



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**



## Cabinet


6 February 2024

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

The Council is required to set a balanced budget and agree the level of Council Tax for 2024/25 and this report contains a summary of the proposals that have been considered for inclusion. The proposals were considered and scrutinised in detail by the Budget Joint Overview and Scrutiny Committee on 15 January 2024. The proposals have been consulted upon by residents and businesses during the period 19 January – 2 February 2024.

### Recommendations

#### Recommendations to Council:

1. To set a General Fund budget requirement of £18.521m for 2024/25 detailed at section 2 of this report and shown in detail at Appendix A (inclusive of special expenses).
2. To propose a Council Tax level of £183.89 for 2024/25 (Band D property) after taking into consideration the consultation findings.
3. To note the indicative base estimates for 2025/26 and 2026/27 as detailed at Appendix A.
4. To approve Housing Revenue Account (HRA) dwelling rent increases of 7.7% for 2024/25 in accordance with Government rent setting guidelines providing an average rent of £96.99 per week.
5. To approve an increase in HRA garage rents of 6.7%.

6. To approve an increase in shared ownership rents by 7.7%.
7. To approve the HRA Revenue Summary for the year 2024/25 and to note the indicative budgets for 2025/26 and 2026/27 shown at Appendix A.
8. Approve the General Fund Capital programme for 2023/24 to 2025/26 detailed at section 5 of this report and shown at Appendix B.
9. Approve the General Fund Capital Financing statement detailed at Appendix B.
10. Approve General Fund Capital Programme budget carry forward of £14.381m from 2022/23 shown at Appendix B
11. Approve the Housing Capital Investment programme for 2024/25 to 2026/27 detailed at section 5 of this report and as shown at Appendix B.
12. Approve the HRA Capital Financing statement detailed at Appendix B.
13. Approve the Housing Revenue Account Capital Investment Programme budget carry forward of £0.177m from 2023/24 shown at Appendix B
14. To approve the movements in General Fund Revenue and Capital Reserves and balances detailed at section 7 of this report and shown at Appendix C.
15. To approve the movements in HRA revenue and Capital Reserves and balances detailed at section 7 of this report and shown at Appendix C.
16. To approve the Treasury Management Strategy Statement detailed at section 10 of this report and shown at Appendix F.
17. To approve the Capital Strategy detailed at section 10 of this report and shown at Appendix G.

#### 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 statement by the Chief Finance Officer, the Financial Risk Register and the risk analysis of the budget proposals.

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 D 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 E.

## **2 The Background to the Report**

- 2.1 The Council is required to set a balanced budget and agree the level of Council Tax for 2024/25. This report contains a summary of the proposals that have been considered for inclusion. The proposals were considered and scrutinised in detail by the Budget Joint Overview and Scrutiny Committee on 15 January 2024 and by Cabinet on 18 January 2024. The draft proposals were consulted upon during the

period 16 January – 2 February 2024 and the results of the consultation will be presented to Cabinet at the meeting.

2.2 On 24 January 2024 the Secretary of State for Levelling Up, Housing and Communities announced an increase in funding beyond the provisional settlement announcement which will be reflected in the final 2024/25 Local Government finance settlement. The elements that were announced that should have a positive impact on the funding received by the Council are:

- A £15 million increase to the rural services delivery grant;
- An increase in the minimum funding increase guarantee threshold from 3% to 4%;
- £3 million in support for local authorities experiencing significant difficulties due to internal drainage board levies, to be delivered outside the of the settlement;

2.3 Actual additional funding allocations from DLUHC are not yet available and it is likely that these will not be published until the final Local Government settlement for 2024/25 is announced during February. The final budget report which will be presented to Council on 29 February 2024 will be updated to include the additional funding the Council.

2.4 The budget setting process is closely aligned and support the ambitions of the Council's Corporate Plan approved by Council on 25 January 2024 which covers the period 2024 – 2027 and specifically the five main priorities of:

- Connecting Communities
- Sustainable South Kesteven
- Enabling Economic Opportunity
- Housing
- Effective Council

This is underpinned by the Council Vision to be 'a thriving District in which we live, work and visit'.

