangements for monitoring and reviewing the actual impact of the policy/funding activity/event?	<p>With regards to rent setting the Council is following Government guidance. The actual rent is calculated on a property by property basis so it is not possible to provide a specific comment as each impact will vary on an individual basis.</p> <p>Increases will be mitigated for those tenants in receipt of Housing Benefit and Universal Credit but there is a potential for a negative impact for tenants on low incomes who are not eligible benefits. The Council will respond to any adverse impact by promotion of Discretionary Housing Payments and other benefit support.</p>

Protected Characteristic	Is there a potential for positive or negative impact?	Please explain and give examples of any evidence/data used	Action to address negative impact e.g. adjustment to the policy
Age	Yes	<p>Rent increases will have a negative impact on all tenants but the impact on those groups with a low income that do not qualify for support will be more greatly impacted.</p> <p>There is the potential for individuals below the age of 21 to be more greatly impacted due to the National Minimum Wage rate for this group of people.</p>	<p>Rent increases will be mitigated for those tenants in receipt of Housing Benefit and Universal Credit but there is a potential for a negative impact for tenants on low incomes who are not eligible benefits. The Council will respond to any adverse impact by promotion of Discretionary Housing Payments and other benefit support.</p>
Disability	Yes	Rent increases will have a negative impact on all tenants but the impact of individuals with this protected characteristic	Rent increases will be mitigated for those tenants in receipt of Housing Benefit and Universal Credit but there is a potential for a negative impact for tenants on



		could be greater if they are in receipt of benefit support.	low incomes who are not eligible benefits. The Council will respond to any adverse impact by promotion of Discretionary Housing Payments and other benefit support.
Gender Reassignment	No	Rent increases will have a negative impact on all tenants	
Marriage and Civil Partnership	No	Rent increases will have a negative impact on all tenants	
Pregnancy and Maternity	Yes	Rent increases will have a negative impact on all tenants but the impact on individuals with this protected characteristic could be greater as income is likely to be lower when on maternity leave.	Rent increases will be mitigated for those tenants in receipt of Housing Benefit and Universal Credit but there is a potential for a negative impact for tenants on low incomes who are not eligible benefits. The Council will respond to any adverse impact by promotion of Discretionary Housing Payments and other benefit support.
Race	No	Rent increases will have a negative impact on all tenants	
Religion or Belief	No	Rent increases will have a negative impact on all tenants	
Sex	No	Rent increases will have a negative impact on all tenants	
Sexual Orientation	No	Rent increases will have a negative impact on all tenants	
Other Factors requiring consideration			
Socio-Economic Impacts	Yes	The cost of living crisis is continuing to have an impact on tenants so increases in rent will add further financial pressure to households.	Rent increases will be mitigated for those tenants in receipt of Housing Benefit and Universal Credit but there is a potential for a negative impact for tenants on low incomes who are not eligible benefits. The Council will respond to any adverse impact by promotion of Discretionary Housing Payments and other benefit support.
Carers	Yes	Carers could be more greatly impacted by Rent increases than those who	Rent increases will be mitigated for those tenants in receipt of Housing Benefit and Universal



		do not have a caring responsibility due to the potential impact this responsibility could have on their ability to work.	Credit but there is a potential for a negative impact for tenants on low incomes who are not eligible for benefits. The Council will respond to any adverse impact by promotion of Discretionary Housing Payments and other benefit support.
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Consultation

Negative impacts identified will require the responsible officer to consult with the affected group/s to determine all practicable and proportionate mitigations. Add more rows as required.

Group/Organisation	Date	Response

Proposed Mitigation: Action Log

To be completed when barriers, negative impact or discrimination are found as part of this process – to show actions taken to remove or mitigate. Any mitigations identified throughout the EIA process should be meaningful and timely. Add more rows as required.

Negative Impact	Action	Timeline	Outcome	Status

Evaluation Decision

Once consultation and practicable and proportionate mitigation has been put in place, the responsible officer should evaluate whether any negative impact remains and, if so, provide justification for any decision to proceed.

Question	Explanation / justification	
Is it possible the proposed policy or activity or change in policy or activity could discriminate or unfairly disadvantage people?		
Final Decision	Tick	Include any explanation/justification required
1. No barriers identified, therefore activity will proceed	X	
2. Stop the policy or practice because the data shows bias towards one or more groups		
3. Adapt or change the policy in a way that will eliminate the bias		



4. Barriers and impact identified , however having considered all available options carefully, there appear to be no other proportionate ways to achieve the aim of the policy or practice (e.g. in extreme cases or where positive action is taken). Therefore you are going to proceed with caution with this policy or practice knowing that it may favour some people less than others, providing justification for this decision		
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Did you consult with an Equality Ally prior to carrying out this assessment? Yes

Sign off

Name and job title of person completing this EIA	David Scott – Assistant Director of Finance (Deputy s151)
Officer Responsible for implementing the policy/function etc	As above
Date Completed	17 December 2025
Line Manager	Richard Wyles Deputy Chief Executive and s151
Date Agreed	18 December 2025
Date of Review	Completed Annually

Completed EIAs should be included as an appendix to the relevant report going to a Cabinet, Committee or Council meeting and a copy sent to equalities@southkesteven.gov.uk.

Completed EIAs will be published along with the relevant report through Modern.Gov before any decision is made and also on the Council's website.



Cabinet

Tuesday, 10 February 2026

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

Budget Proposals for 2026/27 and Indicative Budgets for 2027/28 and 2028/29 – General Fund

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

 richard.wyles@southkesteven.gov.uk

Purpose of Report

To present the draft budget proposals and estimates for 2026/27 for the General Fund.

Recommendations

Cabinet is asked to make the following recommendations to Council to:

- **Set a General Fund budget requirement of £22.875m for 2026/27 inclusive of Special Expenses (Section 3 and Appendix A).**
- **Propose a Council Tax level of £195.03 including Special Expenses for 2026/27 (Band D property) after consideration of the consultation responses.**
- **Note indicative Budget estimates for 2027/28 and 2028/29 (Appendix A)**
- **Approve the General Fund Capital programme and financing statement 2026/27 to 2028/29 (Section 6 and Appendix B).**
- **Approve the General Fund Capital Programme budget carry forward £1.389m from 2025/26 (Appendix B).**
- **Approve the movements in General Fund Reserves (Section 8 and Appendix C).**
- **Approve the Treasury Management Strategy Statement (Section 9 and Appendix F).**
- **To approve the Capital Strategy (Section 9 and Appendix G).**

Decision Information

Does the report contain any exempt or confidential information not for publication? No

What are the relevant corporate priorities? All

Which wards are impacted? All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 Financial commentary is contained throughout this report. Members are asked to note the commentary on the level of Council reserves and the Financial Risk Register.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 The recommendations relate to proposals for the budget which forms part of the budgetary and policy framework in accordance with the Budget and Policy Framework Procedure Rules set out at Part 4(3) of the Constitution of the Council (Rules of Procedure). Members (via approval from Cabinet) must consult with the community on the proposals contained within this report as required in accordance with statutory regulation and constitutional requirements.

Completed by: James Welbourn, Democratic Services Manager

Risk and Mitigation

- 1.3 A Financial Risk Register is shown at Appendix E and risk scores are applied accordingly.

Completed by: Tracey Elliott, Risk and Governance Officer

Diversity and Inclusion

- 1.4 An Equality Impact Assessment is shown at Appendix F.

2. Background to the Report

- 2.1. The purpose of this report is to present the draft budget proposals for the 2026/27 Financial Year to the Cabinet.
- 2.2. The Budget – Joint Overview and Scrutiny Committee (OSC) reviewed the content of this report on 13 January 2026. Feedback was presented to the Cabinet on 15 January. The draft proposals were the subject of a consultation between 19 January and 2 February 2026. A summary of the responses is provided in **Appendix H**.
- 2.3. The proposed budgets for the next 3 years have been developed with the primary aim of allocating resources to deliver the aims and ambitions outlined in the Council’s Corporate Plan 2024 -2027 which was approved in January 2024.
- 2.4. The Council has received a multi-year settlement for the period 2026/27 – 2028/29 which provides a basis for accurate Medium Term Financial Planning because it reduces the uncertainty caused by single year settlements. However, annual reviews will still be undertaken by the Government and consequently annual settlements remain subject to change.
- 2.5. This report brings together the conclusions of the budget preparatory work and covers a number of areas:
 - The funding position for the General Fund (section 3)
 - Draft General Fund budget proposals (section 4)
 - Draft Capital Programme 2026/27 – 2028/29 (section 5)
 - Capital Financing (section 6)
 - Reserves and Balances (section 7)
 - Statement of Financial Robustness by the Chief Finance Officer (section 8)
 - Treasury Management Strategy and Capital Strategy (section 9)
 - Collection Fund (section 10)

3. THE FUNDING POSITION FOR THE GENERAL FUND

- 3.1 The provisional settlement was announced on 17th December 2025 and included:
 - a full baseline reset (for the first time since the Business Rate Retention was introduced in 2013-14),
 - major changes to all the Relative Needs Formulas (RNFs), and
 - the simplification of many grants.
- 3.2 The final settlement has yet to be confirmed but is expected in early February. Any variations to the provisional settlement will be incorporated into the final budget report to Council on 26 February 2026.
- 3.3 This is a 3-year Government settlement which gives some certainty on the levels of funding for the second and third years. However, each of the latter two years

will still be subject to an annual settlement process and therefore should be considered as indicative.

The main headlines are as follows:

3.4 **Fair Funding Assessment (FFA)** – MHCLG (Ministry for Housing, Communities and Local Government) has published the provisional outcome of the Fair Funding Review which sets underlying figures for the FFA. The settlement suggests the FFA amounts should also cover Simpler Recycling new burdens but this is not itemised and there is little additional funding that could account for this. This lack of transparency was raised by the District Council Network as a concern to MHCLG so further lobbying might reveal the amount allocated for this new responsibility.

3.5 **Council Tax** – As previously announced, the Council Tax referendum limits for shire district councils has been set at 2.99% or £5 (whichever is the higher).

3.6 **Business Rates** – As part of the Governments reform of local authority funding alongside Fair Funding review of local 2.0 a full baseline reset of business rates has also been undertaken. This includes the removal of growth from prior years to set a revised baseline funding level which forms part of the Core Spending Power (CSP). For 2026/27 the baseline funding level is **£3.459m** – there is a 100% safety net for the next financial year so this will be the minimum amount the council will receive in business rates. When preparing the business rate budget for 2026/27, using the NNDR1 form, a small amount of growth has been added to the baseline plus an allowance for renewable energy, resulting in an overall budget of **£4.000m**. For the years up to 2028/29 the projected baseline amounts included in the provisional multi-year settlement have been used with no allowance for growth.

3.7 The core principle of the Fair Funding Review is to maintain an equal balance of local authorities CSP which takes into account Core Government Grants, Specific Grants and Council Tax. The Government has modelled our base CSP for 2025/26 at **£20.592m** which forms our base over the next 3 years as shown in **Table 1**:

Table 1 Core Spending Power – South Kesteven

Reserve Heading	2026/27 £'000	2027/28 £'000	2028/29 £'000
Fair Funding Allocation	9,324	8,471	7,569
Council Tax (government estimates)	9,881	10,282	10,700
Homelessness funding (specific grant)	838	875	907
Transitional Protection Grant	549	964	1,417
Total	20,592	20,592	20,592

3.8 The Government has stated that there is now funding certainty over the 3-year period although this assumes maximum Council Tax increases. If Council Tax

increases are ignored, the Council's funding from Government actually reduces from **£10.711m** to **£9.893m** in 2028/29 – a reduction of **£0.818m**. The lack of clarity over the 'new burdens' funding for weekly food waste collection service suggests the decrease might be even greater.

3.9 **Table 2** below shows the projected increase for Council Tax for 2026/27 of **2.99%** which is an increase of **£5.66** for the year (which equates to less than **11p** per week). This proposed increase is within the referendum limits outlined above. This level of Council Tax includes the charge to the Special Expense Areas and these are included in the total charge.

Table 2 – Option to increase SKDC share on the 2026/27 Council Tax Band D Charge

	2025/26	2026/27	Variation	Increase
Tax Base	50,140.50	50,762.30	1.24%	621.80
Band D – SKDC Only	£177.30	£183.07	3.25%	£5.77
Band D – Grantham SEA	£52.38	£52.47	0.17%	£0.09
Band D – Langtoft SEA	£7.02	£7.02	0%	£0.00
Band D (SKDC + Special Expenses Areas	£189.37	£195.03	2.99%	£5.66
Council Tax Income	£9.495m	£9.900m	4.27%	£405,000

4. GENERAL FUND BUDGET PROPOSALS

4.1 The overall General Fund position for 2026/27 is summarised in **Table 3** below and detailed in **Appendix A**. A more detailed breakdown at cost centre level was provided at the Budget Scrutiny meeting on 13 January 2026 and can be accessed here: [General Fund Budget Summary 2026-27 by Cost Centre](#)

4.2 The net cost of services for 2026/27 is estimated at **£24.003m**.

Table 3 – Summary of General Fund Estimates

Heading	2025/26 Revised Budget £'000	2026/27 Proposed Budget £'000	2027/28 Indicative Budget £'000	2028/29 Indicative Budget £'000
Corporate, Governance and Public Protection	4,463	4,561	4,844	4,645
Finance, Property and Waste Services	12,501	12,338	12,662	12,955
Growth and Culture	9,857	7,119	7,232	7,835
Housing and Projects	2,032	1,856	1,875	1,895
HRA Recharge	(2,960)	(3,049)	(3,110)	(3,172)
Internal Drainage Board Levies	1,026	1,128	1,241	1,365
Net Cost of Services	26,469	24,003	24,744	25,750

Depreciation	(4,537)	(4,017)	(4,171)	(4,071)
Investment Income	(781)	(1,276)	(1,309)	(1,148)
Minimum Revenue Provision	271	505	501	497
Revenue Contribution to Capital	2,087	0	0	0
(Transfer to)/from Earmarked Reserves	(2,906)	3,660	(104)	(443)
Net Budget Requirement	20,603	22,875	19,661	20,358

Heading	2025/26 Revised Budget £'000	2026/27 Proposed Budget £'000	2027/28 Indicative Budget £'000	2028/29 Indicative Budget £'000
Funding:				
Business Rates	(7,189)	(4,000)	(3,539)	(3,610)
Collection Fund (Surplus)/Deficit				
Business Rates	(1,400)	(708)	0	0
Council Tax	(9,495)	(9,900)	(10,298)	(10,713)
Collection Fund (Surplus/Deficit –				
Council Tax	(4)	(41)	0	0
Revenue Support Grant	(195)	(5,864)	(4,932)	(3,958)
Transitional Protection	0	(549)	(964)	(1,417)
Funding Guarantee Grant	(1,188)	0	0	0
New Homes Bonus	(474)	0	0	0
PEPR Payment	(837)	(1,813)	0	0
NIC Funding	(151)	0	0	0
IDB Funding	(80)	0	0	0
Surplus contribution	410	0	0	0
Total Funding	(20,603)	(22,875)	(19,733)	(19,698)
Projected (Surplus)/ Deficit	0	0	(72)	660

4.3 The Council is legally obliged to produce a balanced budget each year and **Table 3** shows this can be achieved for 2026/27 without using reserves. Whilst there are proposals to use specific earmarked reserves to fund certain activities, the Council does not need to use the budget stabilisation reserve to balance the budget. However, the medium-term outlook remains difficult as the Council transitions towards its newly established baseline funding levels following the Fair Funding Review and Business Rate Reset. It is therefore recommended that a transfer is made to the Budget Stabilisation Reserve during 2026/27 to ensure adequate financial resilience while the outlook remains challenging.

