



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Budget – Joint Overview and Scrutiny Committee


9 January 2023

Report of: Councillor Kelham Cooke
Leader of the Council
Councillor Adam Stokes
Deputy Leader of the Council

Budget Proposals for 2023/24 and indicative budgets for 2024/25 and 2025/26

Report Author

Richard Wyles, Chief Finance Officer

 r.wyles@southkesteven.gov.uk

Purpose of Report

This report presents to the Budget – Joint Overview and Scrutiny Committee the draft Budget estimates for 2023/24 for both the General Fund and the Housing Revenue Account and provides the details that have been included in the budget proposals.

Recommendations

1. The Budget – Joint Overview and Scrutiny Committee is asked to consider and put forward any recommendations to Cabinet in respect of the budget proposals for 2023/24 for:
 - General Fund – Revenue and Capital
 - Proposal of a Band D Council Tax Increase of £5
 - Housing Revenue Account – Revenue and Capital
 - Proposed dwelling rent increase of 7%
 - Proposed use of Reserves for both General Fund and Housing Revenue Account
 - Proposed Fees and Charges for both General Fund and Housing Revenue Account

Decision Information	
Is this a Key Decision?	No
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Growth and our economy Housing that meets the needs of all residents Healthy and strong communities Clean and sustainable environment High performing Council
Which wards are impacted?	All

1. Implications

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

Finance and Procurement

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

Richard Wyles, Chief Finance Officer

Legal and Governance

- 1.2 The recommendations relate to proposals for the budget which forms part of the budgetary and policy framework in accordance with the Budget and Policy Framework Procedure Rules set out at Part 4.21 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.

Alan Robinson, Monitoring Officer

Risk and Mitigation

- 1.3 A Financial Risk Register is appended to the report and risk scores are applied accordingly.

Tracey Elliott, Risk and Governance Officer

Diversity and Inclusion

- 1.4 An Equality Impact Assessment has been undertaken and is appended at Appendix F.

2 The Background to the Report

- 2.1 The purpose of this report is to present the draft proposals for the 2023/24 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 10 January 2023. The budget setting timetable is set out below:

Date	Heading	Details
9 January 2023	Budget – Joint OSC	To consider proposed budgets for 2023/24
10 January 2023	Cabinet	To consider proposed budgets To receive feedback from Budget - Joint OSC To approve consultation of budget proposals
11 January – 25 January 2023	Consultation	To receive views on proposed Council Tax levels for 2023/24
7 February 2023	Cabinet	To consider feedback from the consultation and make final budget recommendations to Council
1 March 2023	Council	To approve Council Tax level and approve budget for 2023/24 including General Fund and Housing Revenue Account

- 2.2 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'.

- 2.3 The 2023/24 budget proposals have been prepared in the context of significant financial external events that are occurring that are having a detrimental impact on the Council's financial outlook with escalating inflation, increasing energy prices and employee pay proposals all adding significant cost pressures to the Council's financial position for this financial year and are setting the financial context for 2023/24 and beyond.

These are in the main part caused by national issues, beyond the Council's control, and are impacting on all Councils. In addition, the current cost of living crisis has the potential to increase demand for the Council's services by those who rely on the support provided by local government. These unforeseen and unavoidable pressures have seriously impacted the assumptions that underpin the Medium Term Financial Plan. The financial future remains uncertain as demonstrated by the Office for Budget Responsibility economic financial outlook. Against this backdrop, the only short term solution that is put forward is to utilise the Budget Stabilisation Reserve for one year only in order to achieve a balanced position for 2023/24. 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 2023 is forecast at £2.904m. It will be necessary to use £1.534m of this reserve in order to achieve a balanced budget for 2023/24.

This can only be a one-off event and Council will be required to address this issue by fundamentally reviewing its financial plans to ensure a sustainable outlook without further reliance on reserves.