2.5 The Corporate Plan provides clarity and focus to enable financial resources to be directed to support delivery of the key actions that underpin each of the priorities set out above.

2.6 The 2024/25 budget proposals have been prepared in the context of significant financial external events that have occurred which have had a detrimental impact on the Council's financial outlook, increased inflation, energy prices and employee pay proposals have added significant cost pressures to the Council's financial position for this financial year and are setting the financial context for 2024/25 and beyond.

- 2.7 These are in the main part caused by national issues, beyond the Council's control and are impacting on all Councils. In addition, the continuing 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 unavoidable pressures have impacted the assumptions that underpin the Medium Term Financial Plan. The Council is only able to demonstrate a balanced budget in 2024/25 so savings may need to be identified to balance the budget in future years. The financial future remains uncertain as demonstrated by the Office for Budget Responsibility economic financial outlook. The Council is able to use the Budget Stabilisation to fund short term budget pressures arising from financial volatility in the General Fund either from unforeseen expenditure or reductions in budgeted income projections but the use of reserve cannot be viewed as a sustainable long-term approach to as reserves are a finite resource.
- 2.8 This report is the final presentation to Cabinet of the budget proposals for 2024/25 and therefore contains a summary of the information that was included in the report presented to Cabinet on 18 January 2024. This report covers the following sections:
- The General Fund budget estimates and Council Tax proposals (section 3)
  - The Housing Revenue Account (HRA) position (section 4)
  - Fees and Charges (section 5)
  - The Capital Programmes 2022/23 to 2024/25 including financing (section 6 & 7)
  - Reserves and Balances (section 8)
  - Statement of Financial Robustness by the Chief Finance Officer (Section 9)
  - Treasury Management Strategy and Capital Strategy (Section 10)
  - Collection Fund (Section 11)
- 2.9 At the meeting on 15 January 2024 the Budget Joint Overview and Scrutiny Committee (OSC) undertook a robust scrutiny of the budget proposals that are being proposed by Cabinet and considered all aspects of the revenue and capital proposals for both General Fund and Housing Revenue Account. The OSC considered all elements of the report and supported the recommendations contained within the report.
- 2.10 Specific amendments to the budget proposals for 2024/25 which were approved by Council on 25 January 2024 were:
- The inclusion of a new fee for the Discharge of planning obligation – Approval of details pursuant to a planning obligation (S106 agreement) per clause of £162.
  - The freezing the bus station departure charges for 2024/25.
  - The creation of a Leisure Reserve of £850k for the Council's subsidy to the Deepings Leisure Centre CIC approved by Council on 11 January 2024.

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

3.1 The overall General Fund position for 2024/25 is shown at table 1 below and Appendix A. The net budget requirement for 2024/25 is estimated at £19.591m.

