



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Budget-Joint Overview and Scrutiny Committee

12 January 2022

Report of: Councillor Adam Stokes, Deputy Leader of the Council
Councillor Robert Reid, Cabinet Member for Housing & Property



Budget Proposals for 2022/23 and indicative budgets for 2023/24 and 2024/25

This report presents to Cabinet the draft Budget estimates for 2022/23, Revenue and Capital, for both the General Fund and the Housing Revenue Account and provides the details that have been included in the budget proposals.

Report Author

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Corporate Priority:	Decision type:	Wards:
Well Performing Council	Budget and Policy Framework	All Wards

Reviewed by:	Alison Hall-Wright (Head of Finance)	20 December 2021
Approved by:	Karen Bradford (Chief Executive)	20 December 2021
Signed off by:	Councillor Adam Stokes (Deputy Leader of the Council) Councillor Robert Reid (Cabinet Member for Housing & Property)	20 December 2021

Recommendation (s) to the decision maker (s)

The Budget – Joint Overview and Scrutiny Committee is asked to consider and put forward any proposals or amendments to Cabinet in respect of the budget proposals for 2022/23 for:

- General Fund – Revenue and Capital
- Housing Revenue Account – Revenue and Capital
- Proposed use of Reserves
- Proposed Fees and Charges

1 The Background to the Report

1.1 The purpose of this report is to present the draft proposals for the 2022/23 to the Budget Joint Overview and Scrutiny Committee. The Committee is invited to review and comment on the proposals contained in the report which will be presented to Cabinet on 13 January 2022. The budget setting timetable is set out below:

Date	Heading	Details
12 January 2022	Budget-Joint OSC	To consider proposed budgets for 2022/23
13 January 2022	Cabinet	To consider proposed budgets To receive feedback from Budget Joint OSC To approve consultation of budget proposals
14 January – 28 January 2022	Resident and business consultation	To receive views on proposed Council Tax levels for 2022/23
8 February 2022	Cabinet	To consider feedback from the consultation and make final budget recommendations to Council
3 March 2022	Council	To approve Council Tax level and approve budgets for 2022/23 including General Fund and Housing Revenue Account

1.2 The budget setting process is closely aligned and support the ambitions of the Council's Corporate Plan which covers the period 2020 – 2023 and specifically the five main priorities of:

- 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

This is underpinned by the Council vision to 'be the best place in which to live, work and visit'.

1.3 The supporting actions contained in the Corporate Plan are currently being reviewed and updated by the Overview and Scrutiny Committees and therefore it is important to ensure the budgetary proposals continue to support the resource requirements of each action where appropriate. This will continue to be reviewed as the budget setting timetable continues. The 2022/23 budget proposals can demonstrate the continuation of investment into the key services and ambitions of the Council whilst maintaining a sustainable financial position. However, the financial future remains uncertain primarily due to the Government continuing to suggest the national funding allocation methodology may change as part of the levelling up agenda and only receiving a one-year settlement. Therefore, uncertainty remains and specifically from 2023/24, which makes maintaining a financial sustainable financial plan more challenging.

1.4 The budget setting process commenced in September 2021, and the proposals have been formulated by the Cabinet, working closely with senior officers, through a number of budget sessions. The workshops focused on the spending ambitions of the Council to drive forward the Corporate Plan within the financial parameters. The budget discussions have also been held in the context of a financially challenging 2021/22 where the Council continues to forecast a General Fund deficit position.

1.5 This report covers a number of areas:

- The funding position for the General Fund (section 2)
- The draft General Fund budget proposals (section 3)
- The Housing Revenue Account (HRA) position (section 4)

- Fees and Charges (section 5)
- The Capital Programmes 2022/23 to 2024/25 (section 6)
- The Capital Financing Statement (section 7)
- Reserves and Balances (section 8)

2 THE FUNDING POSITION FOR THE GENERAL FUND

2.1 Spending Review 2021 – Overview

On 16 December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) released a written statement to Parliament on the provisional local government finance settlement 2022/23.

