



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**



# Council

1 March 2021

**Report of:** Councillor Adam Stokes

Cabinet Member for Finance and Resources

## Budget Proposals for 2021/22 and indicative budgets for 2022/23 and 2023/24

The Council is required to set a balanced budget and agree the level of Council Tax for 2021/22 and this report contains a summary of the proposals that have been considered for inclusion. The proposals were considered and scrutinised in detail by the Budget Joint Overview and Scrutiny Committee on 13 January 2021. The draft proposals have been considered by Cabinet on 12 January 2021 and the final proposals were recommended by Cabinet on 2 February 2021.

### Report Author

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Corporate Priority:	Decision type:	Wards:
Administrative	Budget and Policy Framework	All Wards

Reviewed by:	Alison Hall-Wright, Head of Finance	10 February 2021
Approved by:	Karen Bradford, Chief Executive	12 February 2021
Signed off by:	Councillor Adam Stokes, Cabinet Member for Finance and Resources	16 February 2021

### Recommendation (s) to the decision maker (s)

#### GENERAL FUND (RECORDED VOTE)

1. To set a General Fund budget requirement of £13.869m for 2021/22 detailed at section 3 of this report and shown in detail at Appendix A (inclusive of special expenses).
2. To approve a Council Tax level of £168.62 for 2021/22 (Band D property).
3. To note the indicative base estimates for 2022/23 and 2023/24 as detailed in the summary at Appendix A.

4. Approve the General Fund Capital programme for 2021/22 to 2023/24 and the slippage for 2020/21 as detailed at section 5 of this report and shown at Appendix B.
5. Approve the General Fund Capital Financing statement detailed at Appendix B.
6. To approve the movements in General Fund Revenue and Capital reserves and balances detailed at section 7 of this report and shown at Appendix C.
7. To approve the fees and charges detailed at section 9 of this report and shown at Appendix D.
8. To approve the Treasury Management Strategy detailed at section 8 of this report and provided at Appendix G.
9. To delegate any necessary changes to the 2021/22 Budget Framework and Treasury Management Strategy to the Council's Section 151 Officer in consultation with the Cabinet Member for Finance and Resources following confirmation of the Future High Streets Fund funding award.

#### **HOUSING REVENUE ACCOUNT**

10. To approve Housing Revenue Account (HRA) dwelling rent increases of 1.5% (CPI + 1%) in accordance with Government guideline rent providing an average rent of £80.78 (an average rental increase of £1.19 per a week).
11. To approve an increase in HRA garage rents of 3%.
12. To approve an average increase of 3% in HRA service charges for communal facilities and communal rooms.
13. To approve an increase in shared ownership rents by 1.5% (CPI +1%).
14. To approve the HRA Revenue Summary for the year 2021/22 shown at Appendix A.
15. To approve the Housing Investment Programme for 2021/22 to 2023/24 and the slippage for 2020/21 as detailed at section 5 of this report and as shown at Appendix B.
16. To approve the HRA Capital Financing statement detailed at Appendix B.
17. To approve the movements in HRA Revenue and Capital reserves and balances detailed at section 7 of this report and shown at Appendix C.

## **1 The Background to the Report**

- 1.1 The Council is required to set a balanced budget and agree the level of Council Tax for 2021/22 and this report contains a summary of the proposals that have been considered for inclusion. The proposals were considered and scrutinised in detail by the Budget Joint Overview and Scrutiny Committee on 13 January 2021. The draft proposals were consulted upon by residents and businesses during the period 13 – 27 January 2021 and the results of the consultation were considered by Cabinet on 2 February 2021.

The Council has approved a Corporate Plan that sets out a clear vision and key actions over the period of the Plan 2020 - 2023. The budget proposals have been formulated within the context of the Corporate Plan ambitions and alignment to the five priorities:

- Growth and our economy
- Housing that meets the needs of all residents
- Healthy and strong communities
- A clean and sustainable environment
- A high performing Council

The approval of the Plan provides clarity and focus to enable the financial resources to be directed to support delivery of the key actions that underpin each of the priorities set out above. This clarity is particularly important given the context of an extremely challenging financial outlook which has been severely impacted by the pandemic on the Council's resources.

1.2 This report covers the following sections:

- The funding position for the General Fund (paragraph 2)
- The General Fund Budget estimates and Council Tax proposals (paragraph 3)
- The Housing Revenue Account (HRA) position (paragraph 4)
- The Capital Proposals 2021/22 to 2023/24 including financing (paragraphs 5 & 6)
- Reserves and Balances (paragraph 7)
- Treasury Management Strategy (paragraph 8)
- Fees and Charges (paragraph 9)

1.3 At the meeting on 13 January 2021 the Budget Joint Overview and Scrutiny Committee (OSC) undertook a robust scrutiny of the budget proposals and considered all aspects of the revenue and capital proposals for both General Fund and Housing Revenue Account. The OSC considered all elements of the budget proposals and provided feedback in respect of Stamford car parking and the Ward Member Grant Scheme allocations. Cabinet considered these further and have approved the following recommended changes:

- Stamford car parking proposed tariff increase to be reduced by 10p to a 20p increase for 2021/22. The amended proposed fees and charges for Stamford is shown at Appendix D.
- Ward Member Grant Scheme. The scheme provides an individual allocation to each ward member in order for financial contributions to be distributed to worthy causes within the respective ward and Cabinet has recommended that the level of allocation be set at £500 per ward member for 2021/22.