- 2.4 The budget setting process commenced in September 2022, and the proposals have been formulated by the Cabinet, working closely with senior officers, through a number of budget sessions. The sessions have focused on the spending ambitions of the Council to drive forward the Corporate Plan but withing reduced affordable parameters.

- 2.5 This report brings together the conclusions of the budget preparatory work and covers a number of areas:

- The funding position for the General Fund (section 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)

- 2.6 The budget proposals are presented only weeks after the current year's (2022/23) amended proposals were approved by Council. These amendments were required

to reset a number of budget pressures and changes that have occurred totalling £1.559m. A number of these pressures are expected to continue into the 2023/24 financial year and in the absence of any further funding support from Government is putting the 2023/24 into a deficit position without temporary support from reserves.

3 THE FUNDING POSITION FOR THE GENERAL FUND

3.1 Spending Review 2023 – Overview

On 17 November 2022, the Chancellor delivered his Autumn Statement, alongside the Office for Budget Responsibility's (OBR's) new set of Economic and Fiscal Outlook forecasts. The Autumn Statement responds to the OBR forecasts and sets out the medium-term path for public finances. This follows the previous Chancellor's Growth Plan announcements in late September 2022, the majority of which have since been rolled back – with the notable exception that the Health and Social Care Levy has been, and remains, cancelled.

On 19 December 2022, 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 2023/24.

The 2023/24 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels. The government has set out some financial planning assumptions for the 2024/25 local government settlement which will assist with the budget setting process. The provisional settlement information will now be open to consultation for four weeks from 19 December 2022 until 16 January 2023 with confirmed settlement expected end January 2023. The main headings (that are relevant to the Council) to note are:

- **Council Tax** – As previously announced in November, the Council Tax referendum limit will be 2.99% for local authorities with social care responsibilities, with an additional 2% for adult social care. The provisional settlement confirmed that shire district councils will be allowed to apply the higher of 2.99% or £5.
- **Business Rates Retention** – As announced in November, the business rates multiplier has been frozen for 2023/24. 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 2023/24 up to the Consumer Price Index (CPI) inflation measure, rather than the Retail Price Index (RPI) which has been used in previous years.
- **Services Grant** – This grant was introduced in 2022/23 and will continue to be distributed in 2023/24. However, the grant has been reduced nationally from £822m to £464m due to the cancellation of the increase in National Insurance Contributions and to move funding to the Supporting

Families program. The distribution of the grant will continue to be based on the Settlement Funding Assessment (SFA) methodology. For 2023/24 the Council is expected to receive £143k.

- **New Homes Bonus** - The 2023/24 allocations have been announced at £259m; a reduction of £265m on the 2022/23 levels. There have been no changes to the scheme for 2023/24, with only a single year's new allocation being awarded. The large reduction in funding from the scheme is due to all prior years' legacy payments having now been paid. It has previously been confirmed that this scheme is being abolished although there are no details of any replacement scheme. For 2023/24 the Council is expected to receive £0.459m. In keeping with past policy, the allocation will be transferred to the Local Priorities Reserve.
- **Abolished: Lower Tier Services Grant** – This grant (worth £111m in 2022/23) has been removed and replaced by the Minimum Funding Guarantee of 3% for 2023/24. The minimum funding guarantee has been put in place to provide a funding floor for all local authorities so that no local authority would see an increase in Core Spending Power that is lower than 3%. For 2023/24 the Council is expected to receive £0.976m.
- **Rural Services Delivery Grant** – There has been no change to this grant in either the national allocation (£85m) or the distribution methodology. Therefore, 2023/24 amounts will be the same as 2022/23. For 2023/24 the Council is expected to receive £309k.
- **Council Tax Discounts Family Annexe and Council Tax Support Admin Subsidy** – from 2023/24 these grants will be consolidated into the local government finance settlement distributions rather than being paid as individual grants.