**Table 1 – 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
<b>Directorate Area</b>				
Corporate, Governance & Public Protection	3,731	<b>4,037</b>	4,224	4,306
Finance, Property & Waste Services	9,975	<b>9,532</b>	10,151	10,494
Growth & Culture	9,242	<b>10,520</b>	8,129	8,299
Housing & Projects	1,251	<b>1,453</b>	1,519	1,548
HRA recharge	(2,814)	<b>(2,942)</b>	(3,031)	(3,122)
Drainage Rates	871	<b>947</b>	985	1,004
	<b>22,256</b>	<b>23,547</b>	<b>21,977</b>	<b>22,529</b>
<b>Financing and Investment</b>				
Depreciation	(4,859)	<b>(4,450)</b>	(4,537)	(4,623)
Investment Income	(760)	<b>(914)</b>	(762)	(487)
Minimum Revenue Provision	126	<b>281</b>	400	798
Revenue Contribution to Capital	37	<b>57</b>	0	0
	<b>16,800</b>	<b>18,521</b>	<b>17,078</b>	<b>18,217</b>
<b>Appropriations</b>				
Building Control Reserve	(31)	<b>(28)</b>	(29)	(29)
Football 3G Pitch	25	<b>25</b>	25	25
ICT Reserve	0	<b>(29)</b>	(19)	0
Local Priorities Reserve	0	<b>813</b>	0	0
Budget Stabilisation Reserve	(1,534)	<b>0</b>	0	0
NHB Transfer to Reserves	459	<b>564</b>	0	0
Pensions Reserve - Former Employees	(33)	<b>(31)</b>	(31)	(31)
Regeneration Reserve	(227)	<b>(348)</b>	0	0
Special Expenses	101	<b>104</b>	116	0
<b>Total Reserve Movement</b>	<b>(1,240)</b>	<b>1,070</b>	<b>62</b>	<b>(35)</b>
<b>Net Cost of Service</b>	<b>15,560</b>	<b>19,591</b>	<b>17,140</b>	<b>18,182</b>
<b>Funding</b>				
Business Rates	(3,971)	<b>(6,400)</b>	(5,500)	(5,600)
Deficit on Collection Fund	(72)	<b>31</b>	0	0
Council Tax	(8,809)	<b>(9,141)</b>	(9,562)	(10,012)
	<b>(12,852)</b>	<b>(15,510)</b>	<b>(15,062)</b>	<b>(15,612)</b>
<b>Grant Income</b>				

Rural Services Grant	(309)	<b>(346)</b>	(346)	(346)
Services Grant	(143)	<b>(23)</b>	(23)	(23)
Revenue Support Grant	0	<b>(153)</b>	(158)	(161)
Funding Guarantee Grant	(976)	<b>(1,014)</b>	(1,260)	(1,071)
New Homes Bonus	(459)	<b>(564)</b>	0	0
UK Shared Prosperity Fund	(821)	<b>(1,981)</b>	0	0
	<b>(2,708)</b>	<b>(4,081)</b>	<b>(1,787)</b>	<b>(1,601)</b>
<b>Total Funding</b>	<b>(15,560)</b>	<b>(19,591)</b>	<b>(16,849)</b>	<b>(17,213)</b>
<b>Deficit if savings proposals approved</b>	<b>0</b>	<b>0</b>	<b>291</b>	<b>969</b>

3.2 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.

### **Minimum Revenue Provision (MRP)**

3.3 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 1 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 2:

**Table 2 – Forecasted MRP Charges**

	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
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	216
<b>Total</b>	<b>281</b>	<b>400</b>	<b>798</b>

### 3.4 **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 the fees and charges increase approved by Full Council on 25 January 2024 and proposed reductions in other budget areas.

**Table 3 – Proposed Budget Increases**

<b>Details</b>	<b>Financial Implication £'000</b>	<b>Recurring/ One-Off</b>	<b>Comments</b>
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.
<b>Total</b>	<b>3,421</b>		

**Table 4 – Proposed Savings**

<b>Details</b>	<b>Financial Implication £'000</b>	<b>Comments</b>
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
	<b>1,151</b>	

## Company Funding Proposals

### 3.5 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. Leisure SK Ltd has submitted a request for a management fee of £447k for the financial year 2024/25 and this fee is included in the final budget proposals.

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%.

### General Fund Budget Estimates – 2024/25

- 3.6 The budget assumptions that have been considered and incorporated into the budget estimates are shown at table 5, all other inflationary costs have been absorbed by service areas which has assisted with achieving a balanced budget.

**Table 5 – 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 and further support is expected for 2024/25.

- 3.7 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 6 below:

**Table 6 – Treasury Investment Financial Forecasts**

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

- 3.8 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.
- 3.9 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**

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

**Table 7 – Council Tax options (current 2023/24 charge £178.58)**

	<b>2024/25 options</b>	
	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*)	£9.141m	£8.877m
£ annual difference to a £5 increase	£0k	(£249k)
SKDC only Band D Charge	£171.81	
SKDC Including SEAs	£183.89	

\*SEA – Special expense area

\*\* Council Tax base

Table 8 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 (£5.31).

