



# Budget – Joint Overview and Scrutiny Committee

Tuesday, 14 January 2025

Report of Councillor Ashley Baxter  
Leader of the Council, Cabinet Member  
for Finance, HR and Economic  
Development

## Budget Proposals for 2025/26 and indicative budgets for 2026/27 and 2027/28

### Report Author

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### Purpose of Report

To present the draft Budget proposals and estimates for 2025/26 for both the General Fund and the Housing Revenue Account.

### Recommendations

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

1. **Review the budget proposals and estimates within the report**
2. **Recommend to Cabinet any amendments to the budget proposals for 2025/26:**

#### General Fund

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

## **Housing Revenue Account**

- **Housing Revenue Account – Revenue and Capital**
- **Proposed dwelling rent increase of 2.7%**
- **Proposed increase for garage rents and service charges of 1.7%**

## **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**

Does the report contain any exempt or confidential information not for publication? No

What are the relevant corporate priorities? Connecting communities  
Sustainable South Kesteven  
Enabling economic opportunities  
Housing  
Effective council

Which wards are impacted? All Wards

## **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***

- 1.1 Financial commentary is contained throughout this report. Members are asked to note the commentary on the proposed use of reserves and the risks identified on 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 appended at Appendix E and risk scores are applied accordingly.

*Tracey Elliott, Risk and Governance Officer*

### ***Diversity and Inclusion***

- 1.4 An Equality Impact Assessment is appended at Appendix F.

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

- 2.1 This report introduces the draft budget proposals for the 2025/26 financial year to the Budget Joint Overview and Scrutiny Committee.
- 2.2 The Committee is invited to review and comment on the proposals contained in the report which are due to be presented to Cabinet on 16 January 2025.
- 2.3 The budget setting timetable is set out below:

<b>Date</b>	<b>Committee/ Action</b>	<b>Details</b>
14 January 2025	Budget – Joint OSC	To consider proposed budgets for 2025/26
16 January 2025	Cabinet	To consider proposed budgets To receive feedback from Budget - Joint OSC To approve consultation of budget proposals To recommend proposals to Council for fees and charges 2025/26
17 January – 31 January 2025	Consultation	To receive views on proposed Council Tax levels for 2025/26
30 January 2025	Council	To consider and approve fees and charges 2025/26
11 February 2025	Cabinet	To consider consultation feedback and make final budget recommendations to Council
27 February 2025	Council	To approve Council Tax level and budget for 2025/26 both General Fund and Housing Revenue Account

2.4. In January 2024 the Council approved a new Corporate Plan for 2024 -2027. The primary purpose of the budgets for the next 3 years are to enable the delivery of the aims and ambitions set out in the Corporate Plan.

2.5. Whilst a 3-year Medium Term Financial Plan is being presented, it is within the context of a single year financial settlement and therefore there is a high degree of financial uncertainty for the latter two financial years (2026/27 and 2027/28).

2.6. The two forecast years (2026/27 and 2027/28) assume changes in funding levels as a result of national changes to the funding formula and will be kept under review as more information is expected from Spring 2025 onwards.

2.7. The budget setting process commenced in September 2024 and proposals have been developed and formulated by Cabinet, working closely with senior officers, through a series of budget review sessions. These have focused on how to promote the ambitions of the Corporate Plan subject to available finances.

2.8. This report summarises the budget preparatory work and covers a number of areas:

- The funding position for the General Fund (section 3)
- Draft General Fund proposals (section 4)
- Housing Revenue Account (HRA) (section 5)
- The Capital Programme 2025/26 – 2027/28 (section 6)
- Capital Financing (section 7)

- Reserves and Balances (section 8)

