



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Budget – Joint Overview and Scrutiny Committee

15 January 2024

Report of: Councillor Richard Cleaver
Leader of the Council
Councillor Ashley Baxter
Deputy Leader of the Council

Budget Proposals for 2024/25 and indicative budgets for 2025/26 and 2026/27

Report Author

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Purpose of Report

To present draft Budget proposals and estimates for 2024/25 for both the General Fund and the Housing Revenue Account.

Recommendations

The Budget – Joint Overview and Scrutiny Committee is asked to:

1. Consider and review the budget proposals and estimates within the report
2. Recommend to Cabinet any amendments in respect of the following budget proposals for 2024/25:

General Fund

- General Fund – Revenue and Capital
- Proposal of a Band D Council Tax Increase of either £5 or 3% (£5.31)

Housing Revenue Account

- Housing Revenue Account – Revenue and Capital

- **Proposed dwelling rent increase of 7.70%**
- **Proposed increase for garage rents and service charges of 6.7%**

General Fund and Housing Revenue Account

- **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Does the report contain any exempt or confidential information not for publication?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, Deputy Chief Executive and s151 Officer

Legal and Governance

1.2 The recommendations relate to proposals for the budget which forms part of the budgetary and policy framework in accordance with the Budget and Policy

Framework Procedure Rules set out at Part 4.21 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.

Graham Watts, Assistant Director (Governance and Public Protection) and Monitoring Officer

Risk and Mitigation

1.3 A Financial Risk Register is shown at Appendix E 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 budget proposals for the 2024/25 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 18 January 2024. The budget setting timetable is set out below:

Date	Heading	Details
15 January 2024	Budget – Joint OSC	To consider proposed budgets for 2024/25
18 January 2024	Cabinet	To consider proposed budgets To receive feedback from Budget -Joint OSC To approve consultation of budget proposals To recommend proposals for fees and charges 2024/25
19 January – 2 February 2024	Consultation	To receive views on proposed Council Tax levels for 2024/25
25 January 2024	Council	To consider and approve fees and charges 2024/25
6 February 2024	Cabinet	To consider consultation feedback and make final budget recommendations to Council

29 February 2024	Council	To approve Council Tax level and approve budget for 2024/25 including General Fund and Housing Revenue Account
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2.2 The budget setting process is closely aligned and supports the ambitions of the current Council's Corporate Plan and continues the support of the current priorities whilst reflecting the emerging themes of the proposed new Corporate Plan.

2.3 The budget formation has been developed reflecting the ambitions of the Administration which has led the budget proposals ever mindful of the financial challenges the council, the wider public sector and households are facing. Members are very aware of the financial difficulties suffered by a number of Councils which has resulted in a record number of s114 notices during the past 12 months and a warning from the sector that a further 26 local authorities could issue s114 notices in the next two years.

2.4 The review of the high spend areas will continue particularly amongst the discretionary service areas to ensure these align and support the Corporate Plan ambitions. This will be necessary as the Council's Minimum Revenue Provision (MRP) is forecast to increase in the medium term and therefore will therefore need to be built into budgets going forwards. This is explained in more detail at section 4.3.

2.5 The budget setting process commenced in September 2023 and the proposals have been formulated by the Cabinet, working closely with senior officers, through a number of budget review sessions. The sessions have focused on the ambitions of the Council to drive forward the Corporate Plan but within reduced financial parameters.

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

- The funding position for the General Fund (section 3)
- The draft General Fund budget proposals (section 4)
- The Housing Revenue Account (HRA) position (section 5)
- Fees and Charges (section 6)
- The Capital Programmes (section 7)
- The Capital Financing Statement (section 8)
- Reserves and Balances (section 9)

3 THE FUNDING POSITION FOR THE GENERAL FUND

3.1 Spending Review 2024 – Overview

On 5 December 2023, the Secretary of State for Levelling Up, Communities and Local Government published a ministerial statement accompanied by a policy

statement on the 2024/25 local government finance settlement and confirmed by the provisional settlement announced on 18 December 2023.