2024/25 Planning Assumptions

The Government has set out the following planning assumptions for the 2024/25 local government settlement (although there still remains a high degree of uncertainty as no detailed figures are available for 2024/25):

- The 'Fair Funding Review' and a reset of Business Rates growth will not be implemented in the next two years. At the earliest opportunity this would be potentially 2025/26 or even 2026/27.
- The council tax referendum limits are expected to be at the same level as 2023/24.
- Business rates pooling will continue.
- The Government will set out the future of New Homes Bonus ahead of the 2024/25 local government finance settlement.

Table 1 – Indicative Funding Levels for South Kesteven District Council

Funding Heading	2022/23 £m	2023/24 £m	2024/25 £m
Business Rates (SFA)	4.0	4.0	3.7
New Homes Bonus	1.2	0.5	0.3
Rural Services Delivery Grant	0.3	0.3	0.3
Council Tax	8.4	8.8	9.2
Lower Tier Services Grant	0.2	0.0	0.0
Funding Guarantee Grant	-	1.0	1.2
Services Grant	0.3	0.1	0.1
Total Resources	14.4	14.7	14.8

The above table does not include the Collection Fund projected surplus/deficit which is unable to be calculated until January 2023.

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 2023/24 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 2023/24 Council Tax Band D Charge Increase

	2022/23	2023/24	% Variation	Increase
Assumed Band D Charge Increase	Up to £5.00	Up to £5.00	n/a	n/a
Tax Base (Projected from 24/25) assumed 1.2% growth	48,706.7	49,329.0	1.28%	622.3
Band D Charge – SKDC only	£159.93	£166.59	4.2%	£6.66
Band D Charge – Grantham SEA	£51.39	£51.48	0.2%	£0.09
Band D Charge – Langtoft SEA	£6.21	£6.84	10.1%	£0.63
Band D charge (SKDC only incl. Special Expense Areas)	£173.58	£178.58	2.88%	£5.00
Assumed Council Tax Income	£8.455m	£8.809m	4.2%	£0.354m

Business Rates Pool – the Lincolnshire authorities have once again applied for Pool status for 2023/24 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

4 GENERAL FUND BUDGET PROPOSALS

4.1 The overall General Fund position for 2023/24 is shown at table 3 below and Appendix A. The net budget requirement for 2023/24 is estimated at £16.694m.

Table 3 – Summary of General Fund Estimates

Description	2022/23	2023/24	2024/25	2025/26
	Original Budget	Proposed Budget	Indicative Budget	Indicative Budget
	£'000	£'000	£'000	£'000
Directorate Area				
Corporate	8,641	9,405	9,249	9,397
Finance	4,344	4,981	4,996	5,165
Growth & Culture	6,726	7,288	7,323	8,618
Housing & Property	1,323	2,125	2,133	2,163
HRA recharge	(2,787)	(2,814)	(2,870)	(2,928)
Drainage Rates	792	871	897	924
	19,039	21,856	21,728	23,339
Financing and Investment				
Depreciation	(4,722)	(4,859)	(4,956)	(5,052)
Investment Income	(101)	(760)	(639)	(710)
Minimum Revenue Provision	291	126	126	126
Revenue Contribution to Capital	55	37	57	0
	14,562	16,400	16,316	17,703
Appropriations				
Building Control Reserve	(26)	(31)	(28)	(29)
Football 3G Pitch	25	25	25	25
ICT Reserve	(96)	0	0	0
Individual Electoral Registration	(26)	0	0	0