The 2022/23 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement. The provisional settlement information will now be open to consultation for four weeks from 16 December 2021 until 13 January 2022 with confirmed settlement expected end January 2022. The main headings (that are relevant to the Council) to note are:

- **Council Tax** – As previously announced in October, the council tax referendum limit will be 2% for local authorities, with social care authorities allowed an additional 1% social care precept. The provisional settlement confirmed that districts will be allowed to apply the higher of the referendum limit or £5, and that social care authorities will be allowed to ‘catch up’ any of the 3% referendum limit from last year which was unused.
- **Business Rates Retention** – As announced in October, the business rates multiplier has been frozen for 2022/23. Therefore, the three elements of the Business Rates Retention system (Baseline Need, business rates Baseline and Tariff/Top Up amounts) remain unchanged. Authorities will be financially compensated for the loss of income arising from the business rates multiplier for 2022/23.
- **2022/23 Services Grant** – This new grant has been distributed on a one-year only basis to authorities based on outdated allocation methodology. The Government has re-affirmed its commitment to review the funding methodology for local government funding so whilst the grant may remain beyond 2022/23 the distribution method is likely to change. For 2022/23 the Council is expected to receive £300k.
- **New Homes Bonus** - The 2022/23 allocations have been announced at a slightly lower level than 2021/22. There have been no changes to the scheme for 2022/23, with a single year’s new allocation made alongside the outstanding legacy payment for 2019/20. It has previously been confirmed that this scheme is being abolished although there are no details of any replacement scheme. For 2022/23 the Council is expected to receive £1.2m.
- **Lower Tier Services Grant** – A further year of lower tier services grant has been given, with a total national value remaining unchanged at £111m. Whilst the distribution methodology is the same as 2021/22 individual authorities’ allocations have changed, due to the minimum funding guarantee element. For 2022/23 the Council is expected to receive £200k.
- **Rural Services Delivery Grant** – There has been no change to this grant in either the national allocation (£85m) or the distribution methodology. Therefore, 2022/23 amounts will be the same as 2021/22. For 2022/23 the Council is expected to receive £300k.

Table 1 – Indicative Funding Levels for South Kesteven DC

Funding Heading	2020/21 £m	2021/22 £m	2022/23 £m
Business Rates (SFA)	3.8	3.9	4.0
New Homes Bonus	1.8	1.0	1.2
Rural Services Delivery Grant	0.3	0.3	0.3
Council Tax	7.8	8.1	8.4
Lower Tier Services Grant	-	0.4	0.2
COVID Grants	2.7	0.6	-
Services Grant	-	-	0.3
Total Resources	16.4	14.3	14.4

The above table does not include the Collection Fund projected surplus/deficit which is unable to be calculated until January 2022.

In the overall Core Spending Power calculations that Government has provided there is the assumption that Councils will increase their share of the Council Tax in accordance with the limits set and referred to above. It can be seen from the table above that Council Tax income is the single biggest element of the Council overall funding levels and therefore proposals for Council Tax levels for 2022/23 should be considered in this context. Table 2 shows the projected increases in Council tax income should the Council take the opportunity to increase its share of Council Tax each year by the maximum amount (£5).

Table 2 – Proposed (2022/23) and indicative 2023/24, 2024/25) Council Tax Band D Charge Increase

	2021/22	2022/23	2023/24	2024/25
Assumed Band D Charge Increase	Up to £5.00	Up to £5.00	Up to £5.00	Up to £5.00
Tax Base (Projected from 23/24) assumed 1.2% growth	48,122.4	48,706.7	49,291.2	49,882.7
Band D charge (SKDC only incl. Special Expense Areas)	£168.62	£173.59	£178.59	£183.59
Assumed Council Tax Income	£8114.4m	£8.455m	£8804.4m	£9159.5m

Business Rates Pool – the Lincolnshire authorities have once again applied for Pool status for 2022/23 which has proven to be financially beneficial for all tiers of Lincolnshire Councils. The allocation of additional business rates received (known as the retained levy) will continue to be distributed as 40% Lincolnshire County Council and 60% allocated over the other Pool members. At the time of compiling the report a Pool proposal consisting of the following authorities has been submitted to the Department for Levelling Up, Housing and Communities:

- Boston Borough Council
- East Lindsey District Council
- Lincoln City Council
- Lincolnshire County Council
- North Kesteven District Council
- South Kesteven District Council
- West Lindsey District Council

- South Holland District Council

3 GENERAL FUND BUDGET PROPOSALS

3.1 The overall General Fund position for 2022/23 is shown at table 3 below and Appendix A. The net budget requirement for 2022/23 is estimated at £14.407m.