This section summarises announcements regarding the 2024/25 settlement.

Overall, the Government expects core spending power will be worth approximately £64 billion in 2024/25, a £4 billion or 6% increase on 2023/24.

On the core settlement, the Statement confirms that:

- Baseline funding levels will be index linked and Councils will be compensated for the business rates multiplier freeze with the intention that the sum total of the Baseline funding levels and the compensation grant will increase by 6.7%.

On Council Tax, the Statement confirms that:

- Councils with social care responsibilities will be able to increase Council Tax by up to 3% with an additional 2% for adult social care without a local referendum.
- Shire district councils will have a referendum principle of 3% or £5, whichever is higher. The Council could therefore choose to increase Council Tax (including SEA's) by a maximum of £5.31.
- There will be no referendum limits set for town and parish councils and Mayoral Combined Authorities.

In terms of other grants, the Government announced that:

- The Government will continue with the funding guarantee to increase every council's core spending power by at least 3%, before additional council tax income as a result of council tax level decisions is factored in. This means that there will still be an assumption around taxbase growth from a national perspective. The total allocation for 2024/25 will be £197m.
- The Services Grant will be reduced from its £483 million level in 2023/24 to £77m in 2024/25.
- The new homes bonus will continue in 2024/25 with a new round which will attract no legacy payments. The total allocation for 2024/25 will be £291m.
- The rural services delivery grant will remain unchanged at £95 million.
- The specific allocations for the Council are detailed in Table 1.

Other announcements regarding 2024/25 include the following:

- All current ‘enhanced’ business rates retention areas will continue for 2024/25 and, where requested, pooling of business rates will also proceed. The 2024/25 provisional finance settlement represents the 12th year in which the Business Rates Retention Scheme is the principal form of external local government funding.
- The Government will not proceed with any fundamental reforms to the finance system in 2024/25.

Table 1 – Indicative Funding Levels for South Kesteven District Council

Funding Heading	2024/25 £m	2025/26 £m	2026/27 £m
Business Rates (SFA)	6.3	5.5	5.6
New Homes Bonus	0.6	0.0	0.0
Rural Services Delivery Grant	0.3	0.3	0.3
Council Tax	9.1	9.6	10.0
Funding Guarantee Grant	1.0	1.3	1.1
Services Grant	0.02	0.02	0.02
Revenue Support Grant	0.1	0.1	0.1
Total Resources	17.42	16.82	17.12

The above table does not include the Collection Fund projected surplus/deficit which is unable to be calculated until January 2024.

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 2024/25 should be considered in this context. Tables 2 and 2a show the projected increases in Council tax income should the Council take the opportunity to increase its share of Council Tax each year by either £5 or the maximum amount of 3%.

Table 2 – Option 1 £5 increase on the 2023/24 Council Tax Band D Charge

	2023/24	2024/25	% Variation	Increase
Assumed Band D Charge Increase	Up to £5.00	Up to £5.00	n/a	n/a

Tax Base (Projected from 25/26) assumed 1.0% growth	49,329.0	49,710.0	0.77%	381.0
Band D Charge – SKDC only	£166.59	£171.54	3.0%	£4.95
Band D Charge – Grantham SEA	£51.48	£52.11	1.2%	£0.63
Band D Charge – Langtoft SEA	£6.84	£7.02	2.6%	£0.18
Band D charge (SKDC only incl. Special Expense Areas)	£178.58	£183.58	2.8%	£5.00
Assumed Council Tax Income	£8.809	£9.125m	3.6%	£0.316m