Local Priorities Reserve	(387)	0	0	0
NHB Transfer to Reserves	1,232	459	300	100
Pensions Reserve - Former Employees	(33)	(33)	(33)	(33)
Property Maintenance Reserve	(145)	0	0	0
Regeneration Reserve	(667)	(227)	(305)	(125)
Special Expenses	98	101	105	105
Workshop reserve	27	0	0	0
Total Reserve Movement	2	294	64	43
Net Cost of Service	14,564	16,694	16,380	17,746
Funding				
Business Rates	(3,971)	(3,971)	(3,722)	(3,984)
Surplus Deficit on Collection Fund	(54)	(72)	0	0
Council Tax	(8,455)	(8,809)	(9,166)	(9,529)
	(12,480)	(12,852)	(12,888)	(13,513)
Grant Income				
Rural Services Grant	(309)	(309)	(309)	(309)
Lower Tier Services Grant*	(165)	0	0	0
Sustainable Warmth Grant	(125)	0	0	0
Services Grant	(253)	(143)	(143)	(143)
Funding Guarantee Grant*	0	(976)	(1,186)	0
New Homes Bonus	(1,232)	(459)	(300)	(100)
UK Shared Prosperity Fund	0	(421)	(823)	(1,983)
	(2,084)	(2,308)	(2,761)	(2,535)
Total Funding	(14,564)	(15,160)	(15,649)	(16,048)
Deficit if savings proposals approved	0	1,534	731	1,698
Use of Budget Stabilisation Reserve to achieve a balanced position	0	(1,534)	0	0

* Lower tier services grant has been abolished from 2023/24 onwards and the Funding Guarantee Grant implemented.

4.2 The Council is legally required to present a balanced position for each financial year and for 2023/24 this is only possible by utilising £1.534m of the Budget Stabilisation Reserve. This need has arisen due to unprecedented increases driven by inflation, energy prices and rising material costs which have not been reflected in the Council's provisional settlement. As the amount that can be met from Council Tax is restricted by an increase of the greater of £5 or 2.99% the Council has limited options available in order to set a balanced position as statutorily (Section 30 Local Government Finance Act 1992) the budget must be set by 11 March of in the preceding financial year. Therefore there is insufficient time between the provisional settlement information announced on 19 December 2022 and the setting of a balanced budget to reduce costs to the scale of the funding shortfall.

4.3 Within the context of the work programme of refreshing the Corporate Plan, the challenging financial outlook with respect to both the revenue and capital outlook will need to be considered as the Council navigates towards achieving a financially sustainable outlook without further reserve support.

4.4 **Key Budgetary Proposals**

The budgetary proposals for 2023/24 contain a number of service changes that have been incorporated in order to operational demands and the increases in costs have been partially offset by proposals to increase fees and charges and proposed reductions in other budget areas. Each of the saving proposals will be required to be implemented with effect from April 2023 in order to ensure the financial savings are realised.

Table 4 – Proposed Budget Increases

Details	Financial Implication £'000	Recurring/One-Off	Comments
Inflationary and energy budget increases	830	One-off	Forecasted increase in energy costs expected to be only for 23/24
Fuel	192	One-off	Forecasted increase in fuel costs expected to be only for 23/24
Pay Award	1,447	Recurring	The base budget has increased from 22/23 and a 3% increased assumed for 23/24
External Audit Fee	24	Recurring	Increase in costs from the Council's external audit provider
External Vehicle Repairs	82	One-off	Transfer of previous reserve allocation to an annual budget to fund climate change initiatives
Increase in maintenance costs	150	One-off	Fund to support the increase in workshop maintenance costs
Leisure SK Ltd Management Fee	500	One-off	Recommendation to include a management fee for 23/24 only
Total	3,225		

Table 5 – Proposed Savings

Details	Financial Implication £'000	Comments
Street Scene and Waste services	100	Service review of processes to reduce operational costs
Removal of festival programme including grant donations	80	Cessation of festival programme
Reduction in printing, postage and stationery	20	Reduction in agenda printing, mailing across services
Re-location of Council Offices head office	400	Net reduction between running costs of St Peter's Hill and St Catherine's Road offices
Total	600	

Table 6 – Proposed changes to Fees and Charges

Details	Financial Implication £'000	Comments	Directorate Area
Green Waste Service	150	£5 increase for annual collection charge	Deputy Chief Executive
Other discretionary services	50	Inflationary increase only to all other discretionary charges	All
Additional Fees and Charges Income	200		

Company Funding proposals**4.6 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 contract payments for the 2023/24 financial year are currently under review as the Council is currently undertaking a procurement process for its ground maintenance service.