Minimum Revenue Provision (MRP)

4.4 Minimum Revenue Provision (MRP) is the charge to revenue made as a proxy for the repayment of principal when borrowing is undertaken to finance capital expenditure. Making MRP is statutory and aimed at ensuring the council does not have outstanding debt related to time expired or fully depreciated assets.

4.5 MRP is charged in the first full year after an asset becomes operational and is charged over the life of the asset. **Table 4** shows that MRP is forecast to increase significantly over the next three years as the Council undertakes further borrowing.

Table 4 – Forecasted MRP Charges

Heading	2026/27 £'000	2027/28 £'000	2028/29 £'000
Existing MRP Charge (legacy borrowing)	111	107	103
St Martin's Park Stamford	161	161	161
Turnpike Close Grantham – New Depot	233	233	233
Total	505	501	497

Key Budget Proposals

4.6 The budget proposals for 2026/27 incorporate a number of service changes required to meet operational demands. These proposed increases have been formulated in response to a combination of Cabinet priorities, changes in statutory responsibilities and service delivery pressures. The proposals are set out in **Tables 5 and 6** below:

Table 5 – Proposed Budget Increase – (Recurring)

Heading	Cost	Details
Employee Expenditure	£316,060	<ul style="list-style-type: none"> • Enforcement Officer • Private Sector Housing Officer • Events Officer • Income Recovery Officer • Rough Sleeper Support Officer Roles • Housing Options Officer
General Expenditure		
Tree planting for SKDC open spaces	£62,000	Tree planting initiative across the District including in the award winning parks
Tree maintenance for SKDC open spaces	£66,150	Allocation to respond to the actions arising from the Tree Management Policy
Events budget	£100,000	A programme of public events across the district during 2026/27. The programme to be presented to the Leisure and Culture OSC.
Funding for Compliance Works in General Fund Corporate Buildings	£100,000	Rolling programme of compliance works relating to DDA, Asbestos, Fire Risk Assessments across General Fund assets
Surface Water Drainage Clearance Programme	£60,000	Rolling programme of remedial repairs and maintenance of gullies and drainage systems.
Stock condition surveys	£40,000	Rolling programme of stock condition surveys across General Fund assets. 20% of assets to be surveyed each year

Increase in community grants	£100,000	Increase in the annual budget for the established community grant scheme from £100k to £200k
Total	£844,210	

Table 6 – Proposed Budget Increase (One-Off)

Heading	Cost	Details (One-Off)
Employee Expenditure	£41,494	Safer Streets patrols Safer Streets CCTV Cover
General Expenditure		
Spitalgate Garden Village Consultancy Support	£30,000	External expert support to progress the Garden Village development
Town Centre Vitality & Viability	£20,000	Support assessment of the vitality and viability in town centres in order to create of a strategy for town centre development.
Citizens Advice South Lincolnshire – increase in annual grant allocation	£33,000	Application from CASL to increase the funding from £52k to £85k to support financial sustainability. The increase to be reviewed after the first year.
Mobile CCTV cameras	£10,000	Purchase of mobile cameras to target fly-tipping hot spots
Body worn cameras	£10,000	Purchase of body cameras for key officer roles
Total	£144,494	

General Fund Budget Estimates – 2026/27

4.7 Budget assumptions that have been considered and incorporated into the estimates are shown at **Table 7**. All other inflationary costs have been absorbed by service areas which has enabled a balanced budget.

Table 7 – General Fund Budget Assumptions

Cost Heading	2026/27		2027/28		2028/29	
	% Increase	Annual Increase on base budget	% Increase	Annual Increase on base budget	% Increase	Annual Increase on base budget
Drainage Board Levies	10%	£103k	10%	£112k	10%	£125k
Pay Award	3%	£599k	2%	£420k	2%	£434k
Fuel *	10%	£29k	5%	£65k	5%	£88k

Gas*	5%	£5k	5%	£2k	5%	£2k
Electricity*	10%	£28k	5%	£15k	5%	£16k

* These budgets have been rebased in 2026/27 following an underspend in 2024/25 and forecast savings in 2025/26. The increases in 2026/27 are based on the reduced base budget for these areas.

4.8 The drainage board levies continue to be a significant cost with anticipated annual increases of over £100k. The Council received Internal Drainage Board Levy Grants from Central Government of £50k in 2024/25 and £80k in 2025/26 to provide additional funding towards the increased cost of these levies. Further support is expected for 2026/27 with details expected Summer 2026.

4.9 Actuary Triennial Review – Following the triennial review the Actuary has reduced the employer contribution rates for the following three-year period as the Fund is currently over funded. This follows a number of years where additional levels of contributions were required as the fund was previous in deficit. Therefore, the primary employer contribution rate will reduce from **24.8%** to **17.7%** from 2026/27 to 2028/29. This reduction in financial terms amounts to **£1.064m** and will be used to offset against the pay award assumption increased that is referenced in this report.

4.10 Treasury Investment Income - Financial forecasts for investment income remain volatile with most economist's predicting a reduction in Base Rate. The estimated investment income interest rates, based on our treasury advisor's projections, are shown at **Table 8 below**. This information has been used to estimate interest on the Council's investment of its cash balances.

Table 8 – Treasury Investment Financial Forecasts

Financial Year	2026/27	2027/28	2028/29
Forecasted Interest Rate	3.50%	3.25%	3.00%
Assumed Interest Receivable	£1.276m	£1.309m	£1.148m

5 CAPITAL PROGRAMME 2026/27 – 2028/29

5.1 The schemes included within the capital programme have been designed to deliver the Council ambitions for growth and investment in its assets to support the delivery of quality services. The capital programme contains key investments across General Fund assets including:

- Vehicle replacement £1.046m
- Wheelie Bin Replacement £0.155m
- River Witham Footbridge £0.050m
- Grantham Canal £0.200m
- Car Park Improvements £0.120m

- Wharf Road Car Park Refurbishment £0.650m
- Disabled Facilities Grants (100% grant funded) £0.975m

5.2 A summarised capital programme (including carry forwards from 2025/26) is shown in **Table 9** and a detailed capital programme is included at **Appendix B**.

Table 9 – General Fund Capital Programme Summary

Details	2025/26 C'fwds £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000
Disabled Facilities Grant	0	975	975	975
Vehicle and Bin Replacement	1,326	971	1,616	1,779
Asset Investment	0	1,020	320	320
Chamber Audio Equipment	0	88	0	0
Grounds Maintenance Equipment	0	130	120	0
Loan to LeisureSK Ltd for improvement to the gym space at Stamford Leisure Pool	0	95	0	0
EV Charging Points	0	55	50	50
Cycle Shelter and Changing	40	0	0	0
Coronation Orchards	23	0	0	0
Total	1,389	3,334	3,081	3,124

6 CAPITAL FINANCING

6.1 The General Fund Capital Programme is detailed at **Appendix B**. The proposed schemes have been funded by a combination of external grants as well as capital and revenue reserves. No further internal borrowing has been necessary although the Council continues to carry the cost of internal borrowing and the financial implications of this are shown in **Table 4** (MRP) earlier in the report.

6.2 The adopted strategy of disposing of surplus assets to generate capital receipts has been in place for a several years but the identification of further assets for disposal is now limited. Consequently, the capital programme will continue to be financed from internal resources until borrowing is the only available option.

6.3 It is proposed that the General Fund Capital Programme for 2026/27 (including carry forwards) be financed from the following funding sources:

- £2.297m Capital Receipts Reserve
- £0.998m Grants and Contributions
- £1.285m Local Priorities Reserve
- £0.088m ICT Reserve
- £0.055m Climate Change Reserve

6.4 At the time of compiling this report, the £0.975m grant funding for Disabled Facilities Grants has not yet been confirmed (but is anticipated as part of the

settlement) and therefore the financing or level of the 2026/27 investment may need to be amended when the level of grant funding is confirmed.

7 RESERVES AND BALANCES

7.1 Prudent financial management requires the Council to maintain a number of reserves for the following reasons:

- To ensure sufficient funds are available to meet cash flow requirements, to avoid unnecessary temporary borrowing, and to protect services against unforeseen financial events. This is known as the 'working balance'.
- A means of building up funds to meet known or predicted liabilities (earmarked) – these are shown as 'discretionary' and 'governance' reserves.

7.2 Through prudent financial management, the Council is able to establish a number of specific general reserves to provide funding for approved purposes usually in respect of specific services or corporate ambitions.

7.3 A summary of the proposed reserve movements to fund the General Fund Revenue and Capital Budgets are set out at **Table 10** below. Full details of the General Fund Reserves can be found at **Appendix C**.

Table 10 – Proposed General Fund Revenue Reserve Movements

Reserve Heading	2026/27 £'000	2027/28 £'000	2028/29 £'000
Climate Change Reserve	(55)	(50)	(50)
Training & Development Reserve	100	0	0
Street Scene	(246)	0	0
ICT Investment	(88)		
Local Priorities Reserve	(1,503)	(1,262)	(2,114)
Market Reserve	(50)	0	0
Market Towns Investment Fund	550	0	0
Property Maintenance	(1,000)	(440)	(320)
Leisure & Community	367	0	0
Leisure Investment	500	0	0
Waste Services	2,059	0	0
Pensions	469	(31)	0
Budget Stabilisation	981	0	0
Building Control	(27)	(26)	0
Football 3G Pitch	25	25	0
Special Expense Area Reserve	169	160	157
New Burdens	(50)	0	0
Coronation Orchard	(23)	0	0
Capital Receipts	(2,297)	(617)	(165)

7.4 The following paragraphs set out the reasons for major uses of either new reserves established or those that have been allocated additional resources:

Movements to existing reserves

- **Climate Change Reserve** – this Reserve was established to fund initiatives to support the delivery of the Climate Change Strategy. The proposed use in 2026/27 is to fund EV Charging Points at specific locations including council car parks (£55k).
- **Training and Development Reserve** – this Reserve supports the ongoing development of staff. It is proposed to add in a further £100k into this reserve to support ongoing apprenticeship opportunities across the Council.
- **Local Priorities Reserve** – this Reserve is the Council's primary discretionary revenue reserve and is the source of funding for one-off in-year budget amendments. The reserve has also been a source of capital financing as the level of the capital reserves have been insufficient. New Homes Bonus receipts have been the primary source of funding but, as outlined in the government's Fair Funding Review 2.0, New Homes Bonus will cease as a funding stream. However, it seems unlikely the reserve will be replenished because the primary contributor is no longer available and therefore the balance is forecast to reduce to a balance of **£1.2m** by March 2029.

It is proposed that **£1.285m** of this reserve is used to contribute towards the 2026/27 capital programme including: **£1.020m** for Asset Investment, **£0.130m** for grounds maintenance equipment; **£40k** for Cycle Shelter and **£95k** for a loan to LeisureSK Ltd for further investment at Stamford Leisure Pool. A further **£118k** will be drawn down to fund the play parks revenue maintenance works (£100k) and support the requirements of the Local Plan (£18k). A transfer of **£100k** is also proposed from this reserve into the Training and development Reserve to support apprenticeship scheme.

- **Property Maintenance Reserve** – this reserve was established to support ongoing investment in council assets and to reduce the maintenance backlog. As part of the 2025/26 budget setting process, a growth bid for an initial £2m pump prime investment to address revenue backlog maintenance issues was allocated across 2025/26 and 2026/27. **£1m** will be drawn from this reserve in 2026/27 as part of the second year of the programme.
- **Leisure & Community Reserve** – an additional **£367k** has been added to this reserve to enable it to be widened in order to support both leisure and community projects across the district. This allocation will increase the balance in the reserve to **£500k**.
- **Leisure Investment Reserve** – As part of the outturn for 2025/26 **£500k** was allocated to deal with capital investment requirements across the Council's Leisure sites. The programme of works is focused around high priority investment works but it is also recognised as part of managing an aging asset base further works will still be required and therefore it is proposed to allocate a further **£500k** to continue with this required investment.
- **Waste & Street Scene Reserve** – this reserve was established from the packaging Extended Producer Responsibility (pEPR) payment previously announced by Government to support the implementation of new legislation

set out in the Environment Act 2021. A further allocation of **£1.813m** has been awarded in 2026/27 which will be transferred into this reserve.

- **Pension Reserve** – a transfer of **£500k** to this reserve is proposed to provide resilience of any transformation impact costs associated with Local Government Reorganisation.
- **Budget Stabilisation Reserve** – based on the forecast business rate collection fund surplus in 2026/27 and potential growth in business rates it is proposed to allocate **£0.981m** into this reserve to help deal with the future deficits that are currently modelled on the basis of the multi-year settlement.