Table 2a – Option 2 (up to) 3% increase on the 2023/24 Council Tax Band D Charge

	2023/24	2024/25	% Variation	Increase
Assumed Band D Charge Increase	Up to £5.00	Up to £5.31	n/a	n/a
Tax Base (Projected from 25/26) assumed 1.0% growth	49,329.0	49,710.0	0.77%	381.0
Band D Charge – SKDC only	£166.59	£171.81	3.13%	£5.22
Band D Charge – Grantham SEA	£51.48	£52.29	1.6%	£0.81
Band D Charge – Langtoft SEA	£6.84	£7.02	2.6%	£0.18
Band D charge (SKDC only incl. Special Expense Areas)	£178.58	£183.89	2.97%	£5.31
Assumed Council Tax Income	£8.809	£9.141m	3.8%	£0.332m

The difference between options 1 and 2 is a Council Tax income of £16k for 2024/25.

Business Rates Pool – the Lincolnshire authorities have once again applied for Pool status for 2024/25 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 (the outcome of which is awaited):

- 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 2024/25 is shown at table 3 below and Appendix A. The net budget requirement for 2024/25 is estimated at £19.607m.

Table 3 – Summary of General Fund Estimates

Description	2023/24 Original Budget	2024/25 Proposed Budget	2025/26 Indicative Budget	2026/27 Indicative Budget
	£'000	£'000	£'000	£'000
Directorate Area				
Corporate, Governance & Public Protection	3,731	4,037	4,224	4,306
Finance, Property & Waste Services	9,975	9,532	10,151	10,494
Growth & Culture	9,242	10,520	8,129	8,299
Housing & Projects	1,251	1,453	1,519	1,548
HRA recharge	(2,814)	(2,942)	(3,031)	(3,122)
Drainage Rates	871	947	985	1,004
	22,256	23,547	21,977	22,529
Financing and Investment				
Depreciation	(4,859)	(4,450)	(4,537)	(4,623)
Investment Income	(760)	(914)	(762)	(487)
Minimum Revenue Provision	126	281	400	782
Revenue Contribution to Capital	37	57	0	0
	16,800	18,521	17,078	18,201
Appropriations				
Building Control Reserve	(31)	(28)	(29)	(29)
Football 3G Pitch	25	25	25	25
ICT Reserve	0	(29)	(19)	0
Local Priorities Reserve	0	829	0	0
Budget Stabilisation Reserve	(1,534)	0	0	0
NHB Transfer to Reserves	459	564	0	0
Pensions Reserve - Former Employees	(33)	(31)	(31)	(31)
Regeneration Reserve	(227)	(348)	0	0
Special Expenses	101	104	116	0
Total Reserve Movement	(1,240)	1,086	62	(35)
Net Cost of Service	15,560	19,607	17,140	18,166
Funding				
Business Rates	(3,971)	(6,400)	(5,500)	(5,600)

Surplus Deficit on Collection Fund	(72)	0	0	0
Council Tax	(8,809)	(9,126)	(9,562)	(10,012)
	(12,852)	(15,526)	(15,062)	(15,612)
Grant Income				
Rural Services Grant	(309)	(346)	(346)	(346)
Services Grant	(143)	(23)	(23)	(23)
Revenue Support Grant	0	(153)	(158)	(161)
Funding Guarantee Grant	(976)	(1,014)	(1,260)	(1,071)
New Homes Bonus	(459)	(564)	0	0
UK Shared Prosperity Fund	(821)	(1,981)	0	0
	(2,708)	(4,081)	(1,787)	(1,601)
Total Funding	(15,560)	(19,607)	(16,849)	(17,213)
Deficit if savings proposals approved		0	291	953

4.2 The Council is legally required to present a balanced position for each financial year. For 2024/25 this has been achieved through careful planning, projected reductions in utility and fuel forecasts and a continuation of higher than previously experienced investment interest rates. This position is much improved compared to the current financial year when the budget could only be balanced by the use of the Budget Stabilisation Reserve. However, budget monitoring this year is forecasting that the use of the reserve is unlikely due to further forecast reductions in energy prices and careful budget management. The Finance and Economic Overview and Scrutiny Committee will continue to monitor the position for the remainder of this financial year. Beyond next financial year, the medium term outlook remains uncertain and unpredictable mainly due to anticipated future Government departmental funding constraints.