Table 3 – Summary of General Fund Estimates

Description	2021/22	2022/23	2023/24	2024/25
	Original Budget	Proposed Budget	Indicative Budget	Indicative Budget
	£'000	£'000	£'000	£'000
Directorate Area				
Commercial & Operations	7,686	7,664	7,631	7,847
Corporate	7,034	7,295	7,741	7,722
Growth & Culture	5,111	5,364	5,197	5,286
Housing & Property	279	556	5	21
HRA recharge	(2,759)	(2,787)	(2,814)	(2,870)
Net Cost of Services	17,351	18,092	17,760	18,006
Investment Income	(100)	(101)	(91)	(85)
Interest Payable	0	0	0	213
Minimum Revenue Provision (MRP)	296	291	286	718
Revenue Contribution to Capital	186	55	57	0
Drainage Rates	746	792	816	840
Depreciation	(4,586)	(4,722)	(4,863)	(4,960)
Net Budget Requirement	13,893	14,407	13,965	14,732
Funding & Resources:				
Council Tax (Excluding Parishes)	(8,114)	(8,455)	(8,804)	(9,160)
Government Grant	(1,432)	(727)	(490)	(490)
Retained Business Rates	(3,808)	(3,971)	(3,722)	(4,129)
New Homes Bonus	(1,045)	(1,232)	(400)	(400)
Collection Fund Deficit	51	0	0	0
Total Funding	(14,348)	(14,385)	(13,416)	(14,179)
Transfers to/(from) earmarked reserves	455	(22)	233	302
Net Budget Deficit	0	0	782	855

3.2 The table shows a balanced position for 2022/23 but emerging deficits from 2023/24 resulting from a number of variables including uncertainty regarding the levels of funding from a national perspective and the costs that will be incurred for financing the refurbishment programme. From 2024/25 there is a budgeted increase in both interest payable and MRP to reflect the borrowing costs incurred for the refurbishment of Deepings Leisure Centre. This has been included in the 2024/25 budgets but the timing may vary depending on the completion of the refurbishment works. At Council on 14 December 2021, Council approved the inclusion of the indicative costs for Deepings Leisure Centre and also agreed to develop an affordability plan in response of these new costs. It is important that this budget allocation review is undertaken well in advance to ensure a financially sustainable position is achieved.

3.3 Key Budgetary Proposals

The budgetary proposals for 2022/23 contain a number of service changes that have been incorporated in order to 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. The table below sets out the proposed changes to the 2022/23 and these are shown under the headings of additional budgets bids, savings and fees and charge proposals. Each of the saving proposals will be required to be implemented with effect from April 2022 in order to ensure the financial savings are realised.

Table 4 – Proposed Budget Bids

Details	Financial Implication £'000	Recurring/One-Off	Comments	Directorate Area
Asset maintenance programme	150	Recurring	Annual budget to respond to maintenance issues in relation to General Fund assets	Growth and Culture
Climate Change Budget	20	Recurring	Transfer of previous reserve allocation to an annual budget to fund climate change initiatives	Commercial and Operations
Mental Health initiatives	10	Recurring	Fund to support the mental health challenge	Corporate
SK Community Awards	8	Recurring	Establishment of an annual SK community awards programme	Commercial and Operations
Grantham Carnival Grant	6	Recurring	Contribution towards carnival costs – funded from Grantham special expense area	Commercial and Operations
Asset maintenance programme	400	One-off	One-off funding to respond to backlog of General Fund asset maintenance	Housing and Property
Local Plan	161	One-Off	Funding of £161k for 2022/23 and £119k for 2023/24 to progress Local Plan	Growth and Culture
Leisure SK Management Fee	250	One-off	To fund the business rates payable by Leisure SK	Growth and Culture
Community Governance review	20	One-off	Costs expected to be incurred in relation a comprehensive governance review for the Grantham Parish	Corporate

