



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**



## Council

26 January 2023

Report of Councillor Adam Stokes,  
Deputy Leader of the Council

# Budget Framework Proposals

### Report Author

Richard Wyles, Chief Finance Officer and Section 151 Officer

 [Richard.wyles@southkesteven.gov.uk](mailto:Richard.wyles@southkesteven.gov.uk)

### Purpose of Report

The purpose of this report is to seek budget framework amendments to the 2022/2023 financial year and Budget Framework proposals for the period 2023/2024 – 2024/2025.

### Recommendations

**It is recommended the Council:**

- 1. Accepts, in accordance with the Financial Procedure Rules, a grant of £3,898,582 (revenue expenditure of £3,069,306 and capital expenditure of £673,334 from the UK Shared Prosperity Fund during the Financial Years 2022-2023, 2023-2024 and 2024-2025, along with a £20,000 revenue contribution towards development costs of the UKSPF Investment Plan.**
- 2. Delegates authority to the Chief Executive, Section 151 Officer, Director of Growth and Culture and the Cabinet Member for Economic Development and Growth to take all actions necessary to deliver the projects as set out at Appendix A in accordance with the grant conditions of the UKSPF.**
- 3. Approves the UKSPF and Rural Prosperity Board Terms of Reference as set out at Appendix B.**
- 4. Delegates authority to the Chief Executive, in consultation with the Section 151 Officer and UKSPF and Rural Prosperity Board, to make the final decision regarding the award of the contract associated with the 'Connected Towns CCTV and Wireless Hubs' project.**

5. Approves the repayment of £1.3m funding to the Greater Lincolnshire Local Enterprise Partnership as £500k 1 February 2023, £500k 1 October 2023 and £333,000 1 April 2024.
6. Approves the green waste annual collection charge increase of £5 for the collection of the first bin and an increase of £2.50 for each subsequent bin with effect from 1 April 2023.

<b>Decision Information</b>	
Does the report contain any exempt or confidential information not for publication?	Yes – Appendix D under paragraph 3 of Schedule 12A (Section 100(a)(4)) of the Local Government Act 1972- financial information relating to the financial or business affairs of any particular person (including the authority holding that information)
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, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

### ***Finance and Procurement***

#### United Kingdom Shared Prosperity Fund (UKSPF)

#### **Capital/Revenue**

1.1 Acceptance of the UKSPF grant funding will increase the Council's gross revenue expenditure by:

- £3,069,306 from UK Shared Prosperity Fund (from the Department for Levelling Up, Housing and Communities (DLUHC)) during the Financial Years 2022/2023 – 2024/2025

And the Council's capital expenditure by:

- £673,334 from UK Shared Prosperity Fund (DLUHC) during the Financial Years 2022/2023 – 2024/2025

### UKSPF Financial Profile

	Annual UKSPF Allocation	Delivery Cost (4%)	Capital	Revenue	Separate Preparation Grant
Year 1	£473,129	£18,925	£50,000	£404,204	£20,000
Year 2	£946,258	£37,849	£125,000	£783,408	£0
Year 3	£2,479,196	£99,168	£498,334	£1,881,694	£0
<b>TOTALS</b>	<b>£3,898,582</b>	<b>£155,942</b>	<b>£673,334</b>	<b>£3,069,306</b>	<b>£20,000</b>

- 1.2 No additional revenue or capital financial pressures are expected to be placed on Council budgets through the delivery of UKSPF.
- 1.3 In respect of the repayment of the LEP funding of £1.3m this will be met from the Local Priorities Reserve and repaid over the repayment period set out in the report.
- 1.4 The proposal to increase the green waste collection charge (by £5 for the first bin and by £2.50 for each subsequent bin) for the financial year 2023/24 is in response to the increase in the costs of providing the service specifically fleet procurement and running costs including fuel and labour costs.

Completed by: Richard Wyles, Chief Finance Officer

### ***Legal and Governance***

#### United Kingdom Shared Prosperity Fund (UKSPF)

- 1.5 Section 1 of the Localism Act 2011 gives the Council a 'General Power of Competence' and as such, the Council has the power to receive grant funding and enter into a grant agreement. Under section 111 of the Local Government Act 1972, the Council has the power to do anything (whether or not involving the expenditure, borrowing or lending of money) which is calculated to facilitate or is conducive or incidental to the discharge of its functions.
- 1.6 In accepting this funding, the Council is bound by its terms, which include the requirement to deliver against the Investment Plan submitted with the application.