### **3 THE FUNDING POSITION FOR THE GENERAL FUND**

#### **Autumn Budget Statement**

- 3.1. On 30 October 2024, the Chancellor presented her 2024 Autumn Budget Statement and Spending Review to the House of Commons. The Budget sets out the medium-term path for public finances, accompanied by a one-year Spending Review covering departmental settlements for 2025/26.
- 3.2. It was announced that a further stage of the Spending Review will conclude in late Spring 2025. It is unclear how many years the second phase will cover, but the Government's general commitment would suggest at least 2026/27 and 2027/28.
- 3.3. The Government also intends to simplify the wider local funding landscape, reducing the number of separate grants and moving towards a multi-year settlement for local government so local authorities can plan more effectively.
- 3.4. The Government is committed to reforming the approach to funding allocations within the Local Government Finance Settlement by redistributing funding to ensure that it reflects an up-to-date assessment of need and local revenues.

#### **National Summary of Funding Announcements**

- A real terms increase in core local government spending power of around 3.2% in 2025/26, including at least £1.3 billion of new grant funding, of which at least £600 million will be new grant funding to support social care.
- The continuation of the Shared Prosperity Fund for a further year worth £900 million.
- The removal of the Rural Services Delivery Grant and the creation of a targeted Recovery Grant aimed at Councils that are experiencing greater need and demand for services.
- The retention of the current policy of allowing Council Tax increases for shire districts to be 3% or £5 whichever is the greater.
- The Government will provide £233 million of additional spending in 2025/26 to prevent homelessness. This suggests the Homelessness Prevention Grant continuing for another year.
- There will be a national £86 million increase to the Disabled Facilities Grant in 2025/26.

- 3.5. Local authorities (nationally) are expected to receive around £1.1 billion of new funding in 2025/26 through the implementation of the packaging Extended Producer Responsibility scheme (pEPR) to improve recycling outcomes from January 2025 for 2025/26 only.
- 3.6. The Council has received a notification of a pEPR payment for 2025/26 of at least £837k. This is based on a provisional assessment, which could result in an increased allocation.

- 3.7. Employers National Insurance (NI) contributions will increase from 13.8% to 15.0% from April 2025, with a reduction to the per-employee threshold at which employers become liable to pay NI to £5,000. All eligible employers will now benefit from the NI employment allowance, which itself will be increased from £5,000 to £10,500. For South Kesteven, this equates to approximately £415k additional cost to the General Fund and £125k additional cost to the HRA.
- 3.8. Although it is has been confirmed that local authorities will receive some level of additional funding to compensate for the additional employer cost, the actual calculation methodology has not been confirmed. Some early modelling suggests that the Council may only receive 30% funding towards the additional cost.

### **Provisional Settlement 2025/26**

- 3.9. The provisional local government finance settlement was announced by the Government on 17 December 2024. It provided the Council with the financial information required to estimate funding levels for 2025/26 in detail and whilst less certain those for 2026/27 and 2027/28.
- 3.10. The headlines from the settlement were not positive for the Council or shire districts in general. A core spending power settlement for 2025/26 of 0% for South Kesteven and an average 0.3% for shire districts. This is because of the assumed council tax increase of 3% contained within the calculation. Although, the funding position is disappointing it wasn't a surprise, and the budgets had been prepared using assumptions that this would most likely be the position.
- 3.11. The Government has announced an intention to reform the current system of local government finance. This will include a business rate reset, which would remove the benefits and advantages the Council has accrued in business rate growth over previous years
- 3.12. The Government has announced the New Homes Bonus funding will not continue and Rural Services Delivery Grant has been removed without notice or consultation. Both of these funds have been received annually by the Council.

The Government policies and forecasts above, in addition to a generally more needs and deprivation driven approach to funding will inevitably put pressure on Council's funding and budgets. Initial modelling has been undertaken to estimate the funding levels, however the Spring Budget will hopefully provide more information to establish what the potential reductions might be.

- 3.13. The 2025/26 proposals show clear evidence of the emerging short-term financial priorities of the new government - social care, deprivation, grant consolidation without bidding processes - sometimes into the main settlement and supporting financial resilience through more efficient allocation of resources.