Minimum Revenue Provision (MRP)

4.3 Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. MRP, which is largely defined by regulation, is aimed at ensuring that the council does not have time expired or fully depreciated assets but would still have the associated outstanding debt. MRP is charged the first full financial year after the asset becomes operational and is charged over the life of the asset. Table 3 shows the forecast MRP charge is likely to increase significantly over the next three years as the Council undertakes further borrowing. The primary contributory factors are shown at table 4:

Table 4 – Forecasted MRP Charges

	2024/25 £'000	2025/26 £'000	2026/27 £'000
Existing MRP Charge (legacy borrowing)	121	116	111
St Martin's Park	160	160	160

Vehicle Replacement Programme	0	124	311
Depot Development	0	0	200
Total	281	400	782

4.4 Key Budgetary Proposals

The budgetary proposals for 2024/25 contain a number of service changes that have been incorporated to meet operational demands. These increases in costs have been partially offset by proposals to increase fees and charges and proposed reductions in other budget areas.

Table 5 – Proposed Budget Increases

Details	Financial Implication £'000	Recurring/ One-Off	Comments
Inflationary increases	328	Recurring	Assumptions built in the medium term outlook relating to inflation
Pay Award	2,078	Recurring	The base budget has increased from 23/24 and a 5% increase assumed for 24/25
External Audit Fee	104	Recurring	Increase in charges from the Council's external auditor for the audit of the Statement of Accounts and Housing Benefit Subsidy Return
Internal Audit Fee	36	Recurring	Increase in costs from the Council's internal auditor.
Emergency Accommodation	150	Recurring	To enable an increase in homelessness prevention activity
Housing Register Post	18	Recurring	Fixed term post
Local Plan	215	One-off	
LeisureSK Ltd Management Fee	447	One-off	One year only budget request made by LeisureSK Ltd
Tree Officer Post	45	Recurring	To increase the number and condition of trees in the District.
Total	3,421		

Table 6 – Proposed Savings

Details	Financial Implication £'000	Comments

Business Rates	152	Reduction in business rates payable by the Authority following successful rateable value reductions
Utilities	999	Inflationary assumptions in ongoing energy costs reduced from previous budgeted levels
	1,151	

Table 7 – Proposed changes to Fees and Charges

Details	Financial Implication £'000	Comments
Green Waste Service	129	£2 increase for first bin (from £49 to £51) and an increase of the charge for all subsequent bins to £36
Other discretionary services	35	Inflationary increase only to all other discretionary charges
Additional Fees and Charges Income	164	

Company Funding proposals

4.5 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. These primarily relate to increased utility costs and staffing costs following the increase to the Minimum Wage hourly rate. There has also been an increase in irrecoverable VAT which is linked to the VAT exempt services provided by the leisure centres, for example, swimming lessons.

At the time of compiling this report a proposal is being presented to the Culture and Leisure OSC on 9th January 2024 to request a management fee request of £447K for the financial year 2024/25.

In respect of business rates, the Government has announced that from 1 April 2024, there will be a 75% discounted scheme for the retail, hospitality and leisure sectors 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 £143,462. 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 £57.4k for 2024/25.

General Fund Budget Estimates – 2024/25

4.6 The budget assumptions that have been considered and incorporated into the budget estimates are shown at table 8, all other inflationary costs have been absorbed by service areas which has assisted with achieving a balanced budget.

Table 8 – General Fund Budget Assumptions

Cost Heading	2024/25 Budget Increases (%)	Financial Impact £'000	2025/26 Budget Increases (%)	Financial impact £'000	2026/27 Budget Increases (%)	Financial impact £'000
Drainage Board Levies*	8.7	76	4	38	2	19
Fuel	16	143	14	143	12	143
Pay Award	5	703	5	739	2	297
Insurance	14	30	10	33	10	36

*The Council received a one-off Internal Drainage Board Levy Grant from Central Government of £88k in 2023-24 to provide additional funding towards the increased cost of this levy although there has not been a grant for 2024/25.