4.7 Leisure Services delivered LeisureSK Ltd

The Board of Directors for LeisureSK Ltd have made the Council aware of the difficult trading conditions and the financial challenges that are being experienced. These are predominantly relating to increased utility costs and staffing costs. A number of actions are being implemented in order to minimise the staff and utility increases including consideration of a range of opportunities to increase charges and reduce energy consumption. However, there needs to be due care when considering any action given the potential for reduction in users as, due to the current financial climate, users will have less available income for leisure related activities. Whilst the positive actions will address some of the pressures, projections for 2023/2024 demonstrate LeisureSK Ltd will require financial support of circa £500,000, all of which relates to the uplift in utility costs, which cannot be offset by income generation.

Within the provisional settlement for 2023/24 it is possible to fund the management fee request from the Minimum Funding Guarantee grant. This avoids the need of using the Council's own reserves to fund the fee for the one year. However, should a subsequent management fee be required beyond 2023/24 then this will need to be considered as part of the 2024/25 budget setting.

In respect of business rates, the Government has announced that from 1 April 2023, there will be a 75% discounted scheme for the retail, hospitality and leisure sector for the full financial year. Therefore, LeisureSK Ltd as the rating occupier, will only be required to pay the 25% business rates at the three locations which is calculated at £134,528. 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 £53.8k for 2023/24.

General Fund Budget Estimates – 2023/24

- 4.8 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 7, all other inflationary costs have been absorbed by service areas which has assisted with achieving a balanced budget.

Table 7 – General Fund Budget Assumptions

Cost Heading	2023/24 Budget Increases (%)	Financial Impact £'000	2024/25 Budget Increases (%)	Financial impact £'000
Drainage Board Levies	10.0	79	3.0	26
Fuel	31	192	**	**
Pay Award	3	387	1.0	150
Utility price increases	100-300	1,294	**	**
Insurance	30	73	10	31
Triennial Pension Review*	-	(309)	3.9%	108

* the provisional Triennial Pension Review data received from the pension fund identifies a one-off saving of £400k in year 1 only (GF £309k and HRA £91k). This is included in the net cost of services

** awaiting future updates from supplier

- 4.9 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 unpredictable and are therefore liable to change over the budget period. For the next three years an assumed interest rate level of 4% has used to calculate the interest income.

Table 8 – Treasury Investment Financial Forecasts

Financial Year	2023/24	2024/25	2025/26
Forecasted Interest Rate	4%	4%	4%
Assumed Interest Receivable	£760k	£639k	£710k

- 4.10 This information has been utilised to anticipate the potential levels of interest income the Council will receive for its investment of the reserve balances. The total interest receivable is shared between the General Fund and the Housing Revenue Account (HRA) depending upon the reserve balances for each Fund. 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.
- 4.11 The increase in interest receivable is a key component of the Council reducing it's reliance on the reserves to balance its budgets over the short to medium term. However this is only achievable if reserve levels remain relatively stable. The Council will continue to invest in accordance with the criteria set out in the Council approved Treasury Management Strategy.

Council Tax Proposals

- 4.12 The proposed draft budget proposals for 2023/24 is calculated based on the options available for Council tax setting:

Table 9 – Council Tax options (current 2022/23 charge £173.58)

	2023/24 options	
	Up to £5 increase £178.58 (2.88%) Band D	No increase £173.58 Band D
Council Tax level x 49,329.0** (including SEA*)	£8.809m	£8.563m
£ annual difference to a £5 increase	£0	(£246k)

	2023/24 options
SKDC only Band D Charge	£166.59
SKDC Including SEAs	£178.58

*SEA – Special expense area

** Council Tax base

4.13 The budget proposals for 2023/24 have been compiled on the assumption that the available £5 increase (for a Band D property) will be taken 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 2023/24 will be launched in January following the Cabinet meeting and the results of the consultation will be presented to Cabinet at their February meeting.