Completed by: Graham Watts, Assistant Director of Governance and Deputy Monitoring Officer

### ***Risk and Mitigation***

- 1.7 A comprehensive risk register will identify high, medium and low risks and dependencies to achieving project outputs and results, together with a management plan setting out mitigating actions to address underperformance.
- 1.8 A significant risk to the Council, acting as Accountable Body is claw-back of funds should expenditure irregularities occur. The programme will put in place stringent financial controls, compliant with the Council's Financial Regulations, to ensure all expenditure is eligible and can be claimed back from DLUHC.
- 1.9 A Programme Board will be established, compliant with DLUHC guidance, to monitor delivery and report on performance.
- 1.10 Under-performance and claw-back of unspent Government grant will be avoided wherever possible through sound project management and financial planning.

## **2. Background to the Report**

- 2.1 This report covers the three specific areas of: United Kingdom Shared Prosperity Fund (UKSPF), Greater Lincolnshire Local Enterprise Partnership (GLLEP) and Fees and Charges associated with the green waste collection.

### United Kingdom Shared Prosperity Fund (UKSPF)

- 2.2 The Government intends the UKSPF grant will eventually equal (nationally) the equivalent amounts of European Union (EU) funding previously received through European Regional Development Fund and European Social Fund (£1.5 billion a year).
- 2.3 As part of the Governments 'Levelling Up' agenda, the Department for Levelling Up, Housing and Communities (DLUHC) has conditionally offered the Council £3,898,582 to deliver the UK Shared Prosperity Fund (UKSPF) over three Financial Years. Council approval is sought to accept the conditional financial allocation.
- 2.4 A wide range of Economic Development and 'Communities' interventions are eligible for UKSPF investment. However, the Employment Support and Skills 'themes' are largely ineligible until 2024/2025. Interventions have been developed that reflect the three key themes identified by DLUHC:
  - *Communities and Place* – community engagement, small grants, reducing anti-social behaviour and crime reduction
  - *Local Business* – interventions to help grow start-up businesses and those established and wanting to expand, along with growing the visitor economy
  - *Employment and Skills* - Supporting economically inactive residents into work, and developing new skills pathways

- 2.5 At the 25 July 2022 Council meeting, the proposed interventions for inclusion in the Investment Plan (subsequently submitted to Government on 29 July 2022) were presented. The Investment Plan detailed projects that met the requirements of the funding programme and supported the growth and prosperity of the district. This now means the Council can accelerate plans and build on existing priorities contained within the Corporate Plan's vision to be the best district in which to live, work and visit. Officers prepared a 30-month Investment Plan setting out how the allocation of funding can be delivered locally.
- 2.6 The plan remains for a 'mixed-economy' of delivery, including Council, commissioned and grant funded interventions. An overview of the UKSPF is available on the Council's website, along with a copy of the submitted Investment Plan (see the Background Papers section of this report for relevant links).
- 2.7 In accordance with the Financial Procedure Rules, Council is being asked to accept a grant of £3,898,582 (revenue expenditure of £3,069,306 and capital expenditure of £673,334) from the UK Shared Prosperity Fund during the Financial Years 2022-2023, 2023-2024 and 2024-2025, along with a £20,000 revenue contribution towards development costs of the UKSPF Investment Plan.
- 2.8 In preparing for delivery of the Investment Plan, a programme of impactful projects that will deliver against the agreed outputs and outcomes is underway. Council is therefore recommended to delegate authority to the Chief Executive, s151 Officer, Director of Growth and Culture and the Leader of the Council (and Cabinet Member for Economic Development and Growth) to take all actions necessary (and in accordance with the grant conditions of the UKSPF) to deliver the projects as set out at **Appendix A**.
- 2.9 The UK Shared Prosperity Fund and Rural England Prosperity Fund Programme Board will have a key role in supporting the Lead Officer in making decisions and providing both challenge and approval on issues affecting the progress of the programme. The Board has a specific remit to set the direction for the programme, support the Lead Officer in overseeing the overall progress of the programme and make recommendations to decision-takers in accordance with the District Council's scheme of delegation for executive functions.
- 2.10 The draft Terms of Reference for the UK Shared Prosperity Fund and Rural England Prosperity Fund Programme Board is set out in **Appendix B**. It is proposed that meetings of the Board are held in public, with its membership consisting of key members from across the Council, inclusive of the Leader of the Council, Deputy Leader of the Council, Cabinet Member for People and Safer Communities, all Chairmen of Overview and Scrutiny Committees and all political group leaders. The Board will be able to consider applications and other matters relevant to the programme, making recommendations to decision-takers prior to final decisions being made.
- [Greater Lincolnshire Local Enterprise Partnership \(GLLEP\)](#)