4.7 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. The investment income interest rates for the next three years are shown at table 9 below:

Table 9 – Treasury Investment Financial Forecasts

Financial Year	2024/25	2025/26	2026/27
Forecasted Interest Rate	5%	4.5%	3%
Assumed Interest Receivable	£914k	£762k	£487k

4.8 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 prevailing financial year.

4.9 The increase in interest receivable is a key factor for the Council reducing reliance on the Budget Stabilisation Reserve to balance budgets in 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 its approved Treasury Management Strategy.

Council Tax Proposals

4.10 The proposed draft budget proposals for 2024/25 is calculated based on the options available for Council tax setting:

Table 10 – Council Tax options (current 2023/24 charge £178.58)

	2024/25 options		
	Up to £5 increase £183.58 (2.88%) Band D	Up to 3% increase £183.89 (£5.31) Band D	No increase £178.58 Band D
Council Tax level x 49,710.0** (including SEA*)	£9.126m	£9.141m	£8.877m
£ annual difference to a £5 increase	£0	£15k	(£249k)
SKDC only Band D Charge	£171.54	£171.81	
SKDC Including SEAs	£183.58	£183.89	

*SEA – Special expense area

** Council Tax base

4.11 The budget proposals for 2024/25 have been compiled on the assumption that the available £5 increase (for a Band D property) which has been assumed in the Medium Term Financial Plan. The Council could choose to increase Council Tax by the maximum limit available of 3% (without the need for a referendum) which would generate additional annual income £15k. Should a lesser increase 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 2024/25 will be launched following the January meeting of Cabinet. The consultation feedback will be presented to the February meeting of Cabinet.

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
- Supporting investment in homes for affordable warmth for our tenants

- Meeting compliance requirements and ensuring resources are allocated

The Committee will be aware the Chief Executive determined, in consultation with the Leader and Cabinet Member for Housing and Planning, to self-refer the Council to the Regulator of Social Housing in November 2021.

Since this referral Officers have been providing monthly data and details relating to the core issues of non-compliance for the Regulator to consider and review.

Monthly meetings have been taking place with the Regulator to cover issues of focus in terms of the regulatory framework, focusing on the Homes Standard.

In August 2023, a full report documenting the progress and requesting the removal of the Regulatory Notice was submitted by the Chief Executive to the Regulator.

The Council received notification from the Regulator that the Notice would be lifted with effect from the 25th October 2023.

The Regulator recognises that work that remains to be done in terms of the ongoing improvements on our Housing Management System and Asset Management software as the basis for effective compliance management and has requested notification once these systems are in place.

The Council has come a long way and while the decision to remove the Regulatory Notice shows significant improvement has been made, there are still improvements to be made to consolidate the efforts made to date.

The Housing Compliance Audit completed in July 2023 to validate the work carried out did make further recommendations. These recommendations were tabled into an action plan which will continue to be monitored alongside the routine performance reporting.

The approach to the budget setting has been undertaken in the context of the need to invest further in the key service areas whilst being mindful of the need to maintain a sustainable 30 year financial business plan.

5.2 The rental income budgets are set in accordance with the Government's rent setting guidance formula which has been approved as 7.7% for 2024/25.