3.14. The longer-term proposals aim to make best (most efficient) use of available resources, through allocations based on relative needs and the resources available locally to fund these needs. The likely main elements of the review are:

- updating needs formulas and data.
- a reset of accumulated business rates growth (through the business rates retention system).
- adjustment of allocations to take account of varying costs of delivery across the country (including in rural and urban areas).
- resources equalisation (levelling the playing field) of the council tax taxbase between authorities.
- a method of transition from the current baseline to the new arrangements.

The table below summarises all the funding proposals that have been proposed by Government through the Settlement announcements. The final allocation for 2025/26 will be confirmed during February 2025.

**Table 1 – Indicative Funding Levels**

<b>Funding Heading</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business Rates (SFA)	6.8	7.2	6.2	6.4
Council Tax	9.1	9.5	9.9	10.3
Collection Fund (Deficit)/ Surplus	-0.4	0.8	0.0	0.0
New Homes Bonus	0.6	0.5	0.0	0.0
Rural Services Delivery Grant	0.4	0.0	0.0	0.0
Funding Guarantee Grant	1.1	1.2	0.0	0.0
Services Grant	0.0	0.0	0.0	0.0
Revenue Support Grant	0.2	0.2	0.6	0.5
pEPR Payment	0.0	0.8	0.0	0.0
National Insurance Funding	0.0	0.4	0.0	0.0
UKSPF*	2.0	0.0	0.0	0.0
<b>Total Resources</b>	<b>19.8</b>	<b>20.6</b>	<b>16.7</b>	<b>17.2</b>

\*it is anticipated that the 2025/26 allocation will be distributed to the Mayoral Combined County Authority and allocated to Councils. A delegation will be required to accept the grant allocation once confirmed.

3.15. In the overall Core Spending Power calculations that Government has provided there is an assumption that Councils will increase their share of the Council Tax in accordance with the limits set and referred to above.

### **Council Tax Proposals 2025/26**

3.16. It can be seen from the Table 1 that Council Tax income is the single biggest element of the Council overall funding levels and therefore proposals for Council Tax levels for 2025/26 should be considered in this context.

3.17. The Tables 2a and 2b below reflect the two options set by Government for Council Tax increases without triggering a referendum. A £5 or 3% increase.

**Table 2a – Option 1 £5 increase on the 2024/25 Council Tax Band D Charge**

	2024/25	2025/26	% Variation	Increase
Assumed Band D Increase	Up to £5.31	Up to £5.00	n/a	n/a
Tax Base	49,710.00	50,140.50	0.86%	430.5
Band D – SKDC only	£171.81	£176.76	2.88%	£4.95
Band D – Grantham SEA	£52.29	£52.56	0.51%	£0.27
Band D – Langtoft SEA	£7.02	£7.29	3.84%	£0.27
Band D (SKDC + Special Expense Areas)	£183.89	£188.89	2.71%	£5.00
<b>Council Tax Income</b>	<b>£9.141m</b>	<b>£9.471m</b>	<b>3.61%</b>	<b>£0.330m</b>

**Table 2b – Option 2 3% increase on the 2024/25 Council Tax Band D Charge**

	2024/25	2025/26	% Variation	Increase
Assumed Band D Increase	Up to £5.31	Up to £5.51	n/a	n/a
Tax Base	49,710.00	50,140.50	0.86%	430.5
Band D – SKDC only	£171.81	£177.30	3.19%	£5.49
Band D – Grantham SEA	£52.29	£52.38	0.17%	£0.09
Band D – Langtoft SEA	£7.02	£7.02	0.00%	£0.00
Band D (SKDC + Special Expense Areas)	£183.89	£189.38	2.98%	£5.49
<b>Council Tax Income</b>	<b>£9.141m</b>	<b>£9.495m</b>	<b>3.87%</b>	<b>£0.354m</b>

**The difference between options 1 and 2 is Council Tax income of £24k.**

3.18. Public consultation on Council Tax options for 2025/26 will begin after the January meeting of Cabinet. Consultation feedback will then be considered by Cabinet at the February meeting.