**Table 8 – Proposed 2024/25 Council Tax Band D Charge Increase**

	<b>2023/24</b>	<b>2024/25</b>	<b>% Variation</b>	<b>Increase</b>
Assumed Band D Charge Increase	Up to £5.00	Up to £5.31	n/a	n/a
Tax Base (Projected from 24/25)	49,329.0	49,710.0	0.77%	381.0
Band D Charge – SKDC only	£166.59	£171.81	3.1%	£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	3.00%	£5.31
Assumed Council Tax Income	£8.809m	£9.141m	3.8%	£0.332m

3.11 The budget proposals for 2024/25 have been compiled on the assumption that the available £5.31 increase (for a Band D property) which has been assumed in the Medium Term Financial Plan. 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.

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

4.1 The HRA budget proposals continue to focus on:

- Helping to meet the housing needs of tenants
- Facilitating the delivery of new housing across a range of tenures
- Enabling those whose independence may be at risk to access housing (including their current home) that meets their needs
- Supporting investment in homes for affordable warmth for our tenants
- Meeting compliance requirements and ensuring resources are allocated

Cabinet is 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 25 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.

- 4.2 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 9 – HRA Budget Assumptions**

<b>Cost Heading</b>	<b>2024/25 Budget Increases (%)</b>	<b>Financial Impact £'000</b>	<b>2025/26 Budget Increases (%)</b>	<b>Financial impact £'000</b>	<b>2026/27 Budget Increases (%)</b>	<b>Financial impact £'000</b>
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 10 – Proposed Budget Bids**

<b>Details</b>	<b>Financial Implication £'000</b>	<b>Recurring/One-Off</b>
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
<b>Total</b>	<b>1,139</b>	

### Housing Revenue Account 2024/2025 – Rent Proposals

- 4.3 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. Further analysis of rent details is provided in tables 11 and 12.

**Table 11 - 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 12 - 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%
<b>Total</b>	<b>5,866</b>	<b>100.00%</b>

- 4.4 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.

## **5 FEES AND CHARGES**

5.1 Fees and charges are 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.

The proposed fees and charges were considered and approved by Full Council on 25 January 2024. The approved fees and charges for 2024/25 is shown at Appendix H.

## **6 CAPITAL PROGRAMMES 2024/25 – 2026/27**

6.1 The primary elements of the capital programme have been formulated to deliver the Council ambitions of growth and investment in its assets to support the delivery of quality services. The General Fund Capital Programme contains key investments across General Fund assets:

• 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

The indicative General Fund Capital programme has been amended since it was presented to Cabinet on 18 January 2024 to include currently known budget carry forwards from 2023/24. If further budget carry forwards requests are identified, then they will be included in the outturn report once actual spend for 2023/24 has been determined.

6.2 A summarised capital programme is shown in Table 13 and a detailed Capital Programme included at Appendix B.

**Table 13 – General Fund Capital Programme Summary**

<b>Directorate</b>	<b>2023/24 Budget</b>	<b>2024/25 Proposed Budget</b>	<b>2025/26 Indicative Budget</b>	<b>2026/27 Indicative Budget</b>

	Carry Forwards £'000	£'000	£'000	£'000
<b>Corporate, Governance &amp; Public Protection</b>				
Disabled Facilities Grants	0	975	975	975
<b>Finance, Property &amp; Waste Services</b>				
Vehicle and Bin Replacement	220	1,461	1,464	1,461
Asset Enhancement and Maintenance	485	1,700	500	500
Replacement Depot	8,000	800	0	0
Empingham Road S106 Grants	283	0	0	0
<b>Housing &amp; Projects</b>				
Decarbonisation Scheme	493	0	0	0
<b>Growth &amp; Culture</b>				
UK Shared Prosperity Fund	0	498	0	0
Play Parks	0	100	100	100
Future High Street Fund	4,900	0	0	0
<b>Total Budget</b>	<b>14,381</b>	<b>5,534</b>	<b>3,039</b>	<b>3,036</b>
Financing:				
Borrowing	8,000	800	869	1,306
Grants and Contributions	5,183	1,473	975	975
Reserves	583	1,261	120	755
Useable Capital Receipts	615	2,000	1,075	0
<b>Total Financing</b>	<b>14,381</b>	<b>5,534</b>	<b>3,039</b>	<b>3,036</b>

### Housing Capital Programme

6.3 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.