Table 11 – HRA Budget Assumptions

Cost Heading	2024/25 Budget Increases (%)	Financial Impact £'000	2025/26 Budget Increases (%)	Financial impact £'000	2026/27 Budget Increases (%)	Financial impact £'000
Pay Award	5	216	5	227	2	96
Insurance	24.1	14	8.4	21	8.7	23
Fuel	16	12	14	12	12	12

Table 12 – Proposed Budget Bids

Details	Financial Implication £'000	Recurring/One-Off
Housing Ombudsman	8	Recurring
Complaints Officer	39	Recurring
Housing Apprentice	27	Recurring

Housing Register Post	18	Fixed Term
Tunstall	100	Recurring
Turnpike Close Office rental	55	Recurring
Void Refurbishment	700	One-off
Consultants' Fees	15	Recurring
IT Software Licences	77	Recurring
New Build Feasibility studies	100	Recurring
Total	1,139	

Housing Revenue Account 2024/2025 – Rent Proposals

5.3 The rent setting proposals for 2024/25 has increased the annual budgeted rental income from £27.283m in 2023/24 to £28.916m in 2024/25. For 2024/25 the average weekly rental increase for individual property will be £6.93. The average rent in 2024/25 will be £96.99 with a minimum of £64.38 and a maximum of £186.56. Garage rents are proposed to increase by 6.7% 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 – 7.7% increase

Bedrooms	% of Dwelling Stock	Average Weekly Rent 2023/24	Average Weekly Rent 2024/25	Average Increase	% Increase
Bedsit	0.50%	63.56	68.46	4.90	7.70%
1 Bedroom	13.46%	77.90	83.90	6.00	7.70%
2 Bedrooms	42.85%	87.35	94.08	6.73	7.70%
3 Bedrooms	40.97%	96.36	103.78	7.42	7.70%
4 Bedrooms	2.09%	101.11	108.90	7.79	7.70%
6 Bedrooms	0.14%	118.26	127.37	9.11	7.70%

Table 14 - Increases for Individuals

Increase per week	Number of Properties	% Of Properties
Under £4.99	34	0.58%
£5.00 - £5.99	478	8.17%
£6.00 - £6.99	2,834	48.44%
£7.00 - £7.99	2,179	37.24%
£8.00 - £8.99	298	5.09%
£9.00 - £9.99	20	0.34%
Over £10.00	8	0.14%
Total	5,866	100.00%

5.4 In addition to using the 7.7% rent increase in setting the budget for rental income for future years, further assumptions have been made.

Void rent assumptions of 2.5% have been built into the budgets. Whilst this figure is lower than current performance levels, the direction of travel is improving and suggest the 2.5% will be achievable from April 2024.

Right to Buy sales have been budgeted at 45 sales for 2024/25 and is in line with current sale figures.

6 FEES AND CHARGES

6.1 Fees and charges are becoming a key element of the Council funding which raise approximately £8m 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 ([Appendix G - Charging Policy.pdf \(southkesteven.gov.uk\)](#)). 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.

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 2024/25 is shown at Appendix B.

- The majority of the fee increases are in line with the directly related costs associated with delivering the service.
- Car Parking – The 2024/25 budget proposals show the current tariff rates. Cabinet is currently considering new tariff charges and any proposed changes will be subject to statutory consultation and therefore cannot be assumed at this time. If increases are approved then the earliest implementation date will be September 2024.
- Green waste – annual collection charge increase of £2 and all subsequent bins to be charged at £42. This is an increase of £15 per subsequent bin.

A separate report concerning 2024/25 fees and charges proposals for the financial year 2024/25 will be presented to the Cabinet on the 18 January 2024. This is necessary in order for Council to consider the charges on 25 January 2024 thereby allowing sufficient time for the green waste bin renewal process.

7 CAPITAL PROGRAMME 2024/25 – 2026/27

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 contains key investments across General Fund assets which include:

• Vehicle replacement	£1.326m
• Wheelie Bin Replacement	£0.135m
• Extension to the Cattle Market Car Park	£0.500m
• Asset Refurbishment	£1.000m
• Bourne Leisure Centre Roof	£0.200m
• Play Parks	£0.100m
• Replacement Depot (contingency)	£0.800m
• Disabled Facilities Grants (100% grant funded)	£0.975m