Table 5 – Proposed Savings

Details	Financial Implication £'000	Comments	Directorate Area
Street Scene – one dedicated team for the district	126	Changes to Big Clean staffing arrangements	Commercial and Operations
Ward Member Grant scheme	28	Cessation of scheme but retain Community Fund scheme	Corporate
Festival Programme	20	Retain an annual festival programme budget of £80k	Growth and Culture

Table 6 – Proposed changes to Fees and Charges

Details	Financial Implication £'000	Comments	Directorate Area
Pay and Display Car Parks	44	Proposed increase of 10p per tariff across the car parks of Grantham and Stamford	Commercial and Operations
Street Naming and Numbering	20	Introduction of new fees that will be charged to developers	Growth and Culture
Green Waste Service	177	£5 increase for annual collection charge	Commercial and Operations
Other discretionary services	100	Inflationary increase only to all other discretionary charges	All

3.4 Company Funding proposals

The 2022/23 budget proposals contain funding proposals for each of the following companies:

- EnvironmentSK Ltd
- InvestSK Ltd
- LeisureSK Ltd

3.5 Grounds Maintenance delivered by 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, parish and town councils, business and the public.

The Council determines its grounds maintenance requirements via the specification and makes payments to EnvironmentSK Ltd for the service provided. 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 paid down according to an agreed schedule. The contract payments to be made in respect of special expense areas have been reduced to reflect the removal of the costs relating to Bourne special expense area.

Table 7 – EnvironmentSK Ltd – Proposed Contract Fee

Grounds Maintenance services	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
General Fund	253	261	261	261
Housing Revenue Account	428	428	428	428

Special Expense Areas	327	327	327	327
Total Proposed Fee	1,008	1,016	1,016	1,016

3.6 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 proposed funding allocation for InvestSK Ltd for 2022/23 is set out in the table below:

Table 8 - Proposed funding levels from 2022/23

Funding	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
InvestSK (focus on Economic Development, Inward Investment and Visitor Economy)	370	370	370	370
Total	370	370	370	370

3.7 LeisureSK Ltd

The leisure management fee for 2021/22 was approved at £500k and was based on the business plan that was provided by external leisure providers reflecting the challenging operating environment of the leisure sector. At the time of providing the 2021/22 fee proposals, the five-year business plan demonstrated that beyond the first year of trading, LeisureSK Ltd would not require a further management fee as the financial projections showed a balanced trading position. However due to the operating restrictions encountered during 2021/22, the operating environment for LeisureSK Ltd will continue to be challenging for 2022/23. The most recent trading projections shows that there is not requirement for a management fee as the operating costs will be met from income projections although this situation will be kept under review as the trading position changes. Therefore, it is requested that management funding in relation to business rates only is requested for 2022/23. This figure is proposed at £250k to reflect the business rates that are payable in respect of the leisure centres.

For 2022/23, the Government has confirmed the extension of business rates relief to the hospitality, leisure and retail sector of 50% relief and therefore 50% rates payable. The leisure centres would therefore qualify for this relief which would reduce the business rates payable from £500k to £250k for the financial year 2022/23. In line with the localised Business Rates funding model, the Council would then financially contribute 40% of the rates payable with the Government contributing 50% and Lincolnshire County Council contributing 10%. This would equate to a Council contribution of £100k for 2022/23. However close monitoring of the financial performance of LeisureSK Ltd will be undertaken and if the financial situation changes this will be reported to members as necessary.

General Fund Budget Estimates – 2022/23

3.8 The budget has been compiled to deliver the outcomes and aspirations of the Council's Corporate Plan. The budget assumptions that have been considered and incorporated into the budget estimates are shown in table 9, all other inflationary costs have been absorbed by service areas which has assisted with achieving a balanced budget.