## **2. THE FUNDING POSITION FOR THE GENERAL FUND**

### **2.1 Spending Review 2021 – Overview**

The Final Local Government Finance Settlement was passed by Government on 10 February 2021 for the financial year 2021/22. The main headlines from the Spending Review are:

- An increase in Local Government core spending power of 4.5% for 2021/22. This increase is calculated on the assumption that Councils will maximise the Council tax increases available.
- The referendum threshold for increases in Council Tax will be the higher of 2% or £5 in 2021/22.
- Maintaining the existing New Homes Bonus scheme for a further year with an additional payment for 2021/22.
- Business rates multiplier for 2021/22 will be frozen for 2021/22.
- There will be pause on pay rises in 2021/22 but public sector workers earning less than £24k will receive a minimum £250 increase.
- Extension of the fees and charges reimbursement scheme for a further three months until the end of June 2021.
- Funding reform and fundamental review of Business Rates is delayed and the Government's response to the first part of the fundamental review has been delayed to Spring 2021.
- Collection Fund deficits are proposed to be shared between Treasury and local authorities and through a compensation scheme with the Treasury to cover 75% of Collection Fund deficits.
- A new lower tier services grant of £362k has been awarded to the Council for 2021/22 only. It is recommended that this grant is passed to the Budget Stabilisation Reserve.

- A one-off COVID-19 funding grant of £611k to support on-going cost pressures for 2021/22. It is recommended that this grant is passed to the Budget Stabilisation Reserve.
- A one-off Local Council Tax support scheme grant of £150k to support any increased demand in Council Tax support claimants that may be considered during 2021/22. It is recommended that this grant is passed to the Budget Stabilisation Reserve in order for it to be used to offset any changes to the support scheme demand.

**Table 1 – Indicative Funding Levels for South Kesteven DC**

<b>Funding Heading</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>
Business Rates (SFA)	5.9*	4.6	3.9	4.0	4.1
Change to Baseline Need	0	0	0	0	0
New Homes Bonus	1.8	1.1	0.5	-	-
Rural Services Delivery Grant	0.3	0.3	0.3	0.3	0.3
Council Tax	7.8	8.1	8.4	8.7	9.0
Lower Tier Services Grant	-	0.4	-	-	-
COVID-19 Grant	2.7	0.6	-	-	-
<b>Total Resources</b>	<b>18.5</b>	<b>15.1</b>	<b>13.1</b>	<b>13.0</b>	<b>13.4</b>
Annual % change		-18.4%	-13.2%	-0.8%	3%

\*the 2020/21 business rates income includes the collection fund surplus of £834k

2.2 The Settlement Funding Assessment (SFA) referred to above is the Government's baseline funding assessment using the current funding formula that determines the amount the Council requires to deliver local services (including section 31 grants and assumed growth). The SFA does not take into consideration any local growth in business rates and therefore the actual amount the Council includes in the budget framework can vary to the Government's baseline figure.

- The Business Rates figures shown are an estimation of the projected Council's income share received from business that operate in the District.
- The amount received in respect of New Homes Bonus is transferred to the Local Priorities Reserve each year and is a primary source of funding for one off projects or seed funding for both capital and revenue. It is anticipated that the scheme will cease after 2022/23.
- The Rural Services Delivery Grant is recognition of the additional financial burden that rural authorities incur in delivering local services to residents living in remote areas.
- The lower tier services grant (un-ringfenced) has been transferred to the Budget Stabilisation reserve to contribute towards any COVID-19 finance related deficit in 2021/22.

### **3 GENERAL FUND BUDGET PROPOSALS**

#### **Draft Budget Proposals**

3.1 The overall General Fund position for 2021/22 is shown at Table 2 below and Appendix A. The net budget requirement for 2021/22 is estimated at £13.869m.

**Table 2 – Summary of General Fund Estimates**

Description	2020/21 Original Budget	2021/22 Proposed Budget	2022/23 Indicative Budget	2023/24 Indicative Budget
	£'000	£'000	£'000	£'000
Commercial & Operations	8,197	7,670	7,763	7,906
Corporate	6,538	7,028	7,145	7,481
Growth & Culture	5,267	5,109	4,851	5,110
Housing & Property	1,238	279	(113)	(93)
HRA recharge	(2,558)	(2,759)	(2,637)	(2,664)
<b>Net Cost of Services</b>	<b>18,682</b>	<b>17,327</b>	<b>17,009</b>	<b>17,740</b>
Interest Payable & Investment Income	(236)	(100)	(108)	(105)
Minimum Revenue Provision	302	296	291	286
Revenue Contribution to Capital	72	186	228	42
Drainage Rates	725	746	768	791
Depreciation	(4,114)	(4,586)	(4,722)	(4,863)
<b>Net Budget Requirement</b>	<b>15,431</b>	<b>13,869</b>	<b>13,466</b>	<b>13,891</b>
<b>Funding &amp; Resources:</b>				
Council Tax (Excluding Parishes)	(7,840)	(8,114)	(8,397)	(8,682)
Government Grant	(295)	(1,432)	0	0
Business Rates	(4,954)	(3,808)	(3,912)	(3,991)
New Homes Bonus	(1,814)	(1,045)	(524)	0
Collection Fund (Surplus)/Deficit	(957)	51	0	0
<b>Total Funding</b>	<b>(15,860)</b>	<b>(14,348)</b>	<b>(12,833)</b>	<b>(12,673)</b>
Transfers to/(from) earmarked reserves	429	479	266	(113)
<b>Net Budget Deficit</b>	<b>0</b>	<b>0</b>	<b>899</b>	<b>1,105</b>

- 3.2 Table 2 shows that a balanced position for 2021/22 but the forecast for the following years shows the Council will be facing a deficit position based on budget proposals and projected funding levels. This is primarily a result of anticipated funding changes that will arise following the business rates reset and the predicted changes to the local government funding formula (this review is called the Fair Funding Review). It is important that members are kept updated as the financial landscape becomes clearer. However, in order to meet the financial changes that are predicted, a corporate review of aligning resources to the Council priorities is underway to ensure there is a managed and smooth transition as the Council adjusts to new reduced funding levels.

The Collection Fund deficit in respect of Business Rates is included in the 2021/22 Business Rates figure of £3.8m (the Council has received specific Government funding during 2020/21 to offset against the additional deficit created as a result of the additional business rates reliefs awarded during the financial year). The Business Rates figure of £3.8m is the net position after taking into consideration the projected Business Rates income, the 2020/21 forecast deficit figure and the Government grants received in 2020/21 and 2021/22. The Council Tax deficit of £51k is shown separately at Table 2. The deficit is due to the tax base being lower than originally estimated which is mainly due to additional Council Tax support claimants and an increase in other eligible discounts, for example single person discount, which when awarded has the effect of reducing the collectible income for the year.