New Reserves

It is proposed the following new reserve is created:

- **Market Towns Investment Fund** – this is a proposed new reserve of **£500k** to be established to provide continued investment in the four market towns following the success of the Future High Streets Fund programme which is now nearing completion.

Closed Reserves

It is proposed the following reserves are closed down and balances transferred to another reserve:

- **Markets Reserve** – this Reserve was established to support the continued regeneration of the markets and to deliver specific actions set out in the Markets Action Plan. The actions associated with this reserve are closely aligned with the new Markets Towns Investment Fund and therefore it is proposed the balance on this reserve of **£50k** is transferred to this new reserve.
- **Street Scene Reserve** – due to the interrelated nature of the work between the waste service and street scene teams it is proposed to transfer the balance on this reserve of **£246k** into the waste services reserve to increase flexibility to deliver service requirements.

7.5 Based on the above reserve movements the impact on the overall General Fund reserve balances is summarised in **Table 11** below. Over the 3 year financial period the level of reserves reduces by **£4.999m** based on the forecast balance as at 31 March 2026. The level of working balance of **£2.5m** is maintained within the target of 10-15% of the value of the net cost of services.

Table 11 – Summary General Fund Reserve Balances

	Forecast Balance as at 31 March 2026 £'000	Forecast Balance as at 31 March 2027 £'000	Forecast Balance as at 31 March 2028 £'000	Forecast Balance as at 31 March 2029 £'000
Discretionary Reserves	12,059	12,646	10,894	8,310
Governance Reserves	4,842	6,459	6,587	6,744
Total General Reserves	16,901	19,105	17,481	15,054
Government Grants	1,997	1,924	1,924	1,924
Working Balance	2,535	2,535	2,535	2,535
Total Revenue Reserves	21,433	23,564	21,940	19,513
Capital Reserves	3,658	1,361	744	579
Total General Fund Reserves	25,091	24,925	22,684	20,092

8 Statement by the Chief Finance Officer (s151 Officer)

8.1 The Council's Chief Finance Officer is required to comment on the robustness of the budget estimate and the adequacy of the proposed financial reserves in accordance with the requirements of the Local Government Act 2003. The estimates are considered robust. Employee costs are based on the approved establishment, contractual inflation is included, there is a reasonable provision for inflation, interest income is based on the advice of the Council's treasury management advisors and income targets are considered to be achievable.

8.2 The draft General Fund budgets are protected by a number of reserves that ensure the Council has sufficient financial cover should unforeseen events cause the operating costs to exceed those of the budgeted levels. Primarily these are the Working Balance and the Budget Stabilisation Reserve. The Budget Stabilisation Reserve is an important component of ensuring the Council has the financial resilience to meet the financial impact of inflation, the impact of demand on Council services due to external influences such as cost of living pressures on residents and the costs associated with the employee pay awards. There is currently no proposal to use the Budget Stabilisation Reserve for the next 2 financial years but may be required in 2028/29 based on the current provisional settlement figures and future service projections. This will be kept under review when further updates are provided by Government regarding future funding levels and any changes to the multi-year settlement.

9 Treasury Management Strategy Statement (TMMS) and Capital Strategy

- 9.1 The CIPFA Treasury Management Code defines treasury management activities as: *“The management of the local authority’s investments and cashflows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risk”*.
- 9.2 The TMSS sets out the counterparties that the Council will invest with and the limits of investment with each counterparty. There are no proposed changes to the limits contained in the 2026/27 Strategy.
- 9.3 The Council needs to adhere to the CIPFA Treasury Management and Prudential Codes when preparing the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) reports alongside the in-year reporting.
- 9.4 The Council produces quarterly treasury update reports and an annual report which are presented to the Governance and Audit Committee for approval.
- 9.5 The draft TMMS is included at Appendix F has been presented to Governance and Audit Committee on 21 January 2026 for consideration prior to being presented to Council for approval. The Committee recommended the Statement to Cabinet without amendment.
- 9.6 The Capital Strategy has also been amended and updated and is provided in detail at Appendix G. The Strategy sets out the strategic framework of capital investment, capital financing and treasury management activity and how they support the delivery of the Corporate Plan and service provision

10 Collection Fund

- 10.1 All relevant transactions associated with Council Tax and National Non-Domestic Rates (NNDR) are shown in the Collection Fund.
- 10.2 To comply with CIPFA’s Accounting Code of Practice, Councils are required to forecast the outturn on the Collection Fund as at 31 March each year in order to distribute this amount to precepting bodies and Central Government in the following financial year.
- 10.3 Any surplus or deficit arising from Council Tax transactions is shared between South Kesteven District Council, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner (the precepting bodies) in proportion to their demands on the Collection Fund.

10.4 Any surplus or deficit arising from Business Rates transactions is shared between Central Government (50%), South Kesteven District Council (40%) and Lincolnshire County Council (10%).

10.5 A breakdown of the surplus distribution for Council Tax and Business Rates is detailed in Table 12.

Table 12 – Collection Fund distribution summary

	Council Tax	Business Rates
	£'000	£'000
South Kesteven District Council	41	708
Lincolnshire County Council	274	177
Lincolnshire Police and Crime Commissioner	54	0
Central Government	0	885
Total	369	1,770

10.6 Initial modelling included in the draft reports to budget scrutiny had a higher-than-expected collection fund surpluses than those outlined in Table 12 above for business rates predominately. Following completion of the NNDR1 form and collection fund calculations, the collection fund surpluses have reduced but there has been a corresponding increase on the forecast business rates income for 2026/27. With a positive movement on the Council Tax collection fund surplus the overall impact is broadly the same and still maintains a balanced budget position.

11 Reasons for the Recommendations

11.1 The Council is legally required to set a balanced budget each Financial Year.

12 Consultation

12.1 The draft budget proposals were presented to The Budget - Joint OSC on the 13 January 2026 for consideration and provided opportunity to feedback to Cabinet at their meeting on 15 January 2026. Cabinet approved the consultation on the proposed Council Tax level for the District Council for 2026/27 and the findings of the consultation are shown at Appendix H.

13 Appendices

13.1 Appendix A – Revenue summary – General Fund

13.2 Appendix B – Capital Programmes & Financing Statements

13.3 Appendix C – Reserves Statement

13.4 Appendix D – Risk Register

13.5 Appendix E – Equality Impact Assessment

13.6 Appendix F – Treasury Management Strategy Statement

13.7 Appendix G – Capital Strategy

13.8 Appendix H – Council Tax Survey Findings

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Appendix A

		APPENDIX A			
		<u>2025/26 - 2028/29 General Fund Revenue Summary</u>			
		2025-26 Revised Budget £'000	2026-27 Proposed Budget £'000	2027-28 Indicative Budget £'000	2028-29 Indicative Budget £'000
General Expenses					
1	Corporate, Governance and Public Protection	4,463	4,561	4,844	4,645
2	Finance, Property & Waste Services	12,051	12,388	12,662	12,955
3	Growth & Culture	9,857	7,119	7,232	7,835
4	Housing & Projects	2,032	1,856	1,875	1,895
5	HRA Recharge	(2,960)	(3,049)	(3,110)	(3,172)
6	Drainage Rates	1,026	1,128	1,241	1,365
7	Net Cost of Services	26,469	24,003	24,744	25,523
8	Depreciation	(4,537)	(4,017)	(4,171)	(4,071)
9	Investment Income	(781)	(1,276)	(1,309)	(1,148)
10	Minimum Revenue Provision (MRP)	271	505	501	497
11	Revenue Contribution to Capital	2,087	0	0	0
12	Transfer to/from Earmarked Reserves	(2,906)	3,660	(104)	(443)
13	Net Budget Requirement	20,603	22,875	19,661	20,358
	Met by:				
Funding					
14	Business Rates	(7,189)	(4,000)	(3,539)	(3,610)
15	NNDR Collection Fund Surplus(-)/Deficit	(1,400)	(708)	0	0
16	Council Tax	(9,495)	(9,900)	(10,298)	(10,713)
17	Council Tax Collection Fund Surplus(-)/Deficit	(4)	(41)	0	0
Grant Income					
18	Revenue Support Grant (RSG)	(195)	(5,864)	(4,932)	(3,958)
19	Transitional protection	0	(549)	(964)	(1,417)
20	Funding Guarantee Grant	(1,188)	0	0	0
21	New Homes Bonus	(474)	0	0	0
22	pEPR Payment	(837)	(1,813)	0	0
23	National Insurance Contribution Funding	(151)	0	0	0
24	Internal Drainage Board Funding	(80)	0	0	0
25	Surplus Contribution to reserves	410	0	0	0
26	Surplus(-)/Deficit for Year	0	0	(72)	660

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2026/27 – 2028/29 General Fund Capital Programme and Financing Statement

	Description	Proposed Funding Source	2025/26 Carry Forwards £'000	2026/27 Proposed Budget £'000	2027/28 Indicative Budget £'000	2028/29 Indicative Budget £'000
1	Corporate, Governance and Public Protection					
1	Disabled Facilities Grant	Grant	0	975	975	975
			0	975	975	975
2	Finance, Property and Waste Services					
2	Street Scene Vehicle Procurement	Capital Receipts Reserve	1,326	356	452	350
3	Wheelie Bin Replacements	Capital Receipts Reserve	0	155	165	165
4	Vehicle Replacement Programme	Capital Receipts Reserve	0	460	999	960
5	Pool Cars	Local Priorities Reserve	0	0	0	304
6	River Witham Footbridge	Local Priorities Reserve	0	50	200	200
7	Grantham Canal Refurbishment	Local Priorities Reserve	0	200	120	120
8	Car Park Improvements	Local Priorities Reserve	0	120	0	0
9	Council Chamber Audio Equipment	ICT Reserve	0	88	0	0
10	Wharf Road, Grantham Car Park	Local Priorities Reserve	0	650	0	0
11	Cycle Shelter and Changing	Local Priorities Reserve	40	0	0	0
			1,366	2,079	1,936	2,099
12	Growth & Culture					
12	Grounds Maintenance Equipment	Local Priorities Reserve	0	130	120	0
13	Leisure SK Loan	Local Priorities Reserve	0	95	0	0
14	Coronation Orchard	Grant	23	0	0	0
			23	225	120	0
14	Housing & Projects					
14	EV Charging Points	Climate Change Reserve	0	55	50	50
			0	55	50	50
15	Total General Fund Capital Programme		1,389	3,334	3,081	3,124
	General Fund Financed By:					
16	Capital Grants and Contributions		23	975	975	975
17	Reserves		40	1,388	1,489	1,984
18	Usable Capital Receipts		1,326	971	617	165
19	Total General Fund Capital Programme Financing		1,389	3,334	3,081	3,124

Reserves Forecast - General Fund

2025/26 - 2028/29 GENERAL FUND RESERVE STATEMENT

APPENDIX C

	General Fund	Balance as at 31 March 2025 £'000	Forecast movement £'000	Forecast Balance as at 31 March 2026 £'000	Forecast movement £'000	Forecast Balance as at 31 March 2027 £'000	Forecast movement £'000	Forecast Balance as at 31 March 2028 £'000	Forecast movement £'000	Forecast Balance as at 31 March 2029 £'000
Discretionary Reserves										
1	Climate Change	330	125	455	(55)	400	(50)	350	(50)	300
2	Training and Development	100	(12)	88	100	188	0	188	0	188
3	Street Scene	286	(40)	246	(246)	0	0	0	0	0
4	ICT investment	482	(223)	259	(88)	171	0	171	0	171
5	Local Priorities Reserve	10,424	(4,320)	6,104	(1,503)	4,601	(1,262)	3,339	(2,214)	1,125
6	Market Reserve	0	50	50	(50)	0	0	0	0	0
7	Market Towns Investment Fund	0	0	0	550	550		550		550
8	Invest to Save	322	(56)	266	0	266	0	266	0	266
9	Housing Delivery	548	0	548	0	548	0	548	0	548
10	Property Maintenance	878	1,494	2,372	(1,000)	1,372	(440)	932	(320)	612
11	A1 Litter	47	0	47	(47)	0	0	0	0	0
12	Leisure & Community Reserve	200	(67)	133	367	500	0	500	0	500
13	Leisure Investment	500	(500)	0	500	500	0	500	0	500
14	Leisure	850	0	850	0	850	0	850	0	850
15	Waste and Street Scene Reserve	0	523	523	2,059	2,582	0	2,582	0	2,582
16	Regeneration	544	(426)	118	0	118	0	118	0	118
		15,511	(3,452)	12,059	587	12,646	(1,752)	10,894	(2,584)	8,310
Governance Reserves										
17	Insurance Reserve	210	(47)	163	0	163	0	163	0	163
18	Pensions Reserve	213	(31)	182	469	651	(31)	620	0	620
19	Budget Stabilisation	3,881	(250)	3,631	981	4,612	0	4,612	0	4,612
20	Rev Grants c/fwd	119	(10)	109	0	109	0	109	0	109
21	Building Control	83	(30)	53	(27)	26	(26)	0	0	0
22	Football 3G Pitch	200	25	225	25	250	25	275	0	275
23	Special Expense Area Reserve	236	133	369	169	538	160	698	157	855
24	Flood Reserve	110	0	110	0	110	0	110	0	110
		5,052	(210)	4,842	1,617	6,459	128	6,587	157	6,744
25	Total General Revenue Reserves	20,563	(3,662)	16,901	2,204	19,105	(1,624)	17,481	(2,427)	15,054