The indicative HRA Capital Programme has been amended since it was presented to Cabinet on 19 January 2024 to include currently known budget carry forwards from 2023/24. If further carry forwards are identified then they will be included in the outturn report once actual spend for 2023/24 has been determined.

A summary of the programme is shown at Table 14 and detailed at Appendix B.

**Table 14 – HRA Capital Programme Summary**

	<b>2023/24 Budget Carry Forward £'000</b>	<b>2024/25 Indicative Budget £'000</b>	<b>2025/26 Indicative Budget £'000</b>	<b>2026/27 Indicative Budget £'000</b>
Energy Efficiency Initiatives	0	5,104	3,073	3,227
ICT System Replacement	0	180	0	0
Vehicle Purchase	62	280	674	114
New Build Programmes*	0	8,099	9,042	3,081
Refurbishment & Improvement Works	0	2,634	2,436	2,570
Disabled Adaptations	0	150	360	378
Scheduled Works	115	4,868	5,506	5,782
<b>HRA Budget</b>	<b>177</b>	<b>21,315</b>	<b>21,091</b>	<b>15,152</b>
Financing:				
Capital Receipts	0	8,099	9,042	3,081
Grants and Contributions	0	2,000	0	0
Reserves	177	11,216	12,049	12,071
<b>Total Financing</b>	<b>177</b>	<b>21,315</b>	<b>21,091</b>	<b>15,152</b>

\* 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.

## **7 CAPITAL FINANCING**

7.1 The General Fund Capital Programme is detailed at Appendix B. 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 B 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**

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

- £0.8m Borrowing
- £2.0m Capital Receipts Reserve
- £1.473m Grants and Contributions
- 1.261m 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**

7.3 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

## **8 RESERVES AND BALANCES**

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

- To ensure the Council has sufficient funds available to meet its cash flow requirements and avoid unnecessary temporary borrowing and to protect services against unforeseen financial events – this is known as the working balance.
- A means of building up funds to meet known or predicted liabilities (earmarked) – these are shown as discretionary and governance reserves.

8.2 Through prudent financial management, the Council is 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 15 below. Full details of the General Fund Reserves can be found at Appendix C.

**Table 15 – Proposed General Fund Revenue Reserve Movements**

<b>Reserve Heading</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
Climate Change Reserve	(100)	0	0
Local Priorities Reserve	(763)	(120)	(755)
Leisure Reserve	(850)	0	0
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
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- **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 £1.261m 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; and £0.5m for a possible extension to the Cattle Market Car Park in Stamford.
- **Leisure Reserve** – this reserve was created following the decision by Council on 11 January 2024 to provide a subsidy of £850k to the Deepings Leisure Centre CIC for the refurbishment of Deepings Leisure Centre. The subsidy will be transferred to the CIC once the associated terms and conditions have been met.
- **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.

8.3 In respect of the HRA, there are a number of specific reserves to assist in the delivery of the HRA services and are used to fund both revenue and capital expenditure. In addition, the HRA has a specific working balance which provides financial support to the HRA should any significant unforeseen costs arise during the financial year. The Major Repairs reserve is the primary source of funding for the HRA Capital Programme and is proposed to be utilised to fund the investment in the housing stock over the next 3 years. Further detail of the HRA Reserves can be found in Appendix C.

**Table 16 - Budgeted HRA Reserve Movements**

<b>Reserve Heading</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
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 B.
- 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.