7.2 A summarised capital programme is shown in Table 15 and a detailed capital programme included at Appendix C.

Table 15 – General Fund Capital Programme Summary

Directorate	2024/25 Proposed Budget* £'000	2025/26 Indicative Budget £'000	2026/27 Indicative Budget £'000
Corporate, Governance & Public Protection			
Disabled Facilities Grants	975	975	975
Finance, Property & Waste Services			
Vehicle and Bin Replacement	1,461	1,464	1,461
Asset Enhancement and Maintenance	1,700	500	500
Replacement Depot**	800	0	0
Growth & Culture			
UK Shared Prosperity Fund	498	0	0
Play Parks	100	100	100
Total Budget	5,534	3,039	3,036
Financing:			
Borrowing	0	869	1,306
Grants and Contributions	1,473	975	975
Reserves	2,061	120	755
Useable Capital Receipts	2,000	1,075	0
Total Financing	5,534	3,039	3,036

* no slippage from 2023/24 has been included at this time but will be included in the final budget proposals

**an additional £800k has been included in the capital programme for the replacement depot project as the latest financial projections indicate that development costs may be higher than originally estimated.

Housing Investment Programme (HIP)

7.3 The formation of the capital programme for the period 2024/25 – 2026/27 has been derived using the results and analysis of the stock condition survey that has been undertaken. This analysis allows the Council to focus the resources of the HRA 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.

A summary of the programme is shown at Table 16 and detailed at Appendix C.

Table 16 – HRA Capital Programme Summary

	2024/25 Indicative Budget* £'000	2025/26 Indicative Budget £'000	2026/27 Indicative Budget £'000
Energy Efficiency Initiatives	5,104	3,073	3,227
ICT System Replacement	180	0	0
Vehicle Purchase	280	674	114
New Build Programmes**	8,099	9,042	3,081
Refurbishment & Improvement Works	2,634	2,436	2,570
Disabled Adaptations	150	360	378
Scheduled Works	4,868	5,506	5,782
HRA Budget	21,315	21,091	15,152
Financing:			
Capital Receipts	8,099	9,042	3,081
Grants and Contributions	2,000	0	0
Reserves	11,216	12,049	12,071
Total Financing	21,315	21,091	15,152

* no slippage from 2023/24 has been included at this time but will be included in the final budget proposals

** the 2024/25 New Build Programme includes schemes at Swinegate Grantham, Elizabeth Road Stamford and Larch Close Grantham and property acquisitions in Corby Glen and Barrowby.

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, Council Reserves and borrowing. Ongoing reduction of reserve balances means the Council cannot continue to fund the capital programme without borrowing. There has been a strategy over the last 2 years to dispose of surplus assets, that are no longer operationally or strategically required, in order to generate capital receipts. To date, approximately £3m of capital receipts has been generated that has, or will be, used to fund the capital programme. However this will not be sufficient to avoid borrowing in either the short or medium term.

The HRA Capital Programme is included at Appendix C and is proposed to be financed from HRA Reserves. This is affordable without the need for the HRA to undertake borrowing as the HRA is able to create an in-year operating surplus which is then contributed towards the Major Repairs Reserve thereby maintaining a healthy reserve level. The contribution to the Major Repairs Reserve in 2024/25 is £3.345m

General Fund

8.2 The General Fund Capital Programme for 2024/25 will be financed from the following:

- £2.0m Capital Receipts Reserve
- £1.473m Grants and Contributions
- £2.061m Local Priorities Reserve

At the time of compiling this report, the £0.975m grant funding for Disabled Facilities Grants has not been confirmed and therefore the financing or level of the 2024/25 investment may need to be amended when the level of grant funding is confirmed.

Housing Revenue Account

8.3 The HRA capital programme for 2024/25 is proposed to be financed from the following:

- £8.099m Capital Receipts Reserve
- £2.0m Grant Funding
- £0.180m HRA Priorities Reserve
- £11.036m Major Repairs Reserve

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 able to establish a number of specific general reserves to provide funding for approved purposes usually in respect of specific services or corporate ambitions. A summary of the proposed reserve movements to fund the General Fund Revenue and Capital Budgets are set out at Table 17 below. Full details of the General Fund Reserves can be found at Appendix D.