Table 9 – General Fund Budget Increases

Cost Heading	2022/23 Budget Increases (%)	Financial Impact £'000	2023/24 Budget Increases (%)	Financial impact £'000
Drainage Board Levies	6.2	46	3.0	24
Pay Award	1.5-1.75	210	1.0	146
Utility price increases	20-25	90	10-15	76
Insurance	10	24	10	26
Grounds Maintenance	5	24	5	24
National Insurance Levy increase	1.0	106	1.2	107
Pension deficit	12.4	141	11.0	150
Tri-ennial Pension Review	-	-	1.0	123

3.9 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 10 – Treasury Investment Financial Forecasts

Financial Year	2022/23	2023/24	2024/25
Base Rate	0.25% – 0.50%	0.50% - 0.75%	0.75% - 1.0%
Investment Interest Rate	0.5%	0.75%	1.0%

3.10 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 £101k to the General Fund and £200k 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

3.11 The proposed draft budget proposals for 2022/23 is calculated based on the options available for Council tax setting:

Table 11 – Council Tax options (current 2021/22 charge £168.59)

	2022/23 options	
	Up to £5 increase £173.59 (2.96%) Band D	No increase £168.59 Band D
Council Tax level x 48,706.7** (including SEA*)	£8.455m	£8.211m
£ annual difference to a £5 increase	£0	(£244k)
SKDC only Band D Charge	£159.93	
SKDC Including SEA	£173.59	

*SEA – Special expense area

** Council Tax base

3.12 The budget proposals for 2022/23 have been compiled on the assumption that the Cabinet would wish to recommend a £5 increase in order to take advantage of the limited availability of the higher level (without the need for a referendum). This assumption has been included in the Medium Term Financial Plan. However, should a lesser amount be proposed then the following options would require consideration:

- Reduction of specific budgets within service headings.
- Increase in savings, efficiencies and/or income to offset the reduction in Council tax income.
- A one-off reserve movement to offset the financial difference. This would be a one-off solution only to avoid an ongoing dependency of reserve needed to fund budget proposals

Consultation in respect of Council Tax options for 2022/23 will be launched in January following the Cabinet meeting and the results of the consultation will be presented to Cabinet at their February meeting.

4 HOUSING REVENUE ACCOUNT (HRA)

4.1 The HRA budget proposals continue to focus on:

- Helping to meet the housing needs of tenants
- Facilitating the delivery of new housing across a range of tenures
- Enabling those whose independence may be at risk to access housing (including their current home) that meets their needs
- Encouraging, supporting and regulating the private rental sector to provide well managed, safe homes.

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 increased for 2022/23 resulting from an overall increase of 4.1% (CPI in September 2021 was 3.1%). This is leading to an increase in projections for rental income of £650k for 2022/23 when compared to previous financial assumptions. In response to an increase in void turnaround times the budget proposals have been prepared on an increase in void rate from 1.5% to 1.8%. This increase has a detrimental impact on rental income (as properties remain empty for longer) and this has been costed at a rental income loss of £75k for 2022/23.

The HRA revenue summary is shown at Appendix A and a 3 year forecast is shown for both income and expenditure. The forecast expenditure budgets have been prepared prior to the findings of the stock condition survey (SCS) findings being received and analysed. It is probable that the budgets will need to be reviewed as there is likely to be a shift between planned and responsive maintenance requirements. Therefore, there is an assumption that the HRA revenue summary may be reviewed and re-presented to Council during the 2022/23 financial year.

Table 12 – Proposed Budget Bids

Details	Financial Implication £'000	Recurring/One- Off	Comments
Training requirements	25	Recurring	Increase in annual budget to provide additional compliance training

Housing Revenue Account 2022/2023 – Rent Proposals

- 4.3 The rent setting proposals for 2022/23 has increased the annual budgeted rental income from £24.627m in 2021/22 to £25.399m in 2022/23. For 2022/23 the average weekly rental increase for individual property will be £3.28. The average rent in 2022/23 will be £84.06 with a minimum of £59.54 and a maximum of £122.35. 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 B. Further analysis of rent details is provided in tables 13 and 14.