5 HOUSING REVENUE ACCOUNT (HRA)

5.1 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.
- Supporting investment in homes for affordable warmth for our tenants
- Meeting compliance requirements and ensuring resources are allocated

5.2 The rental income budgets are set in accordance with the Government's rent setting guidance formula which has been approved as 7% for 2023/24. In previous years the rent setting policy was CPI (as at September) + 1% thus meaning that under the previous policy the increase would have been 11.1%. There is no suggestion that the Government will reimburse housing authorities for the difference, so the business plan will be required to absorb the 4.1% reduction. It is worth noting that over 60% of tenants receive a level of welfare support which is scheduled to increase at a higher level.

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 with a focus on funding compliance works and responding to the findings of the comprehensive stock condition survey (SCS) findings. Therefore the spending plans have been formulated based on accurate information and budgets have been prioritised accordingly. The budget preparation has also been underpinned by a number of budget assumptions and these are set out below:

Table 10 – HRA Budget Assumptions

Cost Heading	2023/24 Budget Increases (%)	Financial Impact £'000	2024/25 Budget Increases (%)	Financial impact £'000
Pay Award	3	118	1.0	37
Utility price increases	100-300	826	**	**
Insurance	46	69	10	22
Triennial Pension Review*	-	(91)	3.9	32

* the provisional Triennial Pension Review data received from the pension fund identifies a saving of £400k in year 1, GF £309k and HRA £91k

** awaiting future updates from supplier

Table 11 – Proposed Budget Bids

Details	Financial Implication £'000	Recurring/One-Off	Comments
Compliance and radon testing	800	Recurring	Compliance priority
Power Tools and Protective Clothing	38	Recurring	Health and Safety
Specified works and materials	205	Recurring	Compliance priority
Compensation	52	Recurring	Service provision
Annual ICT Licences	45	Recurring	Service provision
Legal Fees	23	Recurring	Service provision
Stock Condition surveys (20%)	90	Recurring	Compliance priority
Lifeline Equipment	33	Recurring	Service provision
Tenant Engagement	15	Recurring	Service provision
Pest Control	25	Recurring	Service provision
Council Tax (void properties)	33	Recurring	Service provision
Total	1,359		

Housing Revenue Account 2023/2024 – Rent Proposals

- 5.3 The rent setting proposals for 2023/24 has increased the annual budgeted rental income from £25.399m in 2022/23 to £27.283m in 2023/24. For 2023/24 the average weekly rental increase for individual property will be £6.08. The average rent in 2023/24 will be £92.90 with a minimum of £64.11 and a maximum of £130.91. Garage rents are proposed to increase by 5% 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 12 and 13.

Table 12 - Impact – 7% increase

Bedrooms	% of Dwelling Stock	Average Weekly Rent 2022/23	Average Weekly Rent 2023/24	Average Increase	% Increase
Bedsit	0.58%	59.92	64.11	4.19	7.00%
1 Bedroom	13.18%	72.49	77.56	5.07	7.00%
2 Bedrooms	42.70%	81.57	87.28	5.71	7.00%
3 Bedrooms	41.49%	90.03	96.33	6.30	7.00%
4 Bedrooms	1.94%	95.19	101.85	6.66	7.00%
6 Bedrooms	0.10%	122.35	130.91	8.57	7.00%

Table 13 - Increases for Individuals

Bracket	Number of Properties	% Of Properties
Under £3.99	2	0.03%
£4.00 - £4.99	354	6.03%
£5.00 - £5.99	3,129	53.34%
£6.00 - £6.99	2,149	36.63%
£7.00 - £7.99	223	3.80%
£8.00 - £8.99	7	0.12%
£9.00 - £9.99	2	0.03%
Total	5,866	100.00%

- 5.4 In addition to using the 7% 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%. Right to buy sales have been budgeted at 45 sales for 2023/24 (actual sales for 2021/22 were 39 and 35 as at December 2022) as it is assumed that levels have returned to pre-COVID levels.