### 3.3 Key Budgetary Proposals

The budgetary proposals for 2021/22 contain a number of service changes that have been incorporated in order to meet operational demands, reduce costs and generate revenue in order to ensure there is a balanced budget for next year without the need to utilise reserves to support the financial framework. Each of the savings proposals will be required to be implemented with effect from April 2021 in order to ensure the financial savings are realised.

**Table 3 - Key Budgetary Proposals for 2021/22**

<b>Heading</b>	<b>Financial implication £'000</b>	<b>Comments</b>
Removal of public convenience attendants in Grantham and Stamford	(70)	Annual saving from April 2021
Merge of Visitor Information Centres and the box office at Stamford	(30)	Annual saving from April 2021
Removal of vacant posts in the Benefits processing team in response to the process automation and changes in volume demands	(40)	Annual saving from April 2021
Increase of internal recharges to the General Fund from the Housing Revenue Account for 2021/22 of £150k to reflect the increase central support that is required to respond to the findings arisen from the Internal Audit compliance report.	(150)	One year saving to the General Fund to reflect additional resource requirements to support the implementation of the findings arising from the Internal Audit compliance report
Cessation of ongoing financial contribution from the Grantham Special Expense Areas towards the Grantham Carnival.	(6)	The budget will be redirected to meeting the costs of grass verge cutting costs for Grantham area
Corporate salary reductions arising from targeted service reviews	(300)	Annual saving following on from service reviews
Full Year saving following the implementation of the area office offer changes at Stamford and Market Deeping	(80)	Annual saving from April 2021
Ongoing inclusion of savings arising from the Ernst Young (EY) process automation initiative	(200)	£30k allocated to automation introduced in planning area, £170k to be allocated depending upon automation programme
Continuation of Ward Member Grant Scheme	28	Continuation of scheme @ £500 per ward member
Sub-letting income from shared office space at St Peters Hill Council offices	50	Income level based on existing and anticipated sub-letting arrangements
Financial contribution towards Foodbanks in the District	15	Allocation based on invited applications from foodbanks
Car Parking tariff proposals	(182)	Additional income based on user modelling and proposed tariff changes
Increase in green waste charge	(90)	Additional income based on £3 collection charge increase
Changes to employee costs for front line street scene staff	197	Full year cost increase from April 2021
Operational costs of university space	75	Full year budgeted cost from April 2021

## Company Funding proposals

The 2021/22 budgets contain funding proposals for each of the following companies:

- EnvironmentSK Ltd
- InvestSK Ltd
- LeisureSK Ltd

There are no funding proposals for Gravitas Housing Ltd for 2021/22 as the focus of the company remains on the project completion of the Wherry's Lane Development in Bourne. It should be noted that the financial proposals set out below may differ from those contained in the Business Plans that have been presented to Companies Committee. This is due to the changes in the financial arrangements or changes to the service requirements. The Companies Committee will be presented with updated Business Plans during the 2021/22 financial year.

### EnvironmentSK Ltd

EnvironmentSK Ltd is a wholly owned company of South Kesteven District Council providing facilities management focused on grounds maintenance, arboriculture and horticultural services to the Council, other authorities, parish and town councils, business and the public. It was established to provide the Council's grounds maintenance services and provide flexibility for a dynamic and evolving district ambition, and to deliver additional commercial financial benefits. The business plan for EnvironmentSK Ltd was presented to the Companies Committee on 22 September 2020 which set out the business development proposals over the period up to 2023/24. During the budget preparatory work, ongoing savings from the General Fund were identified following a reduction in the service requirements. Alongside this, additional services and increased specification standards were requested by the HRA. In addition, it is intended to continue with the highway verge grass cutting in Grantham, funded from the Grantham Special Expense Area. These are shown below in the funding Table 4 which sets out the varying levels of payment levels between the Council and the company over the budget period.

The Council determines its grounds maintenance requirements and pays EnvironmentSK Ltd for the services it delivers. The only additional financial support provided to EnvironmentSK Ltd to date has been a start-up loan to provide the initial capital investment in plant and machinery. This loan has interest charged at a commercial rate and is being repaid in accordance with an agreed schedule.

**Table 4 – Environment SK Ltd**

<b>Grounds Maintenance services</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
General Fund	302	289	253	253	253
Housing Revenue Account	328	278	405	405	405
Special Expense Areas	318	338	327	327	327
<b>Total Proposed Fee</b>	<b>948</b>	<b>905</b>	<b>985</b>	<b>985</b>	<b>985</b>

### InvestSK Ltd

InvestSK is the economic and regeneration company for the District and as such is fully aligned with the SKDC Corporate Plan and integral to meeting the Council ambition of being 'the best district in which to live, work and visit.'

The Business Plan presented to the Companies Committee on 22 September 2020 is an update on the previous year and has been prepared in recognition of the current economic landscape resulting from the COVID-19-19 pandemic and as such as a clear focus on the key priorities for delivery that underpin the Plan:

- Business Support
- Regeneration and Place Making

- The Visitor Economy

The funding levels have been revised to ensure the deliverables and outcomes set out in the Plan.

**Table 5 - Proposed funding levels from 2021/22**

<b>Funding</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
InvestSK (focus on Economic Development, Inward Investment and Visitor Economy)	800	370	370	370
<b>Total</b>	<b>800</b>	<b>370</b>	<b>370</b>	<b>370</b>

### **LeisureSK Ltd**

The funding proposals for LeisureSK Ltd have been considered by Council on 26 November 2020 (<http://modern.gov.southkesteven.gov.uk/ieListDocuments.aspx?CId=261&MId=4009&Ver=4>) and the level of funding agreed. The five year business plan that has been developed demonstrates that for 2021/22 only there will be a requirement for a management fee to be paid by the Council to LeisureSK Ltd. This five year projection has been recently reviewed in response to the current lockdown position and at the time of presenting these budget proposals, there is no confirmed re-opening timescale. Therefore the business plan is being reviewed with updated operating assumptions but it is expected that the approved £500k management fee will need to be amended. Council will be presented with updated trading projections and the associated impact on the Council's financial support once the business plan has been considered by the LeisureSK Ltd directors.