Table 13 - Impact – 4.1% increase

Bedrooms	% of Dwelling Stock	Average Weekly Rent 2021/22	Average Weekly Rent 2022/23	Average Increase	% Increase
Bedsit	0.81%	£57.19	£59.54	£2.35	4.1%
1 Bedroom	13.06%	£69.96	£72.82	£2.86	4.1%
2 Bedrooms	42.50%	£78.26	£81.47	£3.21	4.1%
3 Bedrooms	42.57%	£85.76	£89.28	£3.52	4.1%
4 Bedrooms	1.96%	£89.86	£93.54	£3.68	4.1%
6 Bedrooms	0.10%	£117.53	£122.35	£4.82	4.1%

Table 14 - Increases for Individuals

Bracket	Number of Properties	% Of Properties
Under £2.49	48	0.81%
£2.50 - £2.99	773	13.06%
£3.00-£3.49	2,515	42.50%
£3.50-£3.99	2,576	43.53%
£4.00-4.85	6	0.10%
Total	5,918	100.00%

- 4.4 In addition to using the 4.1% 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 1.8% which is broadly comparable with previous year's rate. Right to buy sales have been budgeted at 50 sales for 2022/23 (actual sales for 2020/21 were 29) as it is assumed that levels have returned to pre-COVID levels.

5 FEES AND CHARGES

- 5.1 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.
- 5.2 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.

5.3 A summary of the proposed fees and charges for 2022/23 are shown in table 15 and full details are shown at Appendix B. 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 £5
- Grantham Pay and Display car parking 10p increase per tariff
- Stamford Pay and Display car parking 10p increase per tariff

Table 15 – Fees and Charges Summary

QUADRANT (as per the Policy)	HEADING	PROPOSAL FOR 2022/23	INCORPORATION OF POLICY PRINCIPLES
Discretionary	Arts centres	5% (rounded up to £1)	Subsidised
	Bus stations	3% (rounded up to 1p)	Subsidised
	Car parking charges	10p increase per tariff for short stay and long stay parking. Season tickets 3% (rounded up to £1)	Cost Recovery and investment in traffic management related assets
	Car parking penalty charge notices	0%	Cost Recovery
	Green waste	Direct Debit/Online 13%- £5 Offline/cash/cheque 11%-£5 Additional bins Direct Debit/Online 13%-£2.50 Additional bins Offline/cash/cheque 11%- £2.50	Cost Recovery
	Markets	3% (rounded up to 10p)	Subsidised
	Outdoor recreation	Up to 3%	Subsidised
	Planning, pre-planning and street naming and numbering charges set locally	Up to 10% and new charges proposed for street naming and numbering	Cost Recovery
	Supply of new or replacement bins	0%	Cost Recovery
		Air quality	0%
	Alcohol licensing	0%	Cost Recovery

Regulatory	Bingo premises, betting premises etc	0%	Cost Recovery
	Building Control charges	0%	Cost Recovery
	Cemetery charges	Up to 9% (rounded up to £10)	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 enquiries & Sampling of water supplies	Up to 3%	Cost Recovery
	Letting Agents Redress Scheme	0%	Cost Recovery
	Local Land Charge fees	Up to 13%	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	Up to 16%	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

6 CAPITAL PROGRAMME 2022/23 – 2024/25

- 6.1 The primary elements of the capital programme have been formulated to deliver the Council ambitions of growth and investment in its assets to support the delivery of quality services. In summary the capital programme contains key investments to support services and include fleet replacement, asset maintenance and investment in Future High Streets and Heritage Action Zone. The proposed programme totals £15.456m and will be financed from a combination of Council reserves, borrowing and external grant funding.

At its meeting on 14 December 2021 the Council approved a comprehensive refurbishment programme of Deepings Leisure Centre which will require significant capital expenditure over the period of the proposed capital programme. At the time of compiling the report the specific timing of the refurbishment programme has yet to be finalised due to the outstanding matters relating to the lease of the premises and the procurement route to market. Therefore the indicative cost of £10.663m has been included in 2022/23 capital programme although it is accepted that this budget allocation will move (in whole or part) to 2023/24. This will be reviewed during the year and programme updates will be provided accordingly. The exact timing of the programme is crucial to determining when the Council will be required to make annual minimum revenue provisions (MRP) within its annual revenue budget proposals. The accounting guidance requires to make annual MRP commencing the year after the asset has become operational. Therefore it is anticipated that this will be either 2024/25 or 2025/26 depending upon the timing of the programme. The revenue budgets presented cover the period 2022/23 – 2024/25 and so MRP is shown in the final year accordingly.

- 6.2 A summarised capital programme is shown in table 16 and a detailed capital programme included in Appendix C.