6 FEES AND CHARGES

- 6.1 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.
- 6.2 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.

A summary of the proposed fees and charges for 2023/24 is shown at Appendix B.

- The majority of the fee increases are in line with the directly related costs associated with delivering the service.
- Green waste – annual collection charge increase of £5 for those customers who pay by Direct Debit or online. There is no increase for those customers who do not pay by Direct Debit for 2023/24.

7 CAPITAL PROGRAMME 2023/24 – 2025/26

- 7.1 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. The capital programme is summarised below and shows that due to the level of grant funding that has been secured there is a reduced reliance on reserves. However the projected use of capital receipts to fund specific parts of the programme can only be achieved if sales of surplus assets can be secured. In the event that sales cannot be secured, then alternative funding sources will need to be considered which will include borrowing. 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.
- 7.2 A summarised capital programme is shown in table 14 and a detailed capital programme included in Appendix C.

Table 14 – General Fund Capital Programme Summary

Directorate	2023/24 Proposed Budget* £'000	2024/25 Indicative Budget £'000	2025/26 Indicative Budget £'000
Corporate	2,368	1,998	2,777
Finance	250	0	0
Growth & Culture	4,824	123	496
Housing & Property	2,086	2,645	500
Total Budget	9,528	4,766	3,773
Financing:			
Grants and Contributions	7,229	3,243	1,471
Useable Capital Receipts	2,299	1,523	2,302
Total Financing	9,528	4,766	3,773

* no slippage from 2022/23 has been included at this time but will be included in the final budget proposals

Housing Investment Programme (HIP)

- 7.3 The formation of the capital programme for the period 2023/24 – 2025/26 has been derived using the results and analysis of the comprehensive stock condition survey that was undertaken during 2022. This analysis allows the Council to focus the finite resources of the HRA onto key parts of the Council housing stock to address outstanding refurbishment and improvements in key parts of the stock. This includes focusing on energy efficiency investment, ensuring ongoing investment in compliance works and scheduled improvements such as replacements of kitchens and bathrooms, replacement roofing and installation of secure and efficient doors and windows.

The programme also continues the financial commitment to invest in the new build programme and to put in place funding to deliver the schemes at Swinegate Grantham, Elizabeth Road Stamford, Uplands Drive Grantham and Larch Close Grantham. The funding for the overall programme is showing a continued reliance on using HRA reserves which are replenished each year by contributions from the HRA Business Plan. However, as costs continue to rise in the HRA to fund day to day expenditure, then there is further pressure on the level of reserve contributions that can be made. Therefore, there is an ongoing tension between having funds available to meet ongoing costs and funds available to invest in capital schemes. The Council has recently submitted an application for external Government funding (Social Housing Decarbonisation Fund) which, if successful, will enable to use external monies to fund specific investment schemes and thereby reduce the amount of Council own reserves. At the time of compiling this report, the outcome of the bid is awaited.

A summary of the programme is shown at table 15 and detailed at Appendix C.

Table 15 – HRA Capital Programme Summary

	2023/24 Indicative Budget* £'000	2024/25 Indicative Budget £'000	2025/26 Indicative Budget £'000
Decent Homes	11,682	11,364	10,754
Disabled Adaptations	300	325	350
New Build Programme	3,000	2,810	3,000
Repairs Vehicles	0	204	674
HRA Budget	14,982	14,703	14,778
Financing:			
Capital Receipts	3,000	2,810	3,000
Reserves	11,982	11,893	11,778
Total Financing	14,982	14,703	14,778

* no slippage from 2022/23 has been included at this time but will be included in the final budget proposals

8 Capital Financing

8.1 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. However this remains an area of uncertainty as the reduction in reserve balances continues. The Council is proactively declaring specific assets surplus to its requirements in an attempt to generate capital receipts. If these receipts are not generated then borrowing to fund the programme is likely to be required for a period of time. The HRA Capital Programme is included at Appendix C and is proposed to be financed from HRA reserves.