The Council can also award 100% business relief under the existing discretionary rate relief scheme. If granted, the cost of awarding this relief will be shared between the Council, Central Government and Lincolnshire County Council in accordance with the national framework for Business Rates funding arrangements as set out at Table 6.

**Table 6 – Cost of awarding 100% discretionary rates relief**

	<b>2021/22 £'000</b>	<b>Cost of NNDR relief shared as follows:</b>		
		<b>50% Central Government £'000</b>	<b>40% South Kesteven District Council £'000</b>	<b>10% Lincolnshire County Council £'000</b>
Business Rates Relief	581	291	232	58
Management Fee (one year only)	500			
<b>Total</b>	<b>1,081*</b>			

\*the cost to South Kesteven District Council is £732k due to the cost sharing of business rates as shown above.

### **Budget Estimates – 2021/22**

- 3.4 The budget has been compiled to deliver the outcomes and aspirations of the Council. The budget assumptions that have been considered and incorporated into the budget estimates are shown in Table 7, all other inflationary costs have been absorbed by service areas which has assisted with achieving a balanced budget.



**Table 7 – General Fund Budget Increases**

<b>Cost Heading</b>	<b>2021/22 Budget Increases (%)</b>	<b>Financial impact £'000</b>
Drainage Board Levies	3.0	21
Pay Award and incorporation of national living wage	1.0	150

- 3.5 The pay award incorporated in the budget proposals is in accordance with the Government announcement that all employees earning £24k or less will receive a minimum increase of £250 for 2021/22.
- 3.6 Treasury Investment Income - the financial forecasts in respect of investment income over the next three years have been modelled on the following anticipated levels of interest rates (provided by the investment advisors). However, it must be noted that the forecasts remain volatile and are therefore liable to change over the budget period.

**Table 8 – Treasury Investment Financial Forecasts**

<b>Financial Year</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Base Rate	0.10%	0.10%	0.10%
Investment Interest Rate	0.25%	0.40%	0.50%

- 3.7 This information has been utilised to anticipate the potential levels of interest income the Council will receive for its investment of the reserve balances. This income will be shared between the General Fund and the Housing Revenue Account (HRA). Forecast interest rates available to the Council are shown in the table above and expected to generate an income of £100k to the General Fund and £152k to the HRA. However, it should be noted that the forecast income can only be an estimate as it will be determined by the level of balances and the achievable interest rates over the financial year.

**Council Tax Proposals**

- 3.8 The proposed draft budget proposals for 2021/22 have been carefully considered by Cabinet and the recommendation is to increase the Council's share (approximately 9% of the total annual charge) by £5 based on a Band D property charge. The profile of the bandings for the properties in the District are:

**Table 9 – Council Tax Property Allocation**

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Property Numbers	8,818.4	9,429.9	8,919.8	8,494.1	6,610.1	4,004.4	1,713.6	132.1
% of overall properties (rounded)	18	19	19	18	14	8	4	0

The summary of the consultation that was undertaken between 13 January – 27 January 2021 is:

**Table 10 – Community Consultation Summary**

<b>Do you support an increase in the district council's element of Council Tax?</b>	<b>Number</b>	<b>%</b>
Yes, I support an increase of £5 per Band D property	50	35

No, I do not support an increase of £5 per Band D property	94	65
Total	144	100

3.9 It is worth noting that over 87% of the Government's Core Spending Power increase of 4.5% for local authorities for 2021/22 is based on the assumption that each Council will increase its share of the Council Tax by the approved amount. The other point to note is that 56% of the South Kesteven residents reside in properties in the bands A-C and therefore should the £5 increase proposed be approved then the weekly increase for those bands will be between 6p – 8p per week.

After careful consideration, Cabinet has made the recommendation to increase the South Kesteven District Council's share of Council Tax by £5 (for a Band D property) for 2021/22.

#### 4. **HOUSING REVENUE ACCOUNT (HRA)**

4.1 The HRA Housing Strategy 2017 – 2021 continues to provide the overarching framework for the budget proposals.

The key themes underpinning the strategy are:

- Help meet the housing needs of residents
- Facilitate the delivery of new housing across a range of tenures
- Enable those whose independence may be at risk to access housing (including their current home) that meets their needs
- Encourage, support and regulate the private rental sector to provide well managed, safe homes.

The budget formation has taken into consideration the deliverables arising from the Compliance audit action plan. This is to ensure that necessary resources are made available during 2021/22 whilst ensuring overall service standards are maintained. The HRA Revenue Summary is shown at Appendix A.

4.2 The rental income budgets are set in accordance with the Government's rent setting guidance formula which is CPI (consumer price index) + 1%. The total rental income budgets have been reduced for 2021/22 following a reduction in Consumer Price Index (CPI) for September 2020 which was 0.5% when compared to the indicative budgets that were prepared a year ago when the CPI was on average 1.7%. This has reduced the budgeted income for next financial year by approximately £1.1m and cumulatively over £5m for the next three financial years.

However due to a number of competing factors such as a reduced rental forecast and an increase in operational expenditure costs, it is only possible to present a balanced one-year revenue account as the following years are projecting a revenue deficit. This is clearly not sustainable and so a programme of cost reduction and income generation is being developed to ensure a balanced position can be achieved from 2022/23 onwards.