Reserves Forecast - General Fund

	Government Grants Received										
	Homelessness	1,160	(87)	1,073	0	1,073	0	1,073	0	1,073	
	New Burdens Grant	429	(61)	368	(50)	318	0	318	0	318	
	Neighbourhood Planning Grant	32	0	32	0	32	0	32	0	32	
	Historic England	44	0	44	0	44	0	44	0	44	
	Welfare Reform	177	0	177	0	177	0	177	0	177	
	Food Waste	1,651	(1,371)	280	0	280	0	280	0	280	
	Coronation Orchard	33	(10)	23	(23)	0	0	0	0	0	
26	Total Government Grants Received	3,526	(1,529)	1,997	(73)	1,924	0	1,924	0	1,924	
27	Working Balance	2,535	0	2,535	0	2,535	0	2,535	0	2,535	
28	Total Revenue Reserves	26,624	(5,191)	21,433	2,131	23,564	(1,624)	21,940	(2,427)	19,513	
	Capital Reserve										
29	General Fund Capital Reserve	52	0	52	0	52	0	52	0	52	
30	Useable Capital Receipts Reserve	4,537	(931)	3,606	(2,297)	1,309	(617)	692	(165)	527	
31	Total Capital Reserves	4,589	(931)	3,658	(2,297)	1,361	(617)	744	(165)	579	
32	Total General Fund Reserves	31,213	(6,122)	25,091	(166)	24,925	(2,241)	22,684	(2,592)	20,092	

Appendix D – General Fund Finance Risk Register

Risk	Likelihood	Impact	Residual Risk Score	Mitigating Action
1. Reduced funding levels from 2026/27 and beyond	4	3	14 Very High	The Government has recently concluded their funding review consultation and confirmed as part of the provisional budget announcements a multi-year settlement effective from 2026/27. The provisional settlement outlines funding will reduce over the three year period but transitional funding arrangements will be in place. The Council will need to manage the funding reductions over the 3 year settlement to ensure a balanced budget is achieved in 2028/29.
2. Capital programmes requiring borrowing in the medium term	3	3	12 High	Continue to undertake financial modelling to identify consequences of undertaking borrowing and align this with savings that will need to be approved before borrowing is undertaken in order to ensure ongoing affordability and financial sustainability. The capital programme can currently be financed without borrowing although this is kept under review.
3. Increase in bad debts as a result of economic circumstances	3	2	8 High	The Council has pro-active debt management procedures in place. Additional resources are being included within the 2026/27 budget proposals to support effective debt recovery.
4. Increased maintenance costs of council assets	3	2	8 High	The budget proposals for 2026/27 include further funding to help address backlog asset maintenance issues and capacity is under review to support the delivery of several large scale General Fund property projects. The medium-term outlook is a continuation of high levels of maintenance that will require financing. There are similar pressures for the Housing Revenue Account in respect of the social housing stock – additional investment may be required to meet new government requirements for decent homes standard.
5. Inflation increases beyond budgeted levels	2	2	5 Medium	Budget assumptions kept up to date with most recent projections and monthly sensitivity analysis is produced to monitor the impact of inflationary increases.
6. Fee Income volatility	2	2	5 Medium	Early monitoring of deviations and regular reporting to both budget holders and members.
7. Fuel price volatility	1	3	6 Medium	Weekly monitoring of fuel charge and proactive interventions to ensure optimisation of fuel consumption.

Impact	Critical None or very low tolerance to the risk	4	10 Medium	13 High	15 Very High	16 Very High
	Major Some tolerance to the risk	3	6 Medium	9 High	12 High	14 Very High
	Moderate Risk can be tolerated in most cases	2	3 Low	5 Medium	8 High	11 High
	Minor Risk can be tolerated	1	1 Low	2 Low	4 Medium	7 Medium
			1	2	3	4
	Unlikely	Possible	Likely	Certain		
	Low but not impossible <20%	Fairly likely to occur 21% - 50%	More likely to occur than not 51% - 80%	Expected to occur in most circumstances >80%		

Likelihood



Equality Impact Assessment

Question	Response
1. Name of policy/funding activity/event being assessed	General Fund and Council Tax Setting 2026/27
2. Summary of aims and objectives of the policy/funding activity/event	To set the Council Tax for 2026/27
3. Who is affected by the policy/funding activity/event?	All residents of South Kesteven District Council
4. Has there been any consultation with, or input from, customers/service users or other stakeholders?	Consultation regarding the increase to Council Tax will take place during the period 15 January – 2 February 2026 where residents of South Kesteven will have the opportunity to provide their views regarding the proposed increase to Council Tax. Cabinet will consider feedback from the consultation in their meeting on 10 February 2026.
5. What are the arrangements for monitoring and reviewing the actual impact of the policy/funding activity/event?	<p>It is not possible to assess the impact of the Council Tax increase on individual households within South Kesteven but the local Council Tax support scheme will mitigate the impact of increases to eligible customers. The full impact will not be mitigated for customers who are not eligible for 100% support. The Council Tax support scheme provides up to 80% support for working age claimants and 100% support for pension age claimants.</p> <p>There will be a negative impact on people who have low incomes that do not qualify for Council Tax Support.</p>

Protected Characteristic	Is there a potential for positive or negative impact?	Please explain and give examples of any evidence/data used	Action to address negative impact e.g. adjustment to the policy <small>(The Action Log below should be completed to provide further detail)</small>
Age	Yes	<p>Council Tax increases will have a negative impact on all residents in the district but the impact on those groups with a low income that do not qualify for support will be more greatly impacted.</p> <p>There is the potential for individuals below the age of 21 to be more greatly impacted due to the</p>	<p>The local council tax support scheme will help mitigate the impact of increases to council tax for eligible residents.</p> <p>There will also be a negative impact on people who have low incomes that do not qualify under the local council tax support scheme.</p>



		<p>National Minimum Wage rate for this group of people.</p> <p>People who have reached pension age could also be more greatly impacted as there is the potential for household income to be lower for this group of people when compared with working age households.</p>	
Disability	Yes	<p>Council Tax increases will have a negative impact on all residents in the district but the impact of individuals with this protected characteristic could be greater if they are in receipt of benefit support.</p>	<p>The local council tax support scheme will help mitigate the impact of increases to council tax for eligible residents.</p> <p>There will also be a negative impact on people who have low incomes that do not qualify under the local council tax support scheme.</p>
Gender Reassignment	No	Council Tax increases will have a negative impact on all residents in the district	
Marriage and Civil Partnership	No	Council Tax increases will have a negative impact on all residents in the district	
Pregnancy and Maternity	Yes	<p>Council Tax increases will have a negative impact on all residents in the district but the impact on individuals with this protected characteristic could be greater as income is likely to be lower when on maternity leave.</p>	<p>The local council tax support scheme will help mitigate the impact of increases to council tax for eligible residents.</p> <p>There will also be a negative impact on people who have low incomes that do not qualify under the local council tax support scheme.</p>
Race	No	Council Tax increases will have a negative impact on all residents in the district	
Religion or Belief	No	Council Tax increases will have a negative impact on all residents in the district	
Sex	No	Council Tax increases will have a negative impact on all residents in the district	
Sexual Orientation	No	Council Tax increases will have a negative impact on all residents in the district	
Other Factors requiring consideration			



Socio-Economic Impacts	Yes	<p>The cost of living crisis is already having an impact on households so increases in Council Tax will add further financial pressure to households.</p> <p>The local council tax support scheme will help mitigate the impact of increases to council tax for eligible residents.</p> <p>There will also be a negative impact on people who have low incomes that do not qualify under the local council tax support scheme.</p>	
Carers	Yes	<p>Carers could be more greatly impacted by increases in Council Tax than those who do not have a caring responsibility due to the potential impact this responsibility could have on their ability to work.</p>	<p>The local council tax support scheme will help mitigate the impact of increases to council tax for eligible residents which eligible individuals in receipt of carers allowance can apply for.</p> <p>There will also be a negative impact on people who have low incomes that do not qualify under the local council tax support scheme.</p>

Consultation

Negative impacts identified will require the responsible officer to consult with the affected group/s to determine all practicable and proportionate mitigations. Add more rows as required.

Group/Organisation	Date	Response

Proposed Mitigation: Action Log

To be completed when barriers, negative impact or discrimination are found as part of this process – to show actions taken to remove or mitigate. Any mitigations identified throughout the EIA process should be meaningful and timely. Add more rows as required.

Negative Impact	Action	Timeline	Outcome	Status

Evaluation Decision

Once consultation and practicable and proportionate mitigation has been put in place, the responsible officer should evaluate whether any negative impact remains and, if so, provide justification for any decision to proceed.

Question	Explanation / justification
----------	-----------------------------



Is it possible the proposed policy or activity or change in policy or activity could discriminate or unfairly disadvantage people?		
Final Decision	Tick	Include any explanation/justification required
1. No barriers identified, therefore activity will proceed	X	
2. Stop the policy or practice because the data shows bias towards one or more groups		
3. Adapt or change the policy in a way that will eliminate the bias		
4. Barriers and impact identified , however having considered all available options carefully, there appear to be no other proportionate ways to achieve the aim of the policy or practice (e.g. in extreme cases or where positive action is taken). Therefore you are going to proceed with caution with this policy or practice knowing that it may favour some people less than others, providing justification for this decision		

Did you consult with an Equality Ally prior to carrying out this assessment? Yes

Sign off

Name and job title of person completing this EIA	David Scott Assistant Director of Finance (Deputy s151)
Officer Responsible for implementing the policy/function etc	As above
Date Completed	17 December 2025
Line Manager	Richard Wyles Deputy Chief Executive and s151
Date Agreed (by line manager)	18 December 2025
Date of Review (if required)	Completed Annually

Completed EIAs should be included as an appendix to the relevant report going to a Cabinet, Committee or Council meeting and a copy sent to equalities@southkesteven.gov.uk.



SOUTH KESTEVEN
DISTRICT COUNCIL

Completed EIAs will be published along with the relevant report through Modern.Gov before any decision is made and also on the Council's website.

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2026-27 Treasury Management Strategy Statement

1. Introduction

- 1.1 The key recommendations from the revised CIPFA Treasury Management Code of Practice and a revised Prudential Code have been adopted by the Council. This Council, therefore, maintains a Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) stating policies, objectives and approach to risk management in its treasury management activities and also related reports during the financial year which are approved by Full Council.
- 1.2 The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following purposes:
 - **Treasury Management** - This type of investment represents balances which are only held until the cash is required.
 - **Service Delivery** – Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project or otherwise incidental to the primary purpose”.
 - **Commercial return** – Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to the Council’s financial capacity, i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. The Council must not borrow to invest primarily for financial return.

- 1.3 In accordance with the revised Treasury Management Code, the Council has implemented the following guidelines:

- **Adopted a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirements. This indicator needs to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
- **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
- **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
- Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function – to be proportionate to the size and complexity of the treasury management conducted by each authority;

- Quarterly reporting to members. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators.
- **Environmental, social and governance (ESG)** issues to be addressed within the Council's treasury management policies and practices (TMP1).

1.4 The main requirements of the Prudential Code relating to service and commercial investments are:

- The risks associated with service and commercial investments should be proportionate to their financial capacity, i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to the Council;
- The Council must not borrow to invest for the primary purpose of commercial return;
- It is not prudent for the Council to make any investment or spending decision that will increase the CFR, and lead to new borrowing, unless directly and primarily related to functions of the Council, and where commercial returns are either related to the financial viability of the project or otherwise incidental to the primary purpose;
- An annual review should be completed to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
- A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
- Create new Investment Management Practices to manage risks associated with non-treasury investments.

1.5 The Council's Capital Strategy or Annual Investment Strategy should include:

- The Council's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the Council's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
- An assessment of affordability, prudence and proportionality in respect of the Council's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets and reserves without unmanageable detriment to local services);

- Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
- Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
- Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the Council's overall strategy).
- State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

1.6 As this TMSS and AIS deal solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

1.7 As investments in commercial property have implications for cash balances managed by the treasury team a high level summary of the impact that commercial investments have, or may have, will be included if the Council plans to liquidate these investments over the 3 year period that the TMSS and AIS covers.

Background

1.8 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.9 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.10 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security

of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.11 CIPFA defines treasury management as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.12 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

Reporting Requirements

1.13 The CIPFA 2021 Prudential and Treasury Management Code requires all Council's to prepare a Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.14 The aim of the strategy is to ensure that all of the Council's elected members fully understand the overall long-term policy objectives

1.15 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

- **Prudential and treasury indicators and treasury strategy** - The first, and most important report covers:
 - the capital plans (including prudential indicators);
 - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
 - an investment strategy (the parameters on how investments are to be managed).
- **A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition to this the quarterly update reports will be produced.

- **An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

- 1.16 The above reports are required to be adequately scrutinised which is undertaken by the Governance and Audit Committee. This report is presented to Council for approval in March as part of the budget report.
- 1.17 In addition to the three reports detailed above, quarterly reporting is also required. These additional reports will be presented to the Governance and Audit Committee for approval.
- 1.18 **Governance and Audit Committee** – As part of the Committee's terms of reference the above reports are presented for consideration and scrutiny during the year. The Committee also has authority to approve any in year amendments to the Treasury Management Strategy as requested by officers.

Treasury Management Strategy for 2026-27

- 1.19 The strategy for 2026-27 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

- 1.20 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Training

- 1.21 The CIPFA Treasury Management Code (the Code) requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
- 1.22 The Code states that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making”.
- 1.23 The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
- 1.24 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
 - Record attendance at training and ensure action is taken where poor attendance is identified.
 - Prepare tailored learning plans for treasury management officers and board/council members.
 - Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
 - Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”
- 1.25 In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.
- 1.26 Training was provided to members of the Governance and Audit Committee by the Council’s treasury advisors, MUFG Corporate Markets on 23 November 2025 and further training is implemented as required. The training needs of treasury officers are periodically reviewed.
- 1.27 A record of the treasury management/capital finance training received by members will also be maintained by the Members Services Officer.