Table 16 – General Fund Capital Programme Summary

Directorate	2022/23 Proposed Budget* £'000	2023/24 Indicative Budget £'000	2024/25 Indicative Budget £'000
Commercial & Operations	3,280	2,172	2,556
Growth & Culture	11,726	4,772	0
Housing & Property	450	0	0
Total Budget	15,456	6,944	2,556
Financing:			
Borrowing	10,663	0	0
Grants and contributions	1,832	5,589	860
Reserves	1,606	585	1,480
Useable Capital Receipts	1,355	770	216
Total Financing	15,456	6,944	2,556

* no slippage from 2021/22 has been included at this time but will be included in the final budget proposals

Housing Investment Programme (HIP)

- 6.3 The formation of the capital programme for the period 2022/23 – 2024/25 is primarily focused on continuing to invest in the Council housing stock and to continue with a currently projecting an investment of £38.312m 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.

- 6.4 In respect of the new build programme the outline 3-year capital programme totalling £9.63m is anticipated to deliver approximately 67 properties. Detailed appraisal of the schemes are underway and further details of the new build programme will be presented to members at a future meeting.
- 6.5 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 17 and detailed at Appendix C.

Table 17 – HRA Capital Programme Summary

	2022/23 Indicative Budget* £'000	2023/24 Indicative Budget £'000	2024/25 Indicative Budget £'000
Decent Homes	9,810	9,535	8,150
New Build Programme	3,820	3,000	2,810
ICT	500	0	0
Repairs Vehicles	50	280	304
HRA Budget	14,180	12,815	11,264
Financing:			
Capital Receipts	3,300	3,000	2,810
Grants & Contributions	520	0	0
Reserves	10,360	9,815	8,454
Total Financing	14,180	12,815	11,264

* no slippage from 2021/22 has been included at this time but will be included in the final budget proposals

7 Capital Financing

- 7.1 The General Fund Capital Programme is detailed at Appendix C, 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 C, the proposed schemes have been partly funded by borrowing due to the ambitious Housing Growth Scheme.

General Fund

- 7.2 The General Fund capital programme for 2022/23 will be financed from the following

- £1.355m capital receipts reserve
- £1.832m specific grants (Disabled Facilities Grant amount to be confirmed)
- £1.606m reserves
- £10.663m borrowing

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 2022/23 investment may require amending once the confirmed grant funding is known to the Council.

Housing Revenue Account

- 7.3 The HRA capital programme for 2022/23 will be financed from the following:

- £3.3m capital receipts reserve
- £0.520m grants and contributions
- £10.360m 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 2022/23 investment may require amending once the confirmed grant funding is known to the Council.

8 RESERVES AND BALANCES

8.1 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 (earmarked) –these are shown as discretionary and governance reserves

8.2 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 are set at table 18 below and full details of the General Fund Reserves can be found at Appendix D.

Table 18 – Proposed General Fund Revenue Reserve Movements

Reserve Heading	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Stabilisation Reserve	(1,581)	0	0
Commercial Reserve	(250)	0	0
Government Specific Grants	(26)	(26)	0
ICT reserve	(96)	0	0
Invest to Save	500	0	0
Local Priorities Reserve	513	281	400
Pensions	(33)	(33)	(33)
Property Maintenance	163	0	0
Regeneration Reserve	333	(95)	(180)
Special Expense	98	100	105
Street Scene	27	0	0

- The Budget Stabilisation reserve was created to fund short term budget pressures arising from financial volatility in the General Fund either from unforeseen expenditure or reductions in budgeted income projections. The balance at 31 March 2022 is forecast at £4.531m which is higher than is deemed necessary so it is proposed the balance is reduced to £2.950m (a reduction of £1.581m). It is proposed that £1m is transferred to the regeneration reserve, £250k to the invest to save reserve and £331k to the Property Maintenance reserve to provide funding to support the funding of the backlog of property maintenance.
- The Climate Change reserve has been utilised during the year on approved initiatives to support the climate agenda action plan. From 2022/23 a specific service budget of £20k per annum has been included in the General Fund budget.
- The Regeneration reserve was created to finance the short-term borrowing costs associated with regeneration projects and to fund any associated MRP (minimum revenue provision) that may be associated 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. For 2022/23 it is proposed that the operational costs of St Martins Park £430k, the Council contributions of £108k

for the Heritage Action Zone and £104k towards the Future High Street fund are funded from this reserve. In order to ensure the reserve has a level that is sufficient to continue to meet the costs of any further acquisitions it is recommended that the reserve balance is increased by £1m. The proposal is to transfer £1m from the budget stabilisation reserve.