General Fund

8.2 The General Fund capital programme for 2023/24 will be financed from the following

- £2.299m Capital Receipts Reserve
- £7.229m specific Grants (Disabled Facilities Grant amount to be confirmed)

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 2023/24 investment may require amending once the confirmed grant funding is known to the Council.

Housing Revenue Account

8.3 The HRA capital programme for 2023/24 is proposed to be financed from the following:

- £3.0m Capital Receipts Reserve

- £1.035m HRA Priorities Reserve
- £10.947m Major Repairs Reserve

At the time of compiling the report, external grants (specifically the Social Housing Decarbonisation Fund) have not been confirmed and therefore the financing or level of the 2023/24 investment may require amending once the confirmed grant funding is known to the Council.

9 RESERVES AND BALANCES

9.1 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.

9.2 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 out at table 16 below and full details of the General Fund Reserves can be found at Appendix D.

Table 16 – Proposed General Fund Revenue Reserve Movements

Reserve Heading	2023/24 £'000	2024/25 £'000	2025/26 £'000
Local Priorities Reserve	2,006	300	100
Budget Stabilisation Reserve	(1,534)	0	0
Pension movement (former employees)	(33)	(33)	(33)
Housing Delivery Reserve	(1,547)	0	0
Regeneration Reserve	(270)	(305)	(25)
Special Expense	94	106	118
Government Grants	(113)	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 as at 31 March 2023 is forecast at £2.904m. As stated at paragraph 2.3 it is necessary to use £1.534m of this reserve in order to achieve a balanced budget for 2023/24.
- 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 predominantly used to finance the costs of St Martins Park. For 2023/24 it is proposed that the operational costs of St Martins Park £100k, the Council contributions of £50k for the Heritage Action Zone, £95k towards the Future High Street fund and £25k for feasibility works are funded from this reserve. Should there be a need to allocate further funding to the scheme, then the reserve will require replenishing to the appropriate level.

- In 2023/24 it is proposed that £113k of Government Grant balances are used to part fund the costs incurred for the shop front scheme.
- Local Priorities Reserve – this reserve is the Council's primary discretionary revenue reserve and is the source of funding for one-off in-year budget amendments. The reserve has also been a source of capital financing as the level of the capital reserves have been insufficient. New Homes Bonus receipts totalling £0.859m is budgeted to be transferred to the Local Priorities reserve over the period of the 3-year budget. To ensure the balance of this reserve is sufficient to fund future costs it is proposed that £1.547m is transferred from the Housing Delivery Reserve. The balance on this reserve at 31 March 2023 is forecast to be £5.503m.
- The Pension reserve will be used to fund the annual pension costs of former employees which is currently £33k per year.
- From 2023/24 the Special Expense reserve balance only relates to Grantham Special Expense. The reserve will increase by £318k over the 3-year budget period which will enable improvements to be completed across the town as schemes are identified.
- Housing Delivery Reserve- £1.547m of the total reserve of £1.797m has been transferred to the Local Priorities Reserve, leaving a balance of £250k.

9.3 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 17 - Budgeted HRA Reserve Movements

Reserve Heading	2023/24 £000	2024/25 £000	2025/26 £000
Priorities Reserve	(1,505)	0	0
Working Balance	(310)	288	664
Capital Receipts Reserve	457	690	500
Major Repairs Reserve	(3,810)	(4,486)	(3,883)

- The capital receipts reserve movements 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 and the Residents Involvement Reserve are amalgamated into the HRA Priorities reserve in order to bolster the balance thus removing the improvement reserve.
- It is proposed that £1.035m of the HRA Priorities Reserve is used to fund the cost of the Fire Prevention works in 2023/24.

10 Reasons for the Recommendations

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

11 Consultation and Feedback Received, Including Overview and Scrutiny

- 11.1 The Budget - Joint OSC has the opportunity for members to consider the budget proposals for 2023/24 and to make any recommendations with respect to the information set out in the report.

12 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

Appendix F – Equality Impact Assessment