The following HRA revenue bids have been included in the 2021/22 budget for approval:

**Table 11 – Revenue Bids**

<b>Revenue Bid Description - Ongoing</b>	<b>£'000</b>
Grounds Maintenance	150
Scheduled repairs to manage the property voids	100
Housing Compliance Officer post	50
Specialist Tenancy Legal Advice	42
Housing System Revenue Costs	40

### Housing Revenue Account 2021/2022 – Rent Proposals

- 4.3 The rent setting proposals for 2021/22 has increased the annual budgeted rental income from £24.557m in 2020/21 to £24.627m in 2021/2. For 2021/22 the average weekly rental increase for individual property will be £1.19. The average rent in 2021/22 will be £80.78 with a minimum of £59.55 and a maximum of £116.07. Garage rents are proposed to increase by 3% and service charges are proposed to increase in accordance with the fees and charges shown at Appendix D. Further analysis of rent details is provided in Tables 12 and 13.

**Table 12 - Impact – 1.5% increase**

Bedrooms	% of Dwelling Stock	Average Weekly Rent 2020/21	Average Weekly Rent 2021/22	Average Increase	% Increase
Bedsit	0.82%	58.67	59.55	£0.88	1.5%
1 Bedroom	13.11%	£68.86	£69.89	£1.03	1.5%
2 Bedrooms	48.88%	£77.20	£78.36	£1.16	1.5%
3 Bedrooms	28.90%	£85.18	£86.46	£1.28	1.5%
4 Bedrooms	1.93%	£90.15	£91.50	£1.35	1.5%
6 Bedrooms	0.08%	£114.35	£116.07	£1.72	1.5%

**Table 13 - Increases for Individuals**

Bracket	Number of Properties	% Of Properties
Under £1.00	327	5.49%
£1.00 - £1.24	3,559	59.76%
£1.25 - £1.49	2,036	34.18%
£1.50 - £1.85	34	0.57%
<b>Total</b>	<b>5,956</b>	<b>100.00%</b>

- 4.4 In addition to using the 1.5% rent increase in setting the budget for rental income for future years further assumptions have been made. Void rent assumptions have been built into the budgets and have been set at 1.5% which is broadly comparable with previous year's rate (although it is accepted that rates have been more volatile during 2020/21). Right to buy sales have been budgeted at 50 sales for 2021/22 (actual sales for 2019/20 were 59) as it is assumed that levels will return to pre-COVID-19 levels during 2021/22.

## **5. CAPITAL PROGRAMME 2021/22 – 2023/24**

- 5.1 The capital programme has been formulated to deliver the Council ambitions of growth and investment in its assets to support the delivery of quality services. The Council has a stated ambition to provide quality leisure services although the proposed capital programme does not yet include any specific changes to the leisure offer as further detailed analysis of options and financial modelling are being undertaken in order to be able to present fully costed proposals for member consideration. Information will be presented to Council for approval once the business cases have been developed and the affordability of the revenue implications have been assessed. In respect of the strategic land acquisition which Council considered and approved on 26 November 2020, a separate business case will be presented for further site development should the acquisition proceed. Therefore for the avoidance of doubt neither this site nor leisure are currently included in the draft capital proposals.
- 5.2 A summarised capital programme is shown in Table 14 and a detailed capital programme included in Appendix B.

**Table 14 – General Fund Capital Programme Summary**

<b>Directorate Heading</b>	<b>2021/22 Proposed Budget* £'000</b>	<b>2022/23 Indicative Budget £'000</b>	<b>2023/24 Indicative Budget £'000</b>
Commercial & Operations	<b>2,362</b>	2,263	2,349
Corporate	<b>50</b>	0	0
Growth & Culture	<b>1,673</b>	314	70
<b>Total Budget</b>	<b>4,085</b>	<b>2,577</b>	<b>2,419</b>
Financing:			
Grants and contributions	<b>(1,685)</b>	(1,123)	(902)
Reserves	<b>(1,144)</b>	(1,059)	(1,201)
Useable Capital Receipts	<b>(1,256)</b>	(395)	(316)
<b>Total Financing</b>	<b>(4,085)</b>	<b>(2,577)</b>	<b>(2,419)</b>

\*includes £0.921m proposed slippage from 2020/21 as detailed in Appendix B

- 5.3 The capital programme is focused on investing in Council assets to improve the service offer and is particularly relevant to the arts offer with a combined investment programme of £390k across the two arts venues. Elsewhere in the proposals, investment continues in the Street Scene fleet and the car parking offer with maintenance required at Welham Street car park in Grantham.
- 5.4 At the time of compiling this report, the Council has received notification of a significant in principle award totalling £5.558m in respect of the Future High Street funding application that was submitted however the specific allocations are still being determined by MHCLG (Ministry of Housing, Communities and Local Government) and therefore the budget proposals at present time do not include this funding allocation and the associated Council contribution. In order to ensure the 2021/22 Budget Framework is updated and amended accordingly to reflect the final confirmed funding award, recommendation 9 of this report requests a delegation to the Council's Section 151 officer in consultation with the Cabinet Member for Finance and Resources to make the necessary changes to the Framework.

### **Housing Investment Programme (HIP)**

- 5.5 The formation of the capital programme for the period 2021/22 – 2023/24 is currently projecting an investment of £75m over a 3-year period focussing on the continuation of the new build and stock acquisition programme and the objectives of the HRA Business Plan.
- 5.6 In respect of the new build programme the outline 3-year capital programme totalling £44.31m is anticipated to deliver approximately 412 properties. Detailed appraisal of all the schemes are underway and further details of the new build programme will be presented to members at a future meeting.
- 5.7 The other major part of the HRA capital programme is the continuation of investment in existing housing stock which includes central heating upgrades, kitchen and bathroom refurbishments, door and windows replacements and re-roofing. This investment programme may be reviewed once the full details of the Stock Condition Survey are analysed which may identify other priority investment areas. If necessary, the capital programme will be revised accordingly. A summary of the programme is shown at Table 15 and detailed at Appendix B.