- 2.11 In February 2019, Lincolnshire County Council as the Accountable Body for grant monies provided by Central Government under the Single Local Growth Fund, awarded a £2,000,000 allocation, approved by the GLLEP to South Kesteven District Council for the University Technology and Innovation Centre Grantham.
- 2.12 The aim of the Project was to enable the delivery of a new, 863m<sup>2</sup> (9,288ft<sup>2</sup>) local University Technology and Innovation Centre within Grantham Town Centre. Located on a dedicated floor of a wider cinema and retail complex, the Centre would deliver higher and degree level apprenticeships, diplomas and short courses whilst also being a local contact point for businesses.
- 2.13 The Council duly took all reasonable steps to fulfil the original Grant Agreement, and fully claimed for the public investment leveraged (i.e., £4,712,529) and for 15 learners supported (i.e., 15% of the learners expected by 2020/2021 and 4.41% of the total required).
- 2.14 However, as widely reported, the business and learning environment has evolved post-pandemic. The requirement for learning facilities, physical course delivery and competing local providers has greatly impaired the business case for the University Centre. Accordingly, the University of Lincoln confirmed intentions to exclusively return to the city campus, abandon the video link and accelerate to in-person business as usual without delay.
- 2.15 Then as now, demand for office space in Grantham remains very limited. Indeed, several local and regional agents have represented the units (underneath the Centre), as well as the Council's economic development team, who direct mailed 665 operators' agents and estate management companies. The response had been overwhelmingly negative. It should be noted though, most operators who responded were not negative to the scheme or Grantham. However, they were looking at upwards of 200,000 local population before they would consider operating in any location. Nevertheless, there has been no educational takers for the space.
- 2.16 The original perpetual Grant Agreement contained 67% of the core outputs with no end date. Whilst some outputs were delivered and claimed, as soon as it became clear the Council would be unable to meet the original plans, early engagement took place with GLLEP representatives. By way of remedy, the Council offered to deliver alternative outputs aligned with business recovery and increased resilience activity, which would have yielded the same level of results, yet earlier than anticipated and within a specified project closure date. The change request was submitted to the GLLEP on 27 October 2021 (**Appendix C**). The GLLEP were made aware then, the Council would be reviewing the university physical space to identify a different use which could include a commercial end user or the Council.
- 2.17 On 29 November 2021, the GLLEP confirmed that whilst the GLLEP Investment Board were understanding of the position with the University of Lincoln and the general impact of COVID on employment and educational premises, they were willing to consider a commercially focused option for the Grantham Technology

Centre floor of the cinema in Grantham. However, they were not prepared to make a decision without having a detailed business case presented to them showing clear business demand, how it will be addressed, and more detailed business outcomes. It was suggested that over the subsequent eight weeks, the Council commissioned an independent study to test feasibility of a commercial offer and the ongoing revenues required to make this a successful venture. The GLLEP planned to schedule a further Investment Board to discuss the business case provided, for the Investment Board to make their final decision on that basis.

- 2.18 A GLLEP Investment Board was subsequently scheduled for 17 February 2022 at 2pm. On 10 January 2022, a reminder was sent from the GLLEP with a request to submit the independent business case report by close of play on 4 February 2022. Noting that should the Council instead decide to use the space to be occupied by Council staff (as had been previously discussed), the GLLEP would require a formal request to that effect as soon as possible, recognising this would result in grant repayment.
- 2.19 On 10 March 2022, a further paper was submitted to the GLLEP outlining the wider and significant regeneration proposals in Grantham. The hope was to reach a consensus with the GLLEP Investment Board on the way forward regarding the University technology and Innovation Centre Grantham Grant Agreement by presenting a range of options for consideration (**Appendix D**).
- 2.20 On 25 March 2022, the GLLEP confirmed they had spoken to their legal advisors concerning the position of the Grantham University Technology and Innovation Centre and the contract between the Council, Lincolnshire County Council (as Accountable Body) and the GLLEP. It was felt the change was a significant change of purpose and under clause 23.1 the Accountable Body could in these circumstances reclaim all or part of the Grant and terminate the Agreement. It was confirmed that any change of use required prior written agreement before effecting or implementing any change. On that basis, the GLLEP were content a report went to the Investment Board to support the change of use. However before doing so, there was a need to discuss with the Accountable Body and Government options for calculating the payback. Some initial thoughts were: 1) the entire grant to be returned (2) grant – 12.5% of outputs (3) current market values etc. Consequently, advice was duly sought by the GLLEP.
- 2.21 On 21 July 2022, the GLLEP issued an email, apologising for a delay attributed to seeking a view from both government and legal. It was confirmed that sign off from the Department for Business, Energy & Industrial Strategy (BEIS) and legal to reclaim the full £2 million from the Council due to the change in use proposed. It was felt this represented "...a significant change of purpose, so that the GLLEP judges that the Grant is unlikely to fulfil the purpose for which the Accountable Body made it" (clause 23.1.11 of the Grant Agreement) and under clause 23.1 the Accountable Body could in these circumstances reclaim all or part of the Grant and terminate the Agreement. A request was made to discuss repayment, and the profile, before the GLLEP would write to the Council to formally terminate the contract.