Treasury management consultants

- 1.28 The Council uses MUFG Corporate Markets as its external treasury management advisors.
- 1.29 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 1.30 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 The Capital Prudential Indicators 2024/25 actuals and 2025/26 to 2028/29 estimatesIntroduction

- 2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure and Financing

- 2.2 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Non-HRA	13.780	18.321	3.564	3.081	3.124
HRA	22.770	21.414	27.192	13.110	12.872
Total	36.550	39.735	30.756	16.191	15.996

- 2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital receipts reserve	5.364	8.292	13.300	3.617	3.165
Grants and Contributions	11.755	9.190	3.475	0.975	0.975
Reserves	16.819	16.369	13.981	11.599	11.856
Net financing need for the year	2.612	5.885	0	0	0

The Council's Borrowing Need (the Capital Financing Requirement)

- 2.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 2.5 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset life, and so charges the economic consumption of capital assets as they are used.
- 2.6 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.
- 2.7 The Council is asked to approve the CFR projections below:

Appendix F

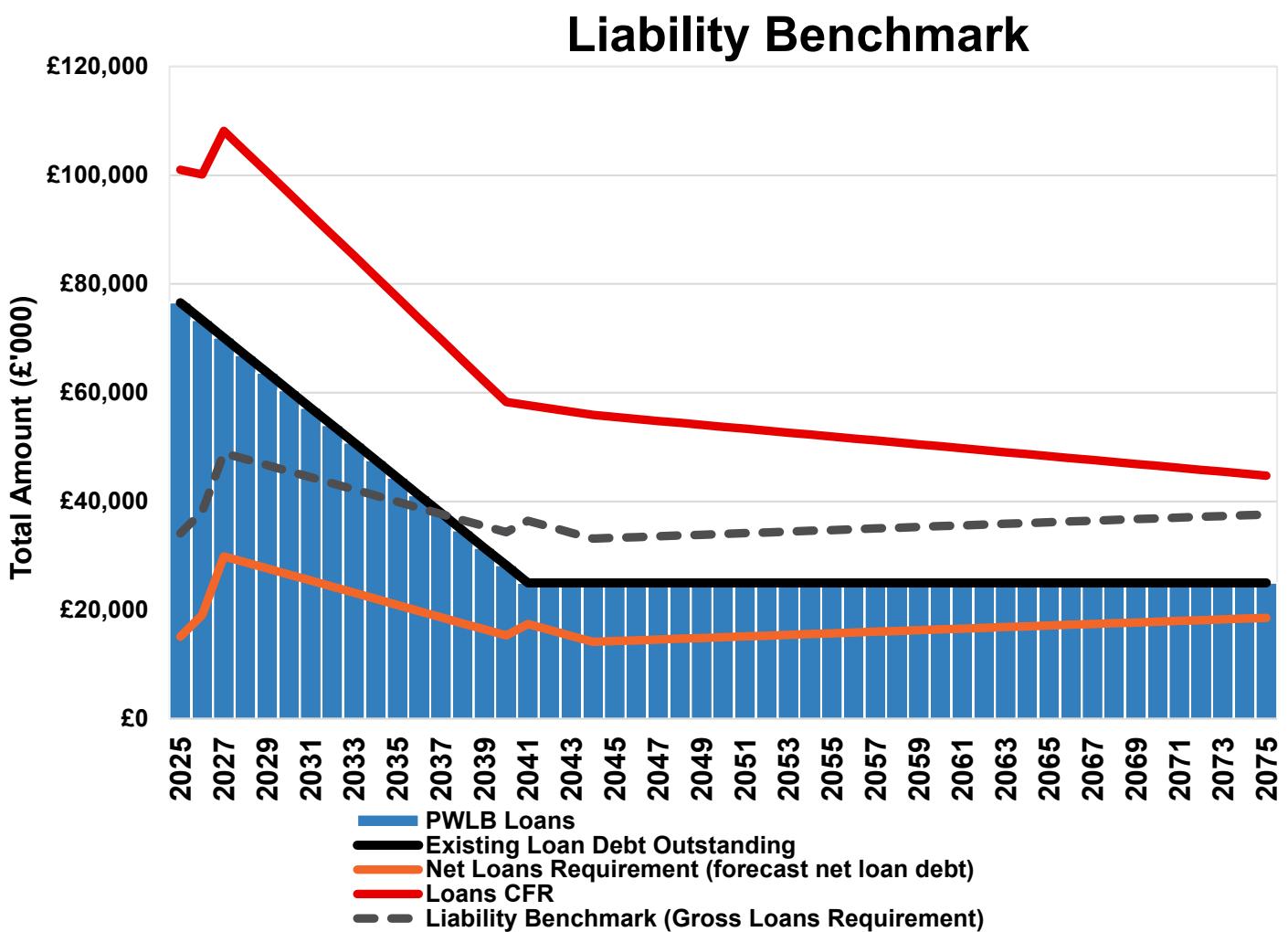
	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
Capital Financing Requirement					
Closing CFR – Non Housing	16.597	27.863	27.251	26.642	26.038
Closing CFR - Housing	83.516	80.294	77.072	73.850	70.628
Total CFR	100.113	108.157	104.323	100.492	96.666
Opening CFR	101.005	100.113	108.157	104.323	100.492
Movement in CFR	0.892	(8.044)	3.834	3.831	3.826

	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
Movement in CFR represented by					
Net financing need for the year	2.612	11.667	0	0	0
Repayment of HRA Borrowing	(3.222)	(3.222)	(3.222)	(3.222)	(3.222)
Less MRP/VRP and other financing movements	(0.282)	(0.401)	(0.612)	(0.609)	(0.604)
Movement in CFR	(0.892)	8.044	(3.834)	(3.831)	(3.826)

Liability Benchmark

2.8 The Council is required to estimate and measure the LB for the forthcoming year and the following two years, as a minimum. There are four components to the LB:

- **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
- **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability Benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.



Core Funds and Expected Investment Balances

2.9 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
General Fund balances	24.089	18.886	21.608	20.009	17.582
Capital reserves – General Fund	4.589	2.332	1.131	0.514	0.349
Capital reserves – HRA	11.573	12.038	2.416	1.643	0.285
HRA reserve	7.261	3.954	3.854	3.754	3.654
Major Repairs Reserve	15.316	10.508	4.985	2.529	2.796
Total Core Funds	62.828	47.718	33.994	28.449	24.666
Working Capital - GF*	2.535	2.535	2.535	2.535	2.535
Working Capital - HRA*	1.573	3.005	2.871	3.143	1.749
Expected Investments	64.035	58.647	46.329	36.764	31.539

Working capital balances shown are estimated year end; these may be higher mid-year.

3 Borrowing

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional Codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

Current Portfolio Position

3.2 The overall treasury management portfolio as at 31 March 2025 and the position as at 31 December 2025 are shown below for both borrowing and investments.

	Balance at 31 March 2025 £'000	Balance at 31 December 2025 £'000
Deposits with Banks and Financial Institutions		
Banks		
Lloyds Bank Plc	5,000	0
Santander UK Plc	10,000	0
National Bank of Canada	5,000	0
Standard Chartered Bank	9,000	7,000
Helaba	0	13,000
Building Societies		
Newcastle BS	2,000	0
Local Authorities		
Highland Council	5,000	5,000
Reading Borough Council	3,000	0
Plymouth City Council	5,000	5,000
Lancashire County Council	5,000	5,000
Surrey Heath Borough Council	0	5,000
Leeds City Council	0	5,000
Money Market Funds		
Aberdeen Standard	5,000	0
LGIM	5,000	1,022
BNP Paribas	767	0
Invesco	0	530
Federated Prime MMF	0	3,428
Property Funds		
CCLA Property Fund	3,000	3,000
Total Treasury Investments	62,767	52,980

External Borrowing			
PWLB	(79,769)	(79,769)	
Total External Borrowing	(79,769)	(79,769)	
Net Treasury Investments/(Borrowing)	(17,002)	(26,789)	

3.3 The Council's forward projections for borrowing are summarised in the table below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Year End Resources	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
External Debt					
Existing Debt at 1 April	76.547	73.325	70.103	66.881	63.659
Expected change in debt	0	0	0	0	0
HRA Settlement	(3.222)	(3.222)	(3.222)	(3.222)	(3.222)
Debt at 31 March	73.325	70.103	66.881	63.659	60.437
Closing CFR	101.005	100.113	108.157	104.327	100.501
Under / (over) borrowing	27.680	30.010	41.276	40.668	40.064

3.4 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes

3.5 The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report

Treasury Indicators: Limits to Borrowing Activity

3.6 The operational boundary and authorised limit have been maintained at prior year levels as they are deemed sufficient to facilitate the delivery of the economic regeneration projects and essential service delivery infrastructure. Any capital schemes that have borrowing implications will be fully evaluated to identify the overall impact on the prudential indicators.

3.7 The Operational Boundary.

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund	22.000	23.000	24.000	24.000
HRA	100.000	100.000	100.000	100.000
Other long-term liabilities	0.000	0.000	0.000	0.000
Total	122.000	123.000	124.000	124.000

3.8 The operational boundary will be reviewed on an individual project basis as required.

3.9 The Authorised Limit for External Debt

This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

3.10 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

3.11 The Council is asked to approve the following authorised limit:

Authorised limit	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund	40.000	41.000	42.000	42.000
HRA	115.000	115.000	115.000	115.000
Other long-term liabilities	0.000	0.000	0.000	0.000
Total	155.000	156.000	157.000	157.000

Prospects for Interest Rates

3.12 The Council utilises the services of MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their current central view:

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2026	3.75	4.60	5.80	5.60
Jun 2026	3.50	4.50	5.70	5.50
Sep 2026	3.50	4.30	5.60	5.40
Dec 2026	3.25	4.20	5.50	5.30
Mar 2027	3.25	4.10	5.50	5.30
Jun 2027	3.25	4.10	5.40	5.20
Sep 2027	3.25	4.10	5.30	5.10
Dec 2027	3.25	4.10	5.30	5.10
Mar 2028	3.25	4.10	5.30	5.10
Jun 2028	3.25	4.10	5.20	5.00
Sep 2028	3.25	4.10	5.20	5.10
Dec 2028	3.25	4.10	5.20	5.00
Mar 2029	3.25	4.10	5.20	5.00

3.13 The PWLB forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1 November 2012.

3.14 MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.

Borrowing Strategy 2026/27 – 2028/29

3.15 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if some rate cuts arise.

3.16 When the Council is considering undertaking borrowing to fund the capital programme, projects or to fund future debt maturities a clear business case must be developed. The business case will need to take into consideration, the revenue consequences of the borrowing including interest payable, MRP and any future income to be generated from the project. Borrowing can then be undertaken where there is a clear business case and affordability is demonstrated.

3.17 Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Section 151 and Deputy Section 151 Officers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

3.18 The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.

3.19 Any borrowing decisions will be reported to the Governance and Audit Committee at the next available opportunity.

Policy on Borrowing in Advance of need

3.20 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.21 The Section 151 or Deputy Section 151 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Section 151 or Deputy section 151 Officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance of need will be made within the constraints that:

- It will be limited to no more than 30% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- The Council would not look to borrow more than 24 months in advance of need.

3.22 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

3.23 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates.

3.24 If rescheduling was done, it will be reported to the Governance and Audit Committee at the earliest meeting following its action.

New financial institutions as a source of borrowing and/or types of borrowing

3.25 Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
- National Wealth Fund (possibly still a viable alternative depending on market circumstances prevailing at the time).

3.26 Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
National Wealth Fund	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local/Community Municipal Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4 Annual Investment Strategy

Investment Policy and Counterparty Selection Criteria

4.1 The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy.

4.2 The Council's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ("the Guidance"),
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021.

4.3 The Council's investment priorities will be security first, portfolio liquidity second, then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Council's risk appetite.

4.4 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated.

4.5 The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

- the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- Investment instruments identified for use in the financial year are listed in Appendix 3 under the ‘specified’ and ‘non-specified’ investment categories. Counterparty limits will be as set through the Council’s treasury management practices-schedules.
 - **Specified investments** are those with a high credit quality and subject to a maturity of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers being being authorised for use.
- **Non-specified and loan investment limits.** The Council had determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified investments of 35%.
- **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the limits in Appendix 3.

- **Transaction limits** are set for each type of investment in Appendix 3.
- This Council will set a limit for its investments which are invested for **longer than 365 days** (see paragraph 4.20).
- This Council has engaged **external consultants** (see paragraph 1.28), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in **sterling**.
- As a result of the change in accounting standards under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. More recently, a further extension to the over-ride to 31 May 2029 has been agreed by Government.

4.6 This Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 4.22). Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

4.7 This Council applies the creditworthiness service provided by MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

4.8 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C	4.9
1	1.25	1.5	2	3	4	5	6	7	
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour	

The MUFG Corporate Markets creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue importance to just one agency's ratings.

4.10 Typically the minimum credit ratings criteria the Council uses will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

4.11 All credit ratings are monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx European Financials benchmark and other market data on a weekly basis via its Passport website, provided exclusively to it by MUFG Corporate Markets. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

4.12 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

4.13 The Treasury Management Officer will use the MUFG Corporate Markets Credit Rating weekly listing as a tool for guidance, with the option to deviate from this guidance only when there are clear alternative options that are available to the

Council. Any decision of this nature should be clearly documented for audit purposes.

4.14 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Council will not set a minimum rating for the UK.

Investment Strategy

4.15 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

4.16 While most cash balances are required in order to manage the councils cashflow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

4.17 The current forecast shown in paragraph 3.12 includes a forecast for Bank Rate to fall to a low of 3.25% in 2026.

4.18 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long-term forecast is for periods over 10 years in the future):

Average earnings in each year	MUFG Corporate Markets	Budgeted*
2025/26	3.80%	4.50%
2026/27	3.40%	3.50%
2027/28	3.30%	3.25%
2028/29	3.30%	3.00%
2029/30	3.50%	n/a
Year 6 onwards	3.50%	n/a

4.19 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

4.20 The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 365 days			
	2026/27 £m	2027/28 £m	2028/29 £m
Principal sums invested > 365 days	15.000	15.000	15.000

4.21 For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment Risk Benchmarking

4.22 These benchmarks are simple guides to maximum risk, so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.010% historic risk of default when compared to the whole portfolio.

Liquidity – In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.5m
- Liquid short-term deposits of at least £12m available with a week's notice.
- Weighted Average Life benchmark is not expected to exceed a maximum of 1 year.

Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7-day compounded SONIA rate
- Investments – External fund managers - returns 110% above 7-day compounded SONIA

4.23 And in addition, that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.05%	0.14%	0.26%	0.38%	0.54%

Note: This benchmark is an average risk of default measure (potential loss on investments) and would not constitute an expectation of loss against a particular investment.

End of year Investment Report

4.24 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Appendix 1**THE MRP STATEMENT****Minimum Revenue Provision (MRP) Policy Statement**

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonable commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Council can choose any other reasonable basis that it can justify as prudent.

The MRP policy statement required full council approval in advance of each financial year.

The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 which forms part of the supported capital expenditure, the MRP policy will be:

- **4% reducing balance (regulatory method)** – MRP will follow the historical practice outlined in former regulations as 4% of the opening General Fund CFR balance less adjustment A.

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- Asset life method – MRP will be based on the estimated life of the assets.

Capital expenditure incurred during 2025/26 will not be subject to an MRP charge until 2026/27, or in the year after the asset becomes operational.

The Council will apply the asset life method for any expenditure capitalised under the Capitalisation Direction.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment. For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

MRP Overpayments – Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent.

Appendix 2

CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2026/27 – 2028/29

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Corporate	1.743	1.380	0.975	0.975	0.975
Finance	5.916	11.945	2.309	1.936	2.099
Growth & Culture	4.748	2.112	0.225	0.120	0
Housing & Property	1.373	2.884	0.055	0.050	0.050
Non-HRA	13.780	18.321	3.564	3.081	3.124
HRA	22.770	21.414	27.192	13.110	12.872
Total	36.550	39.735	30.756	16.191	15.996

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

%	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Non-HRA	(8.29)	(3.79)	(5.56)	(6.66)	(5.63)
HRA	(1.91)	0.95	2.76	3.90	4.06

The estimates of financing costs include current commitments and the proposals in this budget report.

HRA Ratios

	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA debt £m	76.547	73.325	70.103	66.881	63,659
HRA Revenues £m	30.728	31.082	32.304	33.418	34.466
Ratio of debt to revenues	2.49	2.36	2.17	2.00	1.85

	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA debt £m	76.547	73.325	70.103	66.881	63,659
Number of HRA dwellings	5,835	5,805	5,846	5,857	5,862
Debt per dwelling £	13,119	12,631	11,992	11,419	10,860

Maturity Structure of Borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2026/27		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	50%
5 years to 10 years	0%	60%
10 years and above	0%	80%

Maturity structure of variable interest rate borrowing 2025/26		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years and above	0%	20%

Appendix 3

Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management

The investment policy proposed for the Council is:

Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments – all such investments will be sterling denominated, with maturities up to maximum 1 year, meeting the ‘high’ quality criteria where applicable.

Table A – Specified Investments

	Specified Investments Category	Limit
a	<p>A body of high credit quality, this category includes the following –</p> <ul style="list-style-type: none"> <input type="checkbox"/> Any bank or building society using Sector Creditworthiness service, following the suggested duration on the list up to a maximum of 365 days. 	<p>£15m per institution or a maximum of 30% of total investment (whichever is the greatest), £15m per corporate group</p>
b	The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity)	no amount limit
c	UK local authorities, Parish Council or Community Council	£5m per institution
d	<p>Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This category covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.</p> <p>MHCLG Investment Guidance specifies that Money Market Funds with high credit ratings are classified as Specified Investment. These funds are instant access investment. There is possibility that part of the investment may be exposed to counterparties the Council would not approve normally or invest directly. The counterparty risk is mitigated by that –</p> <ul style="list-style-type: none"> • The Fund Managers diversify investment in a range of counterparties; 	£5m per fund

	<ul style="list-style-type: none"> • The Funds are instant access; • The Council only invests in funds rated AAA; • MHCLG Investment Guidance classifying such funds as Specified Investment. 	
e	<p>Enhanced Money Market Funds</p> <p>These are similar to normal money market funds but operate on a variable rate basis. The selection criteria will be on the same basis as the pooled investment vehicles with only funds rated AAA by Standard and Poor's, Moody's or Fitch rating agencies being used.</p> <p>In addition to this only EMMF's with a credit score of 1.25 and above will be used.</p>	£5m per fund
f	<p>Ultra Short Dated Bond Funds</p> <p>These are similar to normal money market funds but operate on a variable rate basis. The selection criteria will be on the same basis as the pooled investment vehicles with only funds with a credit score of 1.25 and rated AAA by Standard and Poor's, Moody's or Fitch rating agencies being used.</p>	£5m per fund
g	Corporate Bond Funds	£5m per fund

Non-Specified Investments – These are any investments which do not meet the specified investment criteria. Amounts invested with any one corporate group shall not exceed £5m (with the exception of the Council's own bank and the top 10 rated building societies).

Amounts invested in non-specified fixed term investments would normally not exceed 35% of the total Invested. The Section 151 or Deputy Section 151 has the discretion if required to exceed this, and the limits detailed below, should the rate of return on Investment be beneficial to the council. Any decision will be based on taking into account current and future market conditions as well as counterparty strength and rating. If these circumstances are required this will be reported back to the Governance and Audit Committee through the annual reporting cycle.

The table below is not an exhaustive list of all non-specified investments; further options are identified in the narrative section within the strategy.

Table B – Non Specified Investments

	Non Specified Investment Category	Limit
a.	Any institutions meeting the criteria set out for Specified Investments , with a maturity of greater than 1 year following the suggested duration on the list up to a maximum of 5 years. (including forward deals in excess of one year from inception to repayment).	£4m maximum of 3-years per institution
b.	Council's Bank – Should it fail to meet the basic credit criteria, monies will be restricted to instant access and will be minimised as far as is possible.	£7m
c.	Top 10 building societies, by asset value – The operation of some building societies does not require a credit rating, although in every other respect the security would match similarly sized societies with ratings. The Council may use such building societies that all placed within the top 10 by asset value.	£3m maximum of 3-year investment period per institution. £12m for all top 10 building societies
d.	UK Local Authorities, Parish Council or Community Council	£5m per institution
e.	Property funds The use of these instruments can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	£5m No maximum duration period.

Note: This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Maximum limit per institution – The maximum limit for both specified and non-specified investments is a total of £15m per corporate group with a higher limit of £18m at the discretion of the Section 151 Officer (or deputy) where an institution is considered to be of a higher credit quality.

The monitoring of investment counterparties – The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from MUFG Corporate Markets as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principle and interest. Any counterparty failing to meet the criteria will be removed from the list

immediately by the Section 151 Officer (or Deputy), and if required new counterparties which meet the criteria will be added to the list.

Ethical Investment Statement

Investment guidance, both statutory and from CIPFA makes clear that all investing must adopt the key Treasury Management principles of security, liquidity and yield (SLY) in this order of priority. The Council is however committed to Environmental, Social and Governance (ESG) factors. Through our Treasury Management Strategy, in terms of ESG investment considerations, ESG metrics, will be used where appropriate and available in the credit rating agency assessments when considering investment opportunities.

Typical areas of consideration include:

- (i) Environmental: Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.
- (ii) Social: Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.
- (iii) Governance: Management structure, governance structure, group structure, financial transparency.

Local Authority Controlled Company – LACC.

The Council has the ability to make loans to a Local Authority Controlled Company.

The criteria for a loan being made with a LACC will be that there is a clear business plan that demonstrates the affordability of the investment for the LACC.

Use of External Fund Managers – The Council is not restricted to placing funds with cash managers, and will manage funds in house, use fund managers, or brokers if it is appropriate to do so.

The fund managers will use both specified and non-specified investment categories and are contractually committed to keep to the Council's investment strategy.

Currently the Council has an agreement with King & Shaxson, Tradition UK, Imperial Treasury and Sterling International. The fund managers are required to adhere to the following:

- All investments restricted to sterling denominated instruments;
- Amounts invested with any one institution or Corporate Group should not exceed the limits specified in Table A and Table B.
- Portfolio management is measured against the return provided by the 3-month SONIA, or in accordance with the measures specified in the contract.

The performance of investment managed by Fund Managers is reviewed at least quarterly by the Section 151 or Deputy Section 151 Officer.

Appendix 4

TREASURY MANAGEMENT SCHEME OF DELEGATION

i. Council

- Approval of the annual Treasury Management Strategy Statement
- Approval of the budget framework

ii. Governance and Audit Committee

- Review the annual Treasury Management Strategy Statement
- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices which are included in the Annual Treasury Management Strategy Statement;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- reviewing the treasury management policy and procedures and making recommendations to Council.

Appendix 5**THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- Updating operational Treasury Management Practices which set outside those approved as part of the annual Treasury Management Strategy Statement.
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

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Capital Strategy 2026/27 – 2028/29

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1 Introduction

- 1.1 The Capital Strategy is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. It provides an overview of how associated risk is managed and the implication for future financial sustainability.
- 1.2 The Council has approved a Corporate Plan which has five clear priorities:
 - Connecting Communities
 - Sustainable South Kesteven
 - Enabling Economic Opportunitiy
 - Housing
 - Effective Council

Underpinning these priorities are a set of key actions that will be delivered to support these objectives and these include a programme of strategic projects that will support the development of the local economy..

- 1.3 The Council develops the capital programme in the context of supporting the delivery of high quality, sustainable growth across the district whilst ensuring that we also protect and safeguard what is special about our natural and built environment.
- 1.4 The Local Plan for South Kesteven set out plans for new homes across the district together with associated facilities and employment opportunities. The plan has a range of detailed policies to guide development. It considers and provides the strategy for strategic development and spatial planning with appropriate referencing and policies relating to the delivery of necessary infrastructure.
- 1.5 Investment in housing stock sits within the Housing Revenue Account (HRA) and regeneration across the district will form a significant proportion of the Council's Capital Programme in the future. A need has been identified for additional provision of affordable housing within the District and the Council has developed a pipeline of acquisition proposals through a combination of self-build and direct stock purchases, utilising its HRA resources, to provide quality social housing across the District where there is evidence of need.
- 1.6 The Capital Strategy sets out the governing framework for how the Council will develop and deliver its capital programme in the context of the aforementioned growth plans.

2 Purpose

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with the Council's corporate ambitions and service objectives and take account of stewardship, risk, value for money, prudence, sustainability and affordability. A revised Prudential Code was published on 20 December 2021 which requires the Council's Capital Strategy to include:

- The Council's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the Council's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
- An assessment of affordability, prudence and proportionality in respect of the Council's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets and reserves without unmanageable detriment to local services);
- Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
- Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
- Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the Council's overall strategy).
- State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

2.2 The Ministry of Housing, Communities and Local Government (MHCLG) has issued statutory guidance on local government investments which includes the requirement to include a number of additional disclosures for non-financial investments in the Capital Strategy to be approved by Council. The Government has also issued statutory guidance on the treatment of the Minimum Revenue Provision (MRP) that took effect from April 2018 and which is covered more fully in the Council's Treasury Management Strategy.

2.3 It should be noted that the regulations have been updated to restrict local authorities with respect to financing capital expenditure on investment in commercial projects primarily for yield. This is consistent with guidance from the Public Works Loan Board which does not allow borrowing to be undertaken if commercial projects are included in the capital programme and the revised prudential code.

2.4 The Capital Strategy sets out the long-term context and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high-level overview of how capital expenditure, capital financing and treasury management decisions contribute to the provision of high-quality services and the achievement of priority outcomes. It also provides a framework in which due consideration is given to risk and reward and the implications for future financial sustainability together with an overview of the governance processes for the approval and monitoring of capital expenditure.

2.5 The Capital Strategy will be reviewed and updated annually to ensure it maintains strong links to the Council's developing priorities and to other key strategies.

3 Links to Other Key Strategies, Policies and Procedures

3.1 The Capital Strategy is inextricably linked to the following:

- **Corporate Plan 2024 – 2027** – this sets out the Council's vision 'be the best district in which to live, work and visit'. This vision is supported by 5 clear priorities and a set of actions to support the delivery of the priorities.
- **Medium Term Financial Plan** – this sets out the Council's overall budgetary framework and interlinks with a number of key strategies that support the delivery of the Council's ambitions. It looks at the Council's plans over a 3-5 year period to finance its priorities and meet its spending commitments, having regard to the likely availability of revenue and capital resources.
- **Treasury Management Strategy** – this relates to the effective management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- **Asset Management Strategy** – this is designed to achieve the most efficient and effective management of assets. There are strong linkages to the Capital Strategy and Capital Programme particularly relating to the Council's building infrastructure and maintenance of the Council's Housing Stock.
- **30 Year Housing Business Plan** – this is a long term plan for managing the authorities housing assets and financing ongoing capital investments.
- Council Standing Orders and Financial Regulations.

4 Capital Expenditure Definition and Accounting Policy

4.1 Capital expenditure is made when the Council spends money on assets, such as property or vehicles that will be used for more than one year. It also includes loans and grants to other bodies enabling them to buy assets.

4.2 When categorising expenditure, a de-minimis of £10,000 (excluding vehicles) is applied, with purchases below this figure charged to revenue in year. Accounting policies relating to capital expenditure are further detailed in the Statement of Accounts.

5 Corporate Governance of Projects

- 5.1 The capital programme is set on an annual basis and includes a review of existing projects which have not yet commenced, new submissions, available capital resources and any new funding streams.
- 5.2 Cabinet can approve individual additions of £250k to the capital programme up to a cumulative total of £1m in any one year. Any budget amendments beyond these levels require the approval of Full Council.

6 Project Management Methodology

- 6.1 Capital projects will be managed using the Council's project management toolkit which ensures the proportionate level of governance is in place. This will include the formation of the business case, project initiation documentation, project risks and issues, resources identified and defined roles and responsibilities. Capital projects will be defined in order to identify whole life costs and ongoing revenue implications both from a cost and income perspective.