**Table 15 – HRA Capital Programme Summary**

	<b>2021/22 Indicative Budget £000</b>	<b>2022/23 Indicative Budget £000</b>	<b>2023/24 Indicative Budget £000</b>
Decent Homes	<b>10,583</b>	9,435	9,535
New Build Programme	<b>11,165</b>	14,940	18,995
ICT	<b>720</b>	500	0
Repairs Vehicles	<b>248</b>	214	304
<b>HRA Budget</b>	<b>22,716</b>	<b>25,089</b>	<b>28,834</b>
Financing:			
Borrowing	<b>0</b>	0	(12,521)
Capital Receipts	<b>(3,350)</b>	(3,593)	(2,300)
External Funding*	<b>(1,844)</b>	(3,375)	(4,174)
Grants and contributions	<b>(470)</b>	0	0
Reserves	<b>(17,052)</b>	(18,121)	(9,839)
<b>Total Financing</b>	<b>(22,716)</b>	<b>(25,089)</b>	<b>(28,834)</b>

\*this is an estimate of the level of funding anticipated from Homes England

- 5.8 In order to accelerate the ambitions of the HRA and to deliver a stepped increase in the new build programme, it is proposed to include an indicative three-year budget of £44.31m. These schemes will be financed using the Council's own resources, borrowing and grant funding from Homes England, which will be applied for on a scheme by scheme basis. The level of funding available has yet to be determined as Homes England assess each scheme separately. Therefore the external funding included in Table 15 is an estimation until such as time as each scheme is financially assessed.

## 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 and Council reserves so for the duration of the proposed capital programme no external borrowing is currently required. The HRA Capital Programme is included at Appendix B, the proposed schemes have been partly funded by borrowing due to the ambitious Housing Growth Scheme.

### General Fund

- 6.2 The General Fund capital programme for 2021/22 will be financed from the following
- £1.256m capital receipts reserve
  - £1.685m specific grants (Disabled Facilities Grant amount to be confirmed)
  - £1.144m reserves

At the time of compiling the report, the total of the specific grants referred to have not been confirmed and therefore the financing or level of the 2021/22 investment may require amending once the confirmed grant funding is known to the Council.

### Housing Revenue Account

- 6.3 The HRA capital programme for 2021/22 will be financed from the following:
- £3.350m capital receipts reserve
  - £1.844m specific grants (to be confirmed)
  - £470k grants and contributions
  - £17.052m revenue reserves

At the time of compiling the report, the specific grants referred to have not been confirmed and therefore the financing or level of the 2021/22 investment may require amending once the confirmed grant funding is known to the Council.

## 7. **RESERVES AND BALANCES**

7.1 In line with good practice, the Council maintains a number of reserves which can be categorised as meeting the following requirements:

- To ensure the Council has sufficient funds available to meet its cash flow requirements and 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 –these are known shown as discretionary and governance reserves

7.2 Through prudent financial management, the Council is in a position to be able to establish a number of specific general reserves that are set up to provide funding for an approved purpose usually in respect of specific services or corporate ambitions.

A summary of the proposed reserve movements is set at Table 16 below and full details of the General Fund Reserves can be found at Appendix C.

**Table 16 – Budgeted General Fund Revenue Reserve Movements**

<b>Reserve Heading</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Budget Stabilisation Reserve	1,123	0	0
Commercial Reserve	(260)	0	0
Government Specific Grants	22	(25)	(26)
ICT reserve	0	(176)	0
Invest to Save	(523)	0	0
Local Priorities Reserve	(250)	(435)	(1,127)
Pensions	(45)	(45)	(45)
Property Maintenance	(94)	(41)	(65)
Regeneration Reserve	(451)	(33)	(25)
Special Expense	23	49	29
Street Scene	(29)	0	0

- The Budget Stabilisation reserve was created to fund short term budget pressures. As part of the 2021/22 Local Government settlement the Council will receive a lower tier services grant of £362k for one year. The Council has also been awarded a grant of £611k to contribute towards COVID-19-19 financial pressures and a grant of £150k for the costs of the Council Tax Support Scheme. In order to ensure there is further protection of the 2021/22 budget proposals, it is proposed that these one-year only grants are transferred to the Budget Stabilisation Reserve.
- A Climate Change Reserve was created for the 2020/21 financial year and has been utilised during the year on approved initiatives to support the climate agenda action plan. At a meeting of the Environment OSC on 6 October 2020, members recommended the reserve is set at £20k for the 2021/22 financial year to enable further initiatives to be funded as necessary. Cabinet has supported this recommendation and it is included in the Reserves Statement.
- The Regeneration Reserve was created to finance the short term borrowing costs associated with regeneration projects and to fund any MRP (minimum revenue provision) costs that may be arise following the acquisition of the asset. The purpose of the reserve was to avoid placing undue financial pressures on the revenue budgets for the period the asset is held. For the

period to date, the reserve has been used to finance the costs of St Martins Park and will continue to do so until such time as the asset is disposed of. For 2021/22 the operational costs of St Martins Park are estimated at £430k. In order to ensure the reserve has a level that is sufficient to continue to meet St Martins Park costs and also to fund the operational costs of any further acquisitions, Cabinet has agreed to recommended that the reserve is increased by £500k. This movement is shown in the Reserves Statement.