Table 17 – Proposed General Fund Revenue Reserve Movements

Reserve Heading	2024/25 £'000	2025/26 £'000	2026/27 £'000
Climate Change Reserve	(100)	0	0
Local Priorities Reserve	(1,547)	(120)	(755)
ICT Reserve	(29)	(19)	0
Pension movement (former employees)	(31)	(31)	(31)
Building Control Reserve	(28)	(29)	(29)
Regeneration Reserve	(348)	0	0
Special Expense	104	116	0

- **Climate Change Reserve** – this reserve was created to fund climate change initiatives in order to support the delivery of the Climate Change Strategy. The reserve is being proposed to be used to provide funding towards upgrading lighting at the Grantham Meres Leisure Centre, electric grounds maintenance equipment and the upgrading of the boiler control panel at Bourne Corn Exchange. In 2024/25 the reserve will be used to fund swimming pool covers (if the Swimming Pool Support Fund application is unsuccessful) and the introduction of solar panels on specific corporate properties.
- **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 are insufficient. New Homes Bonus receipts totalling £0.564m is budgeted to be transferred to the Local Priorities Reserve in 2024/25 then no further receipts are expected beyond 2024/25. It is proposed that £2.061m of this reserve is used to contribute towards the 2024/25 capital programme potentially including: £0.6m for vehicle replacement; £0.2m for Bourne Leisure Centre Roof; £0.8m for the replacement depot (this is in addition to the £8m approved by Council on 28 September 2023); and £0.5m for a possible extension to the Cattle Market Car Park in Stamford.
- **ICT Reserve** – this reserve is being used to fund ongoing costs associated with the implementation of the new pool car system software (2024/25 £10k) and the new asset management software (£29k per year)
- **The Pension Reserve** will be used to fund the annual pension costs of former employees which is currently £31k per year.
- **The Building Control Reserve** will be used to fund the projected annual deficit relating to SKDC's share of the trading account outturn. The deficit relates to the fee earning work provided by the Building Control Team. The Council is not permitted to make a profit from this work so any surplus/deficit is transferred to this reserve which ensures the service is neither subsidising statutory services nor being subsidised by the Council
- **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. So far, the reserve has been predominantly used to finance the costs of St Martin's Park. It is proposed that £168k of this reserve is used in 2024/25 to fund the ongoing revenue costs relating to the retention of electricity supply capacity from the National Grid for any future developments.

- From 2024/25 the Special Expense Reserve balance only relates to Grantham Special Expense Area (SEA). The reserve will increase by £220k over the 3-year budget period which will enable investment in the assets the Grantham SEA has responsibility for.

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 18 - Budgeted HRA Reserve Movements

Reserve Heading	2024/25 £000	2025/26 £000	2026/27 £000
Priorities Reserve	(280)	(100)	(100)
Working Balance	1,097	2,010	2,084
Capital Receipts Reserve	(4,299)	(5,142)	819
Major Repairs Reserve	(3,629)	(4,154)	(4,133)

- The Priorities Reserve is used to fund Housing Revenue Account service priorities. In 2024/25 £180k of the reserve will be used to fund enhancements to the Housing Management system including the new Apex system and £100k will be used to fund New Build Feasibility studies.
- 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 Major Repairs Reserve (£11.036m) will be used to contribute towards funding the 2024/25 – 2026/27 Capital programme, further details regarding the financing of each scheme are detailed in Appendix C.
- 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

in 2024/25 this contribution is £3.345m. It is prudent that this reserve has a minimum balance of £9m as this will ensure that improvement works can continue to be completed on the housing stock.

10 Reasons for the Recommendations

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

11 Consultation

- 11.1 The Budget - Joint OSC has the opportunity for members to consider the budget proposals for 2024/25 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