7 Submissions to the Capital Programme

- 7.1 Submissions are requested annually from service areas in September to provide proposals for the following year's capital programme. A standardised bid form is provided which includes an outline business case and details of any revenue budget implications.
- 7.2 Proposals are reviewed and challenged to ensure schemes meet with service priorities and the Corporate Plan. The primary elements of the General Fund capital programme are formulated to deliver the Council ambitions of growth and investment in its assets to support the delivery of quality services. The formation of the HRA capital programme is derived using the results and analysis of the stock condition survey that has been undertaken. This allows the Council to focus the resources of the HRA to address outstanding refurbishment and improvements in key parts of the stock along with investment in Housing Growth.
- 7.3 All bids are appraised based on a comparison of service priorities and strategic alignment prior to making recommendations for inclusion within the capital programme. The capital programme is scrutinised by the Budget Scrutiny committee before being presented to Cabinet then Council in February each year for approval

8 Monitoring the Capital Programme

- 8.1 Once projects in the capital programme are approved they are categorised according to risk factors which facilitate the organisation to have oversight and sponsorship at the most appropriate level.

8.2 These are categorised as follows:

- Category 1 – High Risk
- Category 2 – Medium Risk
- Category 3 – Low Risk

8.3 Risk assessment can be subjective and can depend on the impact of a particular project.

8.4 The capital programme is monitored on a monthly basis by budget managers, reports are then produced for review by the Corporate Management Team. Quarterly monitoring reports are reviewed by Finance and Economic Overview and Scrutiny Committee prior to presentation to Cabinet.

8.5 In addition Category 1 projects may require a greater level of governance including formation of a specific project Board with appropriate terms of reference.

8.6 Reporting against approved capital programme includes forecasts for the total expenditure within the financial year together with commentary about progress of the project and any significant issues.

8.7 The General Fund capital programme focuses on ensuring that the Council invests in projects which support the Council in delivery of its corporate objectives, for example, being an effective Council by investing in a new Depot. The programme also invests in assets which support the delivery of quality services such as waste management by investing in new vehicles and arts through investment in the maintenance of assets..

8.8 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes investment in new homes and investment in planned maintenance of the Housing Stock. The HRA capital programme supports the Council in achieving its Housing corporate objective and also supports the Council in meeting the challenge of climate change and ensure a clean, green and healthy natural and built environment for present and future generations.

9 Asset Management

9.1 To ensure that capital assets continue to be of long-term use, the Council has an Asset Management Plan which will provides a framework for reviewing existing holdings, new acquisitions, disposals and ongoing management.

9.2 The HRA Housing Strategy sets out how the council proposes to manage its housing stock to deliver the objectives of the service. The Housing Strategy is supported by the HRA Business Plan Model (BPM) which sets out the financial implications. The BPM is a key part of the Council's long-term financial planning and sets out how we intend to deliver and finance services to tenants,

investment in the housing stock and management of debt over a rolling 30-year period.

- 9.3 The investment in current housing stock targets maintaining the stock at “decent homes” standard and the BPM demonstrates that this can be done from the Council’s own resources.
- 9.4 Investment in new housing stock will be financed from a mixture of external grants, and internal resources without the need for any external borrowing.
- 9.5 The 30-year BPM is under constant review as actual expenditure and income at the financial year end is confirmed, budgets are revised and changes in the economy such as inflation are forecast.

10 Capital Financing and Funding Sources

10.1 The capital programme is funded from various sources including

- **External Grants for Specific Purposes** – grant allocations received from Central Government Departments to deliver identified projects, for example the Social Housing Decarbonisation Fund.
- **External Grants for Non-Specific Purposes** – grants received by the Council to deliver the Capital programme but have not been identified to be for a specific purpose. The Council’s capital programme does not currently include this type of funding.
- **S106 Contributions** – projects included in the Capital Programme which are funded by contributions from private sector developers. For this Council these primarily relate to funding contributions for affordable housing, open spaces and parks.
- **Other External Contributions** – contributions received from other organisations which contribute towards the delivery of specific capital projects.
- **Revenue Funding** – The Council can use Revenue Resources to fund the Capital Programme. The Council primarily uses the Local Priorities Reserve and the Regeneration Reserve for this type of funding.
- **Capital Receipts** – The Council generate capital receipts through the sale of assets which can then be used to finance the Capital Programme. The Council has an asset disposal programme which supports the Council in maximising this type of funding as this then minimises the need to use revenue funding for the capital programme.
- **Capital and Revenue Reserve** – the Council can set aside funding in reserves specifically for capital projects.
- **Borrowing** - Capital projects that cannot be funded from any other source can be funded from Prudential Borrowing. The Council must be able to demonstrate the affordability of the borrowing repayment and interest charges on the loan from the revenue budgets over the period of the borrowing requirement

10.2 At the time of identifying funding requirements, the Council will undertake an analysis to determine the most financial advantageous option. It will consider external borrowing alongside any internal borrowing opportunities. Internal borrowing will be considered in the context of the limits as set out in the Treasury Management Strategy and the Capital Financing Requirement. Borrowing funds from external sources is considered to be necessary given the available level of reserves available to fund the Council's capital ambitions. However, there is careful consideration of the financing implications of undertaking borrowing in the context of the Medium-Term Financial Plan and the challenging financial landscape. Therefore, careful financial modelling is undertaken to ensure that any borrowing can be financially supported over the duration of the loan period.

10.3 The Council may enter into finance leasing agreements to fund capital expenditure on behalf of services. A full option appraisal and comparison of other funding sources must be made and it must be evidenced that leasing provides the best value for money.

10.4 The impact of borrowing is reported in the Treasury Management Strategy alongside Prudential Indicators required by CIPFA's Prudential Code for Capital Finance.

11 Asset Disposals

11.1 When a capital asset is no longer needed it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayment of capital grants, loans and investments also generate capital receipts. Asset disposals are reviewed and agreed in accordance with the delegations that have been approved by Cabinet.

11.2 It is recognised that disposal of surplus assets i.e. those assets that no longer support service delivery or are not defined as investment assets or have come to the end of their useful life should be considered for disposal. In order to consider asset disposal, careful consideration of the costs of holding the asset and the alternative use of any sale receipt should be undertaken on a regular basis. The proceeds of any disposal should be earmarked into a specific reserve for future funding opportunities including supporting the financing of asset acquisition.

12 Investments for Service Purposes

12.1 The Council makes investments to assist local public services, including making loans to the Council's wholly owned company: LeisureSK Ltd. There is an expectation that such investments generate an income return after all costs.

12.2 Governance: Decisions on service investments are made in accordance with the Council's budget framework. Most loans and share investments are classified as capital expenditure, so any such transactions will therefore also be approved as part of the capital programme approval process.

13 Knowledge and Skills

13.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Council's s151 Officer and the Deputy s151 Officer are qualified accountants with significant experience. The Council invests in providing professional training for staff across its service areas.

13.2 Where the Council's staff do not have the knowledge and skills required, use is made of external advisors and consultants that are specialists in their field. The Council currently employs external Treasury Management advisors and external VAT advisors. This approach ensures the Council has access to specialist expertise when needed to support its staff, commensurate with its risk appetite.

14 Non-Treasury Investment Strategy

14.1 It is recognised that the Council may make investments for policy reasons outside of normal treasury management activity. These may include:

- '**service investments**' held clearly and explicitly in the course of the provision, and for purposes of operational services, including regeneration;
- '**non-service investments**' which are taken for mainly financial reasons. These may include investments arising as part of business structures, such as shares and loans in subsidiaries. Non-treasury investments also include assets which are held primarily for financial investment, such as investment properties. These relate to historic interests in assets which are reviewed regularly to ensure that yield is maximised. Where liabilities exceed yield the Council will consider whether these assets should be disposed of. Any future investments in assets will be primarily for regeneration purposes and any income generated would be a secondary consideration.

14.2 A register of investments and financial guarantees will be maintained and regularly reviewed as part of performance reporting arrangements, including periodic reassessment of the probability of financial guarantees being called upon. This register should be reconciled to the financial instruments disclosures within the statement of accounts.

15 Service Investments: Loans

15.1 The Council can lend money to its own subsidiaries to support local public services and stimulate local economic growth.

15.2 The main risk when making service investment loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure remains proportionate to the size of the Council, each application will be assessed alongside a robust business case and quarterly financial performance reports will be required to be provided.

15.3 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The Council has appropriate credit control arrangements in place to minimise any loss in overdue repayments. To date there has been no requirement to include a loss allowance in the statement of accounts.

15.4 Risk assessment: The Council will assess the risk of loss before entering into service loans by evaluating the business case submitted with each counterparty's application to determine how resilient the business is and that the provision of the loan will enable the business to grow and deliver the objectives set out on the business case. The loan will be monitored on a quarterly basis to minimise the risk on any potential loss. During the life of the loan any change in original assumptions will be monitored. The Council will use external advisors if felt appropriate by the Chief Finance Officer. All loans will be approved by Council or the Committee to which this approval has been delegated and will be monitored by the Chief Finance Officer.

16 Service Investments: Shares

- 16.1 The Council currently has no equity investments.
- 16.2 Security: One of the risks of investing in shares is that they potentially fall in value meaning that the initial outlay may not be recovered. To manage this risk upper limits on the sums invested in subsidiaries will be set at the lowest investment level required to enable the subsidiary to operate.
- 16.3 Risk Assessment: The Council will assess the risk of loss before entering into and whilst holding shares by going through an extensive process of risk analysis. The risk analysis will include an assessment of the market that the subsidiary will be active in including the nature and level of competition, how the market/customer needs will evolve over time, the barriers to entry and exit and any ongoing investment requirements. As the Council's primary reason for investing in shares may not be the financial return but for service benefits these will also be included in the assessment. This will ensure that the council has a clear understanding of all of the benefits as well as the potential risks. The Council will use external advisors as thought appropriate by the Chief Finance Officer.
- 16.4 Liquidity: This type of investment is fundamentally illiquid as the investment will be in a council owned subsidiary, in order to limit this the Council will assess the maximum level of resources that can prudently be committed and ensure that this limit is not exceeded.
- 16.5 Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's required upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

17 Investments: Property

17.1 The Council has investment property which it receives a revenue income from. Going forwards the Council's primary reason for investing in this type of property will be for economic development and any income received will be a secondary benefit. The Council has a range of investment properties which it leases to local businesses for a financial return.

17.2 Prior to investing in property due consideration should be given to the CIPFA Prudential Investment Property Guidance to ensure that the council does not breach the prudential code which states that an authority must not borrow to invest for the primary purpose of commercial return.

17.3 The Council can confirm that it has complied with Section 51 of the Prudential Code. Following the publication of the revised Prudential Code in 2021 no investment or spending decision has been made which will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

17.4 The table below lists the investment properties by major category. All commercial property investments have been financed using council resources.

Property Type	Value as at 31 March 2025 £m
General Fund Investment Property	11.693
Housing Revenue Account Investment Land & Shops	0.465
Total	12.158

17.5 Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

17.6 Investment properties are revalued each year-end by external valuers, so the Council will consider annually whether the underlying assets provide security i.e. are not below their purchase cost. Should this be the case it will be reviewed whether holding the assets is appropriate or whether it should be disposed of in accordance with the delegations approved by Cabinet.

17.7 Risk Assessment: The Council assesses the risk of loss whilst determining whether it should continue to hold property investments by:

- Assessing the relevant market sector including the level of competition.
- The barriers to exit and future market prospects.
- Using advisors if thought appropriate by the Chief Finance Officer.
- Continually monitoring risk in the whole portfolio and any specific assets.

17.8 Liquidity: Property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The council takes this into consideration when assessing the cash balances that are required to meet its liabilities.

18 Proportionality

18.1 The Council receives income from investment properties which contribute towards achieving a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected income from these properties over the Medium-Term Financial Strategy. Should it fail to achieve the expected income, the Council has reserves which could cover the loss of income in the short term whilst actions were identified to ensure the income shortfall is remedied in the medium term.

Proportionality of General Fund Investments £m	2025/26 Forecast	2026/27 Indicative Budget	2027/28 Indicative Budget	2028/29 Indicative Budget
Net Cost of Service	26.091	24.003	24.744	25.523
Investment Property income	0.213	0.193	0.193	0.193
Proportion	0.82%	0.80%	0.78%	0.76%

Proportionality of HRA Investments £m	2025/26 Forecast	2026/27 Indicative Budget	2027/28 Indicative Budget	2028/29 Indicative Budget
Gross service expenditure	25.578	26.859	26.751	27.053
Investment Property income	0.018	0.018	0.018	0.018
Proportion	0.07%	0.07%	0.07%	0.06%

19 Capacity and Skills

19.1 Elected Members and statutory officers: The Council recognises that those elected Members and statutory officers involved in the investment decision making process must have appropriate capacity, skills and information to enable them to:

- Take informed decisions as to whether to enter into a specific investment;
- Assess individual business cases in the context of the strategic objectives and risk profile of the Council; and

- Enable them to understand how new decisions have changed the overall risk exposure of the Council. The Council will ensure that the relevant officers and the Governance and Audit Committee have appropriate skills, providing training and advisor support where there is a skills gap.

20 Investment Indicators

20.1 The Council has set the following quantitative indicators to allow elected Members and the public to assess its total risk exposure as a result of its investment decisions.

20.2 Total risk exposure: The first indicator shows the total exposure to potential investment losses.

Total Investment Exposure	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
Treasury Management Investments	58.647	46.329	36.764
Service Investment – Loans	0.283	0.302	0.239
Service Investment - Shares	0	0	0
Investment Property – GF	11.693	11.693	11.693
Investment Property – HRA	0.465	0.465	0.465
Total Investments	70.913	58.568	48.976
Commitments to Lend	0	0	0
Total Exposure	70.913	58.568	48.976

20.3 How investments are funded: Government guidance is that these indicators should include how investments are funded. The council has currently funded all investments with usable reserves.