### **Business Rates Pool**

3.19. Lincolnshire authorities have applied for Pool status for 2025/26, as this has been financially beneficial for all Lincolnshire Councils. The allocation of additional business rates received (retained levy) will continue to be distributed as 40% County Council and 60% to the districts. An application has been submitted to the Ministry of Housing, Communities and Local Government and is made up of the following Councils:

- 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 2025/26 is shown at Table 3 below and further information can be found at Appendix A. The net cost of services for 2025/26 is estimated at £24.008m.

**Table 3 – Summary of General Fund Estimates**

Description	2024/25 Original Budget	2025/26 Proposed Budget	2026/27 Indicative Budget	2027/28 Indicative Budget
	£'000	£'000	£'000	£'000
<b>Directorate</b>				
Corporate, Governance & Public Protection	4,037	4,263	4,352	4,671
Finance, Property & Waste Services	9,532	11,526	10,456	10,699
Growth & Culture	10,520	8,227	8,472	8,413
Housing & Projects	1,453	1,926	1,631	1,621
HRA recharge	(2,942)	(2,960)	(2,976)	(2,992)
Drainage Rates	947	1,026	1,077	1,131
<b>Net Cost of Services</b>	23,547	24,008	23,012	23,543
<b>Financing and Investment</b>				
Depreciation	(4,450)	(4,537)	(4,623)	(4,697)
Investment Income	(914)	(781)	(706)	(631)
Minimum Revenue Provision	281	271	546	533
Revenue Contribution to Capital	3,679	2,087	1,020	769
Transfer to/from Earmarked Reserves	(2,399)	(445)	(1,803)	(1,302)
<b>Net Budget Requirement</b>	<b>19,744</b>	<b>20,603</b>	<b>17,446</b>	<b>18,215</b>

Description	2024/25 Original Budget	2025/26 Proposed Budget	2026/27 Indicative Budget	2027/28 Indicative Budget
	£'000	£'000	£'000	£'000
<b>Funding</b>				
Business Rates	(6,801)	(7,189)	(6,190)	(6,417)
Collection Fund (Surplus)/Deficit - Business Rates	432	(879)	0	0
Council Tax	(9,141)	(9,497)	(9,867)	(10,251)
Collection (Surplus)/Deficit - Council Tax	0	60	0	0
<b>Grant Income</b>				
Rural Services Grant	(401)	0	0	0
Services Grant	(25)	0	0	0
Revenue Support Grant	(153)	(195)	(605)	(558)
Funding Guarantee Grant	(1,110)	(1,188)	0	0
New Homes Bonus	(564)	(474)	0	0
UK Shared Prosperity Fund	(1,981)	0	0	0
pEPR Payment	0	(837)	0	0
NIC Funding	0	(404)	0	0
<b>Total Funding</b>	<b>(19,744)</b>	<b>(20,603)</b>	<b>(16,662)</b>	<b>(17,226)</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>784</b>	<b>989</b>

4.2 The Council is legally required to produce a balanced budget for 2025/26 and a sustainable position for the medium term. This has been achieved through careful planning, forecast reductions in utility and fuel costs and a continuation of higher investment interest rates.

4.3 However, the need for a strong reserves position can be seen from the future forecast deficits. Table 3 shows the potential financial impact if the proposed changes to funding arrangements are implemented from 2026/27. The main drivers for the resource reductions are the resetting of Business Rates growth and the withdrawal of specific grants: New Homes Bonus and Rural Services Delivery Grant.

4.4 The Government has announced that it will provide a two-year settlement from 2026/27, which will give greater certainty.