- In 2020/21 it is proposed that Government Specific Grants are used to part fund £23k of the Local Plan costs and £25k of the costs incurred in electoral registration. The Council has been awarded £330k of Homelessness Prevention grant, £70k of which has been allocated to reserves until allocated.
- The Invest to Save Reserve will be used to fund the remaining payment of £225k for the Intelligent Automation project with Ernst and Young and £55k to fund the Procurement Lead post or until such time as the partnership arrangements with external procurement support comes to an end. It is proposed that £250k of this reserve is transferred to the Regeneration Reserve.
- New Homes Bonus totalling £1.569m is budgeted to be transferred to the Local Priorities Reserve over the period of the 3-year budget. It is proposed that £2.938m of this reserve is used to finance the capital programme which includes £1.955m to fund vehicles replacement and £0.812m funding for the capital improvements to the Councils existing assets and replacement CCTV. This reserve will also be used to fund the £500k management fee associated with LeisureSK Ltd and £193k has been budgeted to fund the budget deficit. It should be noted that further financial contributions to this reserve are uncertain as it is anticipated that the New Homes Bonus scheme will cease from 2023/24.
- The Pension Reserve will be used to fund the annual pension costs of former employees which is £45k per year.
- The Property Maintenance Reserve will be utilised over the budget period to provide the financing of essential property related works such as leisure centres (£65k) and safer surfaces at parks (£135k).
- The Special Expense Reserves will be utilised over the period of the budget proposals. In respect of Langtoft £3k of the reserve will be utilised over the next 3 years to contribute towards the operational costs of the SEA resulting in a reduced cost to those residents over the same period. The reserves for Bourne, Grantham and Stamford will be used to fund £40k of park safer surfaces costs.
- The Council's fleet has increased by 58 vehicles since 2014 and the number of years that the RCV's (refuse collection vehicle) are retained for has increased which have both impacted on the cost of the workshop parts. It is therefore proposed that £29k of the Street Scene Reserve is utilised to fund these additional costs in 2021/22.

7.4 In respect of the HRA, there are a number of specific reserves to assist in the delivery of the HRA Strategy and are used to fund both revenue and capital expenditure. In addition, the HRA has a specific working balance which provides financial support to the HRA should any significant unforeseen costs arise during the financial year. The Major Repairs Reserve is the primary source of funding for the HRA capital programme and is proposed to be utilised to fund the investment in the housing stock over the next 5 years. Further detail of the HRA reserves can be found in Appendix C.

**Table 17 - Budgeted HRA Reserve Movements**

<b>Reserve Heading</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Improvement Reserve	(690)	(516)	0

Property Development Reserve	(5,531)	(7,991)	0
Working Balance	(556)	(203)	6
Capital Receipts Reserve	(1,242)	(138)	1,157
Major Repairs Reserve	(3,420)	(3,224)	(2,647)

- The Capital Receipts Reserve and the Property Development Reserve shown above are proposed to contribute towards financing the new build scheme over the 3 year capital programme.
- There is an annual requirement for a revenue contribution to the Major Repairs Reserves which is utilised for capital investment in the council's housing stock.
- The HRA surplus is transferred to the working balance each year. There is an annual transfer of £3.222m from the annual HRA account to the working balance which is then used to fund the principal repayment of the external loan taken out under the HRA self-financing in 2012. There is also a contribution each year from the working balance to the Major Repairs Reserve to ensure there are sufficient resources available to fund investment in the housing stock.
- It is proposed that the balance on the HRA Improvement reserve is primarily used to finance the Housing System Enhancements.

7.5 The Council's Interim Director of Finance (s151 officer) is required to comment on the robustness of the budget estimates and the adequacy of the proposed financial reserves. The estimates are considered to be robust. Employee costs are based on the approved establishment, contractual inflation included, 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. The draft budgets for 2021/22 to 2023/24 inclusive, assume that the working balance for the General Fund remains no less than £1.3m throughout the period. The formation and replenishment of the Budget Stabilisation Reserve is an important component of ensuring the Council has the financial resilience to meet the immediate and medium term impact of the pandemic as well as providing financial support during the COVID-19 recovery phase. The working balance for the Housing Revenue Account beyond 2021/22 shows a reduction over the medium term beyond the current agreed operating level. Therefore it is necessary to undertake a review based on current levels of income and expenditure profiles in order to a sustainable balanced position. It is for this reason, that a 12 month (only) revenue budget is being presented to members.

7.6 A list of the Council's earmarked reserves, together with estimated opening and closing balances, is attached at Appendix C. The Budget Stabilisation Reserve continues to be held in order to protect the Council's financial resilience in the medium term. It is recommended to bolster the financial resilience by transferring the COVID-19 specific and the lower-tier one-off grants announced in the provisional settlement to the Budget Stabilisation Reserve. This will provide a sufficient financial cushion to enable the Council to maintain a high degree of financial sustainability during the COVID-19 recovery phase.

7.7 The levels of reserves are considered to be adequate to fund the planned expenditure identified by the Council. However, they need to be kept under regular review to ensure they remain at an appropriate level.

## 8. Treasury Management Strategy and Capital Strategy

8.1 The CIPFA Treasury Management Code defines treasury management activities 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."*

The CIPFA Code of Practice for Treasury Management in the Public Services (the "CIPFA Treasury Management Code") and the CIPFA Prudential Code require local authorities to produce a Treasury Management Strategy Statement (TMSS) on an annual basis. The draft Treasury Management



Strategy will be presented to Governance and Audit Committee on 4 February 2021 for their consideration. The proposed Strategy will then be presented to Council on 1 March 2021.

On 26 November 2020 the government reduced Public Works Loan Board (PWLB) lending rates by 1% alongside new lending terms. The key features of the new terms are as follows:

- Councils will be required to submit a 3 year high-level capital spending and financing plans.
- S151 officers will need to confirm that there is no intention to buy investments assets primarily for yield at any point in the three year period.
- As it is not possible to reliably link loans to specific spending plans, this restriction applies to the whole programme so the PWLB will not lend to any Council which plans to buy investment assets primarily for yield anywhere in their capital plans regardless of the source the asset would notionally be financed from.

## 9. **FEES AND CHARGES**

9.1 Fees and charges are becoming a key element of the Council funding which raise approximately £6m towards the costs of delivery for specific services. In order to ensure a consistent and transparent approach to fee setting, a fees and charges policy was approved by Council in March 2020. The policy introduces a set of principles which have been applied to fees and charges setting.

9.2 The Council provides a wide range of services for which it is able to make a charge – either under statutory powers (set by the Government) or discretionary (set by the Council). Further definitions of the two main categories of charge are detailed below:

**Regulatory** – the majority of charges are set nationally and local authorities have little or no opportunity to control them. The income received from these charges is important as it contributes to the overall financial position of the Authority. However, income cannot be assumed to increase in line with other fees and charges set by the Council. Also included under this heading are a few areas where the service is statutory or established by local by-law but the charges have a discretionary element.