20.4 Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

Investments net rate of return	2025/26 Forecast %	2026/27 Forecast %	2027/28 Forecast %
Treasury Management Investments	4.50%	3.50%	3.25%
Service Investment – Loans	4%	4%	4%
Service Investment – Shares	0	0	0
Investment Property – GF	2.92%	2.92%	2.92%
Investment Property – HRA	9.94%	9.94%	9.94%
All Investments	4.27%	3.44%	3.24%

20.5 The MHCLG guidance lists other indicators and the Council has selected the indicators below as appropriate.

Total Investment Exposure	2025/26 Forecast %	2026/27 Forecast %	2027/28 Forecast %
Commercial income to net service expenditure ratio	1.31%	1.42%	1.38%
HRA – Commercial income to gross service expenditure ratio	0.18%	0.17%	0.17%
Tenant over 5%	1	1	1



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Council Tax Consultation 2026/27 February 2026



Consultation Officer
South Kesteven District Council
3 February 2026

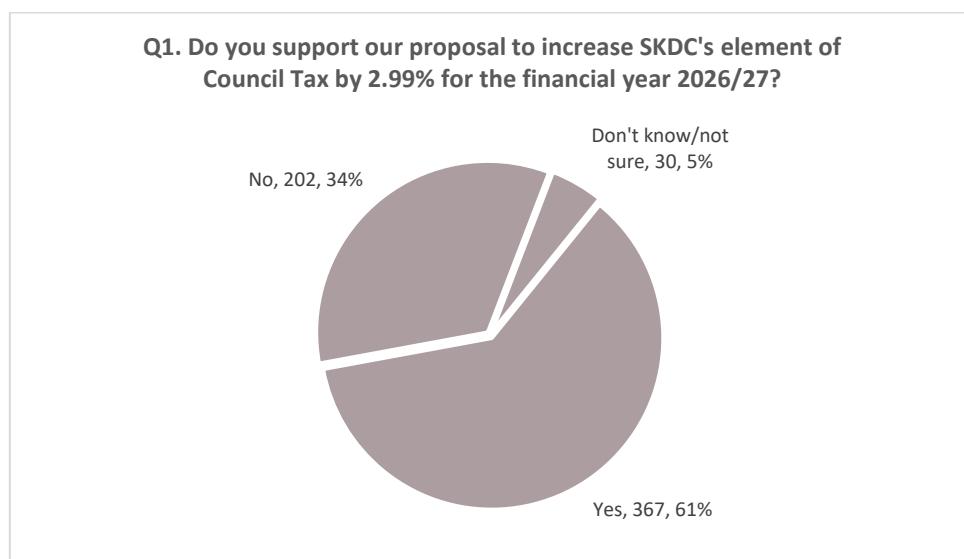
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Executive Summary

1. Residents and businesses in South Kesteven were asked if they supported a proposal to increase SKDC's element of Council Tax by 2.99% in 2026/27 in a two-week consultation which took place during January and the early part of February 2026.
2. Opening on 19 January 2026, the consultation was open for two weeks, closing on 2nd February 2026. 599 responses were received.
3. Communicating the proportion of an average council tax bill that is used by the district council to fund its services (9%), and how the Council is funded, respondents were also updated on council achievements during 2025/26 and potential changes to how local government in this area might be organised going forward, as a result of Local Government Reorganisation (LGR).
4. **When asked if they supported the proposal to increase SKDC's element of Council Tax by 2.99% in 2026/27 (which equates to an average annual increase of £5.66 for a Band D property), 367 (61.3%) said that they did. 202(33.7%) did not support the proposal with the remainder choosing to answer don't know/not sure.** This is illustrated in the pie chart below:



5. Responses were received from residents and local businesses across the district.

594 responses were received from SK residents and 21 responses from local businesses, ensuring that the legislative requirement (as set out in section 65 of The Local Government Finance Act 1992¹) to consult with local businesses was fulfilled.

6. The table below compares the number and percentage of respondents who supported the proposal to increase SKDC's element of Council Tax by 2.99% (an annual increase of £5.66 or 11p per week) in February 2026 to the previous year's results (an annual increase of £5.51 or 3%).

Do you support our proposal to increase SKDC's element of Council Tax by 2.99% for the financial year 2026/27?	Feb 2026		Feb 2025	
	No	%	No	%
Yes	367	61.3	423	55.1
No	202	33.7	281	36.7
Don't know/not sure	30	5.0	63	8.2
	599	100.0	767	100.0

¹ Section 65 of the Local Government Finance Act 1992. A relevant authority shall consult under this section persons or bodies appearing to be representative of persons subject to non-domestic rates under sections 43 and 45 of the 1988 Act as regards hereditaments situated in the authority's area

Purpose of report

7. The purpose of this report is to update Cabinet and South Kesteven District Council (SKDC) with the results of the consultation that took place with local businesses and residents during January 2026 on a proposal to increase SKDC's element of Council Tax by 2.99%. This equates to an annual increase of £5.66 or 11 p per week) for the financial year 2026/27 (per Band D).

Background

8. Respondents were told that SKDC's 2026/27 budget has been prepared against a backdrop of a fair funding review (which will determine how central government funding is allocated to local authorities in England and implemented over three years, from April 1 2026) and Local Government Reorganisation (where county, district, and borough councils with separate responsibilities may be replaced by a smaller number of new, single-tier unitary councils, responsible for all local services).
9. They were informed that the revenue the Council raises from Council Tax remains one of its main and most reliable sources of funding. To ensure that the Council is in a position where they can continue to protect and maintain the services currently provided, mitigate any impacts from the fair funding review, and enter into any new local government arrangements which might be implemented on a solid financial footing, respondents were presented with a proposal. This was to increase SKDC's element of Council Tax from April 2026 by 2.99% (an annual increase of £5.66 or 11 p per week) for the financial year 2026/27 (per Band D).
10. The increase, if approved, would generate around £405,000 of additional funding.
11. Provided with a visual explanation of how the Council is funded, and where the money it collects goes, respondents were then provided with an update of achievements under each of the Council's priorities. The survey also linked through to a spreadsheet illustrating SKDC's average Council Tax (excluding parish precepts) for 2025/26, ranking its position in relation to 163 other local authorities.



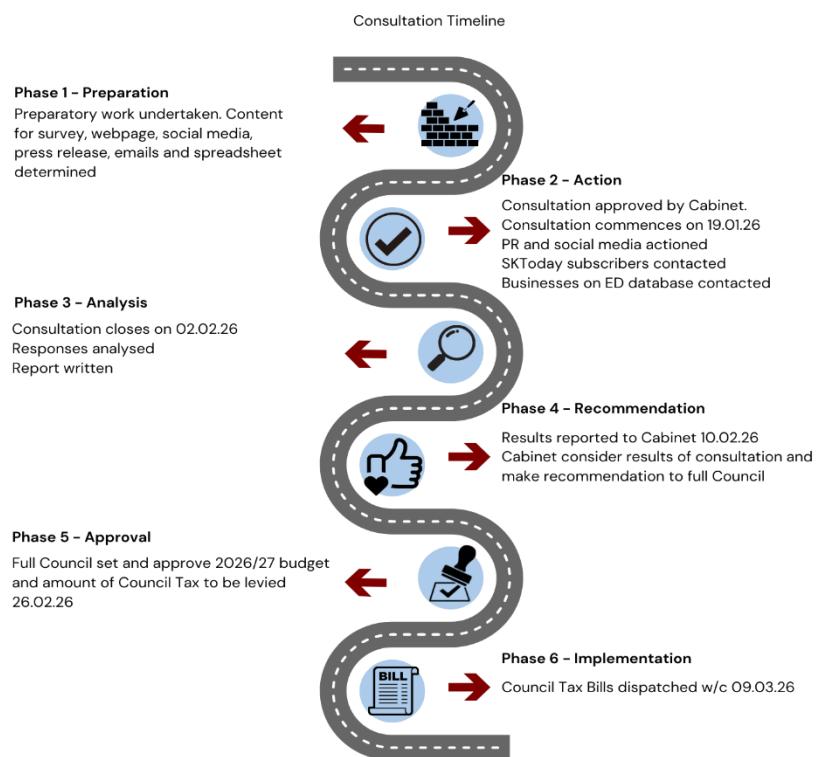
Objectives

12. The objectives of the consultation were to:

- Fulfil the requirements of section 65 of the Local Government Finance Act 1992
- Establish whether local businesses and residents support an increase of 2.99% in the district council's proportion of council tax or not
- Allow them to comment on the proposal
- Communicate the proportion of an average council tax bill that relates to SKDC
- Communicate the priorities, spending plans and actions of the Council
- Outline where the money comes from and where it goes
- Update respondents on the changes happening in April 2026 following the Fair Funding Review
- Provide an update on Local Government Reorganisation

Timescales

13. The key dates for this consultation were as follows:



Methodology

14. The survey was promoted to local householders and businesses via an email which included a link to a survey. The survey included a web link to a page which included a chart showing the district council's Band D Council Tax alongside all other districts' Band D charge. The opportunity to take part was also be promoted through the Council's social media channels- Facebook and X.

The survey was promoted to residents and businesses through the following channels:

- Press release to the local press
- SKDC's social media channels
- SKToday subscribers who have agreed to receive communication from the Council (approx. 3,600 households)
- Economic Development's Business Database (approx. 4,300 businesses)

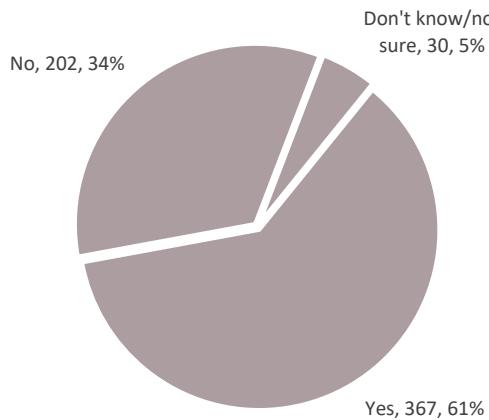
Results

15. Respondents were told that SKDC is currently considering a proposal to increase its element of Council Tax by 2.99%, which equates to an average annual increase of £5.66 (or 11 p per week) for a Band D property in 2026/27.

16. They were informed that this proposal will be considered by SKDC when it meets on 26 February 2026 to set its budget for the 2026/27 financial year. If approved, this would increase the District's Band D average annual Council Tax from £189.37 to £195.03.

17. When asked if they support the proposal to increase SKDC's element of Council Tax by 2.99% for the financial year 2026/27, three fifths of respondents (367 or 61.3%) said that they did. A third of respondents (202 or 33.7%) did not support the proposal. 30 respondents (5.0%) didn't know or weren't sure. This is illustrated in the graph overleaf:

Q1. Do you support our proposal to increase SKDC's element of Council Tax by 2.99% for the financial year 2026/27?



18. To ensure that the legislative requirement to consult with businesses was fulfilled, respondents were asked to state if they were responding as a resident and/or a business. 594 responses were received from residents. 21 responses were received from businesses. 6 respondents chose to answer other and described themselves as either a homeowner, a householder, a private landlord or a second home owner.

19. An analysis of the postcodes provided by respondents revealed responses were received from households across the district. The distribution of responses is as follows:

Postcode Sector	Number	%
NG23	23	3.8
NG31	166	27.7
NG32	66	11.1
NG33	50	8.3
NG34	28	4.7
PE6	82	13.7
PE9	100	16.7
PE10	82	13.7
OTHER	2	0.3
	599	100.0

20. The fourth question on the survey asked respondents if they had any questions or wanted to comment on anything included in the survey. An analysis of the comments made by those supporting the increase included:

- Protecting/improving services

“I'd much rather have good services than low tax. Please collect whatever you need to keep everything working.”

“I support an increase, but I would like to see improved services.”

- Concerns about Local Government Reorganisation

“I do not like the idea of big unitary authorities. They have little knowledge of the requirements of the outlying areas and therefore they get poorer services.”

“Sad to see SKDC disappear. Why change the status quo if it's not broke.”

“Personally, I would have prefered SKDC to remain just that. SKDC and not part of some new super council.”

- To provide a new leisure centre in the Deepings

“I would like money spent to provide a new swimming pool at Market Deeping...”

- Viewed as being reasonable

“Services have to be funded, one way or the other. I think this is a very fair amount.”

“The increase is reasonable, given that there is bound to be an increase...”

21. Reasons for objecting to the increase included:

- Concerns about perceived inefficiencies /excessive bureaucracy

“Easy to increase taxes and lazy. Look to reducing the bureaucracy and unnecessary spending and expenses including salary levels.”

“You need to be more efficient and do more with less money, as everyone in business has to these days.”

- Cost of living concerns

“I strongly oppose the proposed council tax increase. Residents are already struggling with rising costs across every part of daily life, including energy, food, and housing...”

“Can’t afford another bill going up”

“Increasing taxes only puts more pressure on households.”

- Lack of tangible benefits

“We do not seem to see any benefits. Council Tax goes up without any benefits for the community.”

Conclusion

22. This consultation shows support for SKDC’s proposal to increase its element of Council Tax by 2.99%. When told that this equates to an average annual increase of £5.66 (or 11 p per week) for a Band D property in 2026/27, three fifths of respondents (367 or 61.3%) were in favour. Around a third of respondents (202 or 33.7%) did not support the proposal. 30 respondents (5.0%) didn’t know or weren’t sure.

23. The reasons given by respondents in favour of the proposed increase included protecting services, concerns about Local Government Reorganisation and because the increase was perceived as being reasonable, as illustrated in the quote below:

“I accept that there has to be increases in running costs in all organisations, there is only so much fat on the bone for so long. We are very happy with the services that we currently receive from our council and thank you for this, which is why I base our household decision to support the proposed increase....”

24. Those objecting to the proposal did so for a variety of reasons including respondents who were struggling to see how they would benefit from the increase, concerns about excessive bureaucracy or because of cost-of-living constraints. The quote overleaf is an example of the feedback received from those who did not support the proposal to increase SKDC’s element of Council Tax.

“Cost of living prices are too high. Give people a break? We had increase after increase....”

25. Asking those taking part in the survey to state if they were responding as a business or as a local resident revealed most of the responses (594) were from local households. This is perhaps not surprising given the subject matter of the consultation. 21 responses were received from local businesses – ensuring the legislative requirement to consult with business rate payers has been fulfilled.
26. Respondents were also asked for the outward code part of their postcode. Grouping these together revealed all areas of South Kesteven have been represented in the results.
27. Members are asked to note the results of this consultation.

Prepared by Deb Wyles
Communications and Consultation
South Kesteven District Council
03.02.26