#### Minimum Revenue Provision (MRP)

4.5 Minimum Revenue Provision (MRP) is the charge to revenue made as a proxy for the repayment of principal when borrowing is undertaken to finance capital expenditure. MRP is statutory and is aimed at ensuring the Council does not have outstanding debt related to the life of the specific asset or to assets it no longer

holds.

4.6 MRP is charged in the first full year after the asset becomes operational and is charged over the life of the asset. Table 4 shows that MRP is forecast to increase significantly over the next three years as the Council increases its borrowing.

**Table 4 – Forecasted MRP Charges**

	2025/26 £'000	2026/27 £'000	2027/28 £'000
Existing MRP Charge (legacy borrowing)	116	111	107
St Martin's Park	155	152	149
Depot Development	0	283	277
<b>Total</b>	<b>271</b>	<b>546</b>	<b>533</b>

**Key Budgetary Proposals**

4.7 The budgetary proposals for 2025/26 incorporate a number of service changes that have been incorporated to meet operational demands.

- Table 5a sets out associated increases in recurring costs
- Table 5b sets out associated one-off costs
- Table 6 identifies anticipated savings to mitigate some of the costs
- Table 7 shows increases to fees and charges income levels

**Table 5a – Proposed Budget Increases – Recurring**

Details	Cost £'000	Recurring
Drainage Rates	79	Recurring
Insurance	44	Recurring
Customer Service Centre Grantham	28	Recurring
External Audit	15	Recurring
Conduit Lane Public Conveniences	12	Recurring
Apprenticeship Levy	10	Recurring
Turnpike Close Depot (additional costs)	27	Recurring
Local Plan	216	Recurring
Single Person Discount	9	Recurring
Homelessness Support Officer	45	Recurring
Domestic Abuse Officer	45	Recurring
Two Welfare Officers	37	Recurring
Licensing Support Officer	28	Recurring
Graduate Apprenticeships	28	Recurring
Empty Homes Officer	18	Recurring
<b>Total Recurring</b>	<b>641</b>	

**Table 5b -Proposed Budget Increases – One Off**

Details	Cost £'000	One Off
Depot Fit Out	500	One Off
Backlog Maintenance	1,000	One Off
Homelessness Emergency Accommodation	300	One Off
Leisure SK Ltd Cashflow Support	150	One Off
Grantham Town Events	127	Funded from FHSF
Grantham Canal Flood Defence Works	100	One Off
SK House Refurbishment	30	One Off
Equipment Modification – Grounds Maintenance	37	One Off
Garden Village Consultancy	30	One Off
Replanting and Woodland Initiatives	25	One Off
Economic Development Project Support Officer	44	Funded from FHSF
Grantham Town Centre Engagement Manager	38	One Off
<b>Total One Off</b>	<b>2,381</b>	

**Company Funding proposals LeisureSK Ltd**

4.8 On 10<sup>th</sup> September 2024, Cabinet approved a new business operating structure for leisure services that incorporates an Agency model. The model is to be implemented with an operating implementation go live of 1<sup>st</sup> April 2025. In order to support this new operating model, the Company presented its business plan and funding proposals to the Culture and Leisure Overview and Scrutiny Committee on 28 November 2024.

A funding proposal of £150k has been requested in order to provide temporary cashflow support for a short term period. Upon confirmation that the new operating model has been embedded then the payment of £150k will be recovered by the Council during 2025/26 once the cashflow has been stabilised.

**Table 6 – Proposed Savings**

Details	Saving £'000	Comments
Salary Forecasts	592	Reduction in budgeted assumption
Utilities	127	Inflationary assumptions in ongoing energy costs reduced from previous budgeted levels
Fuel	185	Reduction in projected inflationary prices
Rollout of LED street lighting	222	Reduction in budgeted electricity costs.
<b>Total</b>	<b>1,126</b>	