- In 2022/23 it is proposed that Government Specific Grants are used to part fund £26k of the costs incurred in electoral registration.
- It is proposed to amalgamate the Commercial reserve into the Invest to Save reserve and to broaden the remit of the use of the reserve to include funding commercial ventures that require a level of start-up funding. Therefore, the reserve balance of £250k is proposed to move to the Invest to Save reserve. As referenced above, it is proposed that £250k is transferred from the Budget Stabilisation reserve to the Invest to Save reserve which will increase the reserve to £993k which can then be utilised to fund the costs associated with any savings initiatives.
- New Homes Bonus totalling £1.724m is budgeted to be transferred to the Local Priorities reserve over the period of the 3-year budget. It is proposed that £3.771m of this reserve is used to finance the capital programme which includes £2.257m to fund vehicles replacement and £1.126m funding for the capital improvements to the Councils existing assets and replacement CCTV. This reserve will also be used to fund the £250k management fee associated with Leisure SK and £280k has been budgeted to fund the local plan. 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 2025/26.
- The Pension reserve will be used to fund the annual pension costs of former employees which is currently £33k per year.
- The Property Maintenance reserve will be utilised over the budget period to provide the financing of essential property related works (£400k) and safer surfaces at parks (£41k). It is proposed that £331k is transferred from the budget stabilisation reserve and the one-off Government grants received totalling £604k is proposed to be transferred to this reserve so that there is sufficient balance to fund other essential works when identified.
- The Special Expense reserves will be utilised over the period of the budget proposals. In respect of Langtoft £2k of the reserve will be utilised over the next 2 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 Grantham will increase by £305k over the 3-year budget period which will enable improvements to be completed across the town as schemes are identified
- Street Scene reserve - The Council owns its operating fleet and currently has 54 vehicles in its stock. This level of stock has an impact the operating costs of the in-house workshop and therefore this reserve is utilised in the event of costs exceeding budgeted levels.

8.3 In respect of the HRA, there are a number of specific reserves to assist in the delivery of the HRA services 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 3 years. Further detail of the HRA reserves can be found in Appendix D.

Table 19 - Budgeted HRA Reserve Movements

Reserve Heading	2022/23 £000	2023/24 £000	2024/25 £000
Improvement Reserve	(500)	0	0
Working Balance	327	(6)	
Capital Receipts Reserve	155	457	690

Major Repairs Reserve	(3,337)	(2,526)	165
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- 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.

9 Consultation and Feedback Received, Including Overview and Scrutiny

- 9.1 The Budget Joint OSC is scheduled to meet on 12 January 2022 where there will be the opportunity for members to consider the budget proposals for 2022/23 and to make any recommendations with respect to the information set out in the report.

10 Available Options Considered

- 10.1 N/a

11 Preferred Option

- 11.1 The report presents a number of options for members to consider.

12 Reasons for the Recommendation (s)

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

13 Next Steps – Communication and Implementation of the Decision

- 13.1 The final budget proposals will be considered by Cabinet at their next meeting.

14 Financial Implications

- 14.1 These are considered throughout the report and supporting appendices.

Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance & s151 Officer

15 Legal and Governance Implications

- 15.1 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: Graham Watts, Head of Democratic Services and Deputy Monitoring Officer

16 Equality and Safeguarding Implications

- 16.1 All equality and safeguarding implications will be considered as part of any of the proposals being approved.

17 Risk and Mitigation

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

18 Community Safety Implications

18.1 None identified

19 Other Implications (where significant)

19.1 None identified

20 Background Papers

20.1 N/a

21 Appendices

Appendix A - Revenue summary – General Fund (GF) and Housing Revenue Account (HRA)

Appendix B – Fees & Charges – GF and HRA

Appendix C – Capital Programmes & Financing Statements – GF & HRA

Appendix D – Reserves Statement – GF & HRA

Appendix E – Risk Register and financial risk cover ratio