- 2.22 In the space of time the GLLEP took to confirm their definitive legal position, regrettably the Council found itself in the position that the opportunity to draw upon the proposed revised core outputs had been missed. The GLLEP Investment Board's decision to usher in extra educational provision at Grantham College within 482 metres of the University Technology and Innovation Centre, had further comprised the Council's ability to make use of the space for educational purposes. Therefore, on 27 July 2022, the GLLEP were asked to provide details on how an appeal to this decision could be invoked.
- 2.23 On 9 August 2022, the GLLEP confirmed there was an Enquiries, Compliments and Complaints procedure (February 2018) which covered all "disagreements". Should the Council decide to appeal the clawback decision in relation to the Grantham Innovation Centre Scheme, they would need to write formally to the GLLEP's Chief Executive Officer setting out the reasons for the appeal to the decisions made by BEIS and the GLLEP Investment Board.
- 2.24 On 14 September 2022, a formal appeal to the decision made to reclaim the full £2 million grant in connection with the University Technology and Innovation Centre Grantham Grant Agreement was made to the GLLEP. The Council has enjoyed a productive and mutually beneficial working relationship with the GLLEP, and it was hoped a pragmatic and co-operative stance would be taken regarding enforcing the clawback, especially given the current economic climate. A reassessment of the clawback request was sought (**Appendix E**).
- 2.25 On 24 September 2022 the GLLEP wrote to the Council confirming the Stage One complaint would be considered in full at the Investment Board on Wednesday 5 October 2022.
- 2.26 On 31 October 2022, the GLLEP wrote to confirm the outcome of the recent Investment Board. The decision agreed was to reduce the amount of clawback from £2.0 million to £1.333 million, with payment due within six weeks. If payment was not received by this date, the amount of clawback would revert to £2 million. In reaching this decision, the Investment Board considered the current economic conditions, and the increased level of public sector leverage outputs achieved (i.e., from £4,712,529 to £5,043,134 thereby achieving 33.33% of the outputs required). It also considered the balance of schemes requiring funding within the area that are within the project pipeline.
- 2.27 At the Council meeting held on 24 November 2022, elected Members were made aware of ongoing discussions with the GLLEP regarding the amount and conditions to the repayment period relating to the GLLEP's 30% contribution of the planned University Technology and Innovation Centre.
- 2.28 On 29 November 2022, the GLLEP confirmed they would like to see a slightly different repayment schedule, and one that makes a payment in this financial year. The reasons for this, is the grant is being repaid and the GLLEP are under pressure to receive payment in this financial year, and the portion can be reallocated to a scheme in Lincolnshire. It was subsequently confirmed to the GLLEP, the proposal would be put before Council at its next scheduled meeting. Members'



approval is now being sought to support a grant repayment schedule as illustrated in the following table:

<b>Amount</b>	<b>Proposed Repayment</b>
£500,000	1 February 2023
£500,000	1 October 2023
£333,000	1 April 2024
<b>£1,333,000</b>	

- 2.29 The repayment of the grant will need to be met from the Council's Local Priorities Reserve and the reserve will be reduced from a projected balance of £5.503m to a reduced balance of £4.17m.

#### Fees and Charges

- 2.30 The final proposal in the report is to recommend an increase in the collection costs for the green waste collection service by the following amounts:

#### Green Waste Collection Charges

- 2.31 Annual collection charge (first bin) £49.00
- 2.32 Annual collection charge (each subsequent bin) £27.00
- 2.33 The proposal is to simplify the annual collection rate to a standard charge for all customers irrespective of the payment method. The current charge structure provides for a £5 discount for those customers that pay by direct debit or online. This has the effect of charging customers who prefer to pay by cheque, face to face or over the telephone an additional charge. This differentiation will be removed from this proposal.
- 2.34 This increase reflects the increased costs associated with providing this service, such as fuel, vehicle maintenance and employee expenses and aims to ensure that the full costs of the non-statutory garden waste service continue to be met by those choosing to receive this optional service.
- 2.35 The proposal has been brought forward to allow sufficient time to provide notice to the green waste customers of the increase from April 2023 and to ensure the smooth rollout of the service for the new financial year. All other fees and charges proposals will be put before Council on 1 March 2023.