**Discretionary Charges** – By definition, these are for discretionary services where local authorities can make their own decisions on setting the level of charges. Accordingly, when setting these fees and charges, the Council’s approach should be clear and in line with the corporate priorities.

9.3 A summary of the proposed fees and charges for 2021/22 are shown in Table 18 and full details are shown at Appendix D. The majority of the fee increases are in line with the directly related costs associated with delivering the service. Specific points to note are:

- Green waste – annual collection charge increase of £3
- Grantham Pay and Display car parking 10p increase per tariff up to and including 3 hours
- Stamford Pay and Display car parking 20p increase per tariff up to and including 3 hours

**Table 18 – Fees and Charges Summary**

QUADRANT (as per the Policy)	HEADING	PROPOSAL FOR 2021/22	INCORPORATION OF POLICY PRINCIPLES
	Arts centres	Theatre hires increased in line with benchmarking results. Up to 29% (rounded up to £1)	Subsidised
	Bus stations	3% (rounded up to 1p)	Subsidised

Discretionary	Car parking charges	Grantham - Up to 3 hours parking 10p increase per tariff Stamford – Up to 3 hours parking 20p increase per tariff	Cost Recovery and investment in traffic management related assets
	Car parking penalty charge notices	0%	Cost Recovery
	Green waste	Direct Debit/Online Increase of £3 (8%) Offline/cash/cheque Increase of £3 (7%) Additional bins Direct Debit/Online Increase of £1.50 (8%) Additional bins Offline/cash/cheque Increase of £1.50 (7%)	Cost Recovery
	Markets	3% (rounded up to 50p)	Subsidised
	Outdoor recreation	Up to 3%	Subsidised
	Planning and pre-planning charges set locally	Up to 21%	Cost Recovery
	Supply of new or replacement bins	0%	Cost Recovery
	Regulatory	Air quality	0%
Alcohol licensing		0%	Cost Recovery
Bingo premises, betting premises etc		0%	Cost Recovery
Building Control charges		Up to 3%	Cost Recovery
Cemetery charges		3% (rounded up to £1)	Cost Recovery
Fees for scrap metal dealers, tattooing, acupuncture, control of dogs, caravan parks etc		Full cost recovery analysis undertaken	Cost Recovery
Fixed Penalty Notices- Nuisance parking/ Waste Transfer Offence etc		0%	Cost Recovery
Fixed Penalty Notices – Littering/Fly posting		0%	Cost Recovery
Gambling Licensing- Gaming machines and lottery licenses		0%	Cost Recovery
Hackney Carriage, Animal licenses and sex establishments etc		Full cost recovery analysis undertaken	Cost Recovery
Houses of Multiple occupancy, Immigration inspections, contaminated land		Up to 3%	Cost Recovery

	enquiries & Sampling of water supplies		
	Letting Agents Redress Scheme	0%	Cost Recovery
	Local Land Charge fees	0%	Cost Recovery
	Planning fees set by Government	0%	Cost Recovery
	Smoke free fixed penalty notices and smoke and carbon monoxide alarms for landlords	0%	Cost Recovery
Specialism	Community rooms & guest rooms	Up 3%	Cost Recovery
	Domestic refuse collection e.g. bulky waste	0%	Cost Recovery
	Hygiene food safety, packs and energy efficiency standards	Full cost recovery analysis undertaken	Cost Recovery
Total Cost Recovery	MOT Fees	0%	Cost Recovery

## 10 Consultation and Feedback Received, Including Overview and Scrutiny

10.1 The budget proposals have been consulted upon during a two week consultation period during January 2021. The budget proposals have also been debated at the Budget Joint OSC on 12 January 2021.

## 11 Available Options Considered

11.1 N/a

## 12 Preferred Option

12.1 The report presents a number of recommendations for Council to consider.

## 13 Reasons for the Recommendation (s)

13.1 The Council is legally required to set a balanced budget each financial year.

## 14 Next Steps – Communication and Implementation of the Decision

14.1 The budget framework will be implemented following the Council decision on 1 March 2021.

## 15 Financial Implications

15.1 These are considered throughout the report and supporting appendices. Members attention is drawn to my specific comments regarding the robustness of the budget proposals at section 7.5.

**Financial Implications reviewed by: Richard Wyles, Interim Director of Finance**

## 16 Legal and Governance Implications

16.1 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 4.21 of the Constitution of the Council. Members must consult with the community on the proposals contained within this report as required in accordance with statutory regulation and constitutional requirements.

**Legal Implications reviewed by: Shahin Ismail, Head of Legal Services**

**17 Equality and Safeguarding Implications**

17.1 All equality and safeguarding implications have been considered and the details are provided at Appendix F.

**18 Risk and Mitigation**

18.1 A risk analysis has been undertaken and is provided at Appendix E.

**19 Community Safety Implications**

19.1 None identified.

**20 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?**

20.1 The proposals include the continuation of the Climate Change Reserve which will be used to fund new and ongoing initiatives to support the Council policy and response to the Climate Change emergency.

**21 Other Implications (where significant)**

21.1 None identified

**22 Background Papers**

22.1 N/a

**23 Appendices**

Appendix A - Revenue summary – GF and HRA

Appendix B – Capital & Financing Statement – GF & HRA

Appendix C – Reserves Statement – GF & HRA

Appendix D – Fees & Charges – GF and Housing Revenue Account (HRA)

Appendix E – Financial Risk Register

Appendix F – Equality Impact Assessment

Appendix G – Treasury Management Strategy 2021/22

Appendix H – Council Tax Resolution (to follow)

<b>Report Timeline:</b>	Date of Publication on Forward Plan (if required)	17 February 2020
	Previously Considered by: Cabinet	12 January 2021
	Final Decision date	1 March 2021