- 9.1 The Council's Chief Finance Officer is required to comment on the robustness of the budget estimate and the adequacy of the proposed financial reserves in accordance with the requirements of the Local Government Act 2003. The estimates are considered robust. Employee costs are based on the approved establishment, contractual inflation is included, there is a reasonable provision for inflation, interest income is based on the advice of the Council's treasury management advisors and income targets are considered to be achievable.
- 9.2 The draft General Fund budgets for 2024/25 to 2026/27 (inclusive) assume that the working balance for the General Fund remains no less than £1.9m throughout the period. The Budget Stabilisation Reserve is an important component of ensuring the Council has the financial resilience to meet the financial impact of inflation, the impact of demand on Council services due to external influences such as cost of living pressures on residents and the costs associated with the employee pay awards. There is no requirement to use the Budget Stabilisation Reserve to balance the 2024/25 financial year but it is recognised that the Council may need to reduce its overall net operating expenditure to levels that can be financed without reliance on reserves from 2025/26.
- 9.3 The draft Housing Revenue Account (HRA) budgets assume that the working balance remains no less than £2.1m throughout the period and the HRA priorities reserve which has an uncommitted balance of £10.8m which will support any unforeseen operating costs each year.

## **10 Treasury Management Strategy Statement (TMSS) and Capital Strategy**

- 10.1 The CIPFA Treasury Management Code defines treasury management activities as: "The management of the local authority's investments and cashflows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risk".
- 10.2 The TMSS sets out the counterparties that the Council will invest with and the limits that will be invested with each counterparty. There are no proposed changes to the limits that are contained in the 2023/24 Strategy.
- 10.3 The Council needs to adhere to the CIPFA Treasury Management and Prudential Codes when preparing the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) reports, and also related reports during the financial year.
- 10.4 In addition to the TMSS, the Council is also required to produce quarterly treasury update reports and an annual treasury report which are presented to the Governance and Audit Committee for approval.
- 10.5 The draft Strategy included at Appendix F has been presented to Governance and Audit Committee on 24 January 2024 for consideration prior to being presented to Council for approval on 29 February 2024.

10.6 The Capital Strategy has also been amended and updated and is provided in detail at Appendix G. The strategy sets out the strategic framework of capital investment, capital financing and treasury management activity and how they support the delivery of the Corporate Plan and service provision.

## 11 Collection Fund

11.1 All relevant transactions associated with Council Tax and National Non-domestic Rates (NNDR) are shown in the Collection Fund.

11.2 To comply with CIPFA's Accounting Code of Practice Councils are required to forecast the outturn on the Collection Fund as at 31 March each year in order to distribute this amount to precepting bodies and Central Government in the following financial year.

11.3 Any surplus or deficit arising from Council Tax transactions is shared between South Kesteven District Council, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner (the precepting bodies) in proportion to their demands on the Collection Fund.

11.4 Any surplus or deficit arising from Business Rates transactions is shared between Central Government (50%), South Kesteven District Council (40%) and Lincolnshire County Council (10%).

11.5 A breakdown of the deficit distribution for Council Tax and Business Rates is detailed in Table 17:

**Table 17 – Deficit Distribution for Council Tax and Business Rates as at January 2024**

	<b>Council Tax (£)</b>	<b>Business Rates (£)</b>
South Kesteven District Council	31	TBC
Lincolnshire County Council	209	TBC
Lincolnshire Police and Crime Commissioner	40	TBC
Central Government		

## 12 Reasons for the Recommendations

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

## 13 Consultation

13.1 The Budget Joint Overview and Scrutiny Committee met on 15 January 2024 and debated all aspects of the budget proposals for both General Fund and Housing

Revenue Account. The recommendations from the Budget Joint OSC were considered by Cabinet on 18 January 2024.

#### **14 Appendices**

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

Appendix A (i) – General Fund Revenue Summary by Service Area

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

Appendix C – Reserves Statement – GF & HRA

Appendix D – Risk Register and financial risk cover ratio

Appendix E – Equality Impact Assessment

Appendix F – Treasury Management Strategy Statement

Appendix G – Capital Strategy

Appendix H – Fees and Charges

#### **15. Other Options Considered**

15.1 As above, the Council is legally required to set a balanced budget each financial year, therefore there is no option not to set a budget.