### **3. Key Considerations**

#### UK Shared Prosperity Fund

- 3.1 It is important to highlight that a total fund of £3.8M is unlikely to tackle the range of challenges South Kesteven faces. However, through integration with Levelling Up proposals, Public Health outcomes and between service providers, provision has been identified which is deliverable and can be built on to lever in further resource to address the District's needs.

### LEP Repayment Proposal

- 3.2 Rising inflation, increased demand on services, and uncertainties over central government funding are creating huge pressures on the Council's budgets. Pay awards, rising fuel costs and reductions in income have also impacted council finances. South Kesteven District Council is unable to borrow to pay the £1.333 million demand. It was for this reason due consideration of a reasonable payment arrangement was requested of the LEP.

## **4. Other Options Considered**

### UK Shared Prosperity Fund

- 4.1 To not accept the UK Shared Prosperity Fund grant would result in the loss of external funding that will assist in a range of interventions to improve community safety, the living environment, community engagement, business support and employment/skills across the District.

### LEP Repayment Proposal

- 4.2 By entering into the Agreement with the LEP, the Council agreed to provide remedies which included the repayment of the Grant. Therefore, the do nothing option was discounted.

## **5. Reasons for the Recommendations**

### UK Shared Prosperity Fund

- 5.1 The Department for Levelling Up, Housing and Communities (DLUHC) has allocated the Council £3,898,582 of UK Shared Prosperity Fund (over three Financial Years) (Including £20,000 development costs).
- 5.2 Government requested local authorities draft Investment Plans for the UK Shared Prosperity Fund programme and notified the Council on 6 December 2022 that Officials will work with the Council to address funding conditions and agree next steps, with payment to follow.
- 5.3 Council consideration to accept the funding is requested, and the decision to sign the Funding Agreement and begin delivery delegated to the Chief Executive, s151 Officer, Director of Growth and Culture and the Cabinet Member for Economic Development and Growth, to dovetail Government's confirmation of the Investment Plan with the Council's decision-making timetable. Ensuring a prompt start can be made to delivery will lessen the risks of an underspend in 2022/2023.

- 5.4 Under Financial Procedure Rules, the matter requires a decision to accept the grant awards from the Department for Levelling Up Housing and Communities.
- 5.5 Agreement of a Terms of Reference for the UK Shared Prosperity Fund and Rural England Prosperity Fund Programme Board will provide confirmation of the necessary governance arrangements and structure required to ensure timely delivery of projects under the programme.

## **6. Consultation**

### UK Shared Prosperity Fund

- 6.1 As reported to 25 July 2022 Full Council, consultation regarding UKSPF interventions and themes was completed during July/August 2022. Links to this report are included in the background papers section (paragraph 7.2).

## **7. Background Papers**

- 7.1 *UK Shared Prosperity Fund: interventions, outputs and indicators – Published 13 April 2022, available online at:*  
<https://www.gov.uk/government/publications/uk-shared-prosperity-fund-interventions-outputs-and-indicators>
- 7.2 *UK Shared Prosperity Fund – Report to Council, published 25 July 2022 and available online at:*  
<https://moderngov.southkesteven.gov.uk/documents/s35256/Report.pdf>
- 7.3 *Budget framework Proposed Amendments 2022/23 - Report to Council, published on 24 November 2022 and available online at:*  
<http://moderngov.southkesteven.gov.uk/documents/s36169/Budget%20amendment%20report.pdf>
- 7.4 *UKSPF Investment Plan for South Kesteven District Council, published July 2022, available online at:*  
<http://www.southkesteven.gov.uk/CHttpHandler.ashx?id=28969&p=0>
- 7.5 *UK Shared Prosperity Fund: prospectus - Updated August 2022, available online at:*  
<https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus>
- 7.6 *Overview of the UK Shared Prosperity Fund, published December 2022 and available online at:*  
<http://www.southkesteven.gov.uk/index.aspx?articleid=15988>

## **8. Appendices**

8.1 List of Appendices.

**Appendix A** UKSPF Project Tracker V.4

**Appendix B** UKSPF and Rural England Prosperity Fund Board Terms of Reference

**Appendix C** 27 Oct 2021 GLLEP Change Request

**Appendix D** 10 March 2022 SKDC Update to GLLEP (Exempt)

**Appendix E** 14 Sept 2022 Formal appeal