**Table 7 – Proposed changes to Fees and Charges Income Budgets**

Details	Income £'000	Comments
Green Waste Service	76	£2 increase for first bin and £2 increase for all subsequent bins
Planning Income	100	Increases to statutory set fees and charges
Car Parking Income	260	Increase in usage and changes to Car Parking tariffs with effect from 20 January 2025
Other discretionary services	15	Inflationary increase only to all other discretionary charges
<b>Additional Fees and Charges Income</b>	<b>451</b>	

**General Fund Budget Estimates – 2025/26**

4.9 The budget assumptions that have been considered and incorporated into the 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	2025/26		2026/27		2027/28	
	Budget Increase	(%)	Budget Increase	(%)	Budget Increase	(%)
	£'000		£'000		£'000	
Drainage Board Levies*	5	79	5	51	5	54
Pay Award	2	388	2	378	2	336
Insurance	10	47	10	37	10	40

\*The Council received Internal Drainage Board Levy Grants from Central Government of £88k in 2023/24 and £50k in 2024/25 to provide additional funding towards the increased cost of these levies. Further support has been confirmed for 2025/26.

4.10 The financial forecasts for investment income remain volatile with most economist's predicting a reduction in base rate. The estimated investment income interest rates, based on our treasury advisor's projections, are shown at Table 9:

**Table 9 – Treasury Investment Financial Forecasts**

Financial Year	2025/26	2026/27	2027/28
Forecast Interest Rate	3.25%	3.00%	2.75%
Assumed Interest Receivable	£781k	£706k	£631k

4.11 This information has been used to estimate interest on the Council's investment of its cash balances. The total interest receivable is shared between the General Fund and the Housing Revenue Account (HRA) dependent upon the reserve balances for each Fund.

### **Fees and Charges**

4.12 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 has been approved by Council. The policy introduces a set of principles which have been applied to fees and charges setting.

4.13 The Council is able to charge for a wide range of services. They fall into two 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 Council. However, income cannot be assumed to increase in line with other fees and charges.
- Discretionary Charges – These are charges for which local authorities can make independent decisions. When setting these fees and charges, the Council's approach should be clear and in line with the corporate priorities.

### **Street Scene Charges**

4.14 Proposals for green waste collection charges were considered by the Environment Overview and Scrutiny Committee on 10 December 2024. The Committee recognised the value of the service to the residents but was also mindful of the increasing costs of delivering the service. Whilst a £1 increase was considered, the Committee recommended an increase of £2 in respect of the collection charge for 2025/26. The Committee did not support a suggested increase to the bulky waste service collection charges for 2025/26 because it wanted to ensure the service remained accessible to residents who wish to dispose of larger items. The current and proposed increased charges to take effect from 1 April 2025 are shown in Table 10 below:

**Table 10 – Green Waste Charges**

<b>Description of Charge</b>	<b>2024/25 Current</b>	<b>2025/26 Proposed</b>
Provision of Green Bin (all new or additional bins)	£28	£29
Annual Collection Charge (first bin)	£51	£53
Annual Collection Charge (each subsequent bin)	£42	£44

4.15 The majority of the discretionary fee increases align with costs associated with delivering each service. In order to encourage the success of street markets across the district, there is no proposed increase to the fees for market traders.

4.16 The remainder of the discretionary charges are set out in Table 11.

**Table 11 – All Other Fees and Charges**

Arts centres	Changes to charges based on competitive pricing against other alternative local options	Subsidised	
Bus stations	0%	Subsidised	
Car parking charges	Car Parking fees & charges changes approved by Cabinet on 24 September 2024.	Cost Recovery and investment in traffic management related assets	
Green waste	£2 increase for first bin and £2 for all subsequent bins	Cost Recovery	
Markets	0%	Subsidised	
Outdoor recreation	Up to 2% – Only Wyndham Park Visitor Centre services still offered by SKDC.	Subsidised	
Planning, pre-planning and street naming and numbering charges set locally	Up to 2% and new charges proposed for street naming and numbering	Cost Recovery	
Supply of new or replacement bins	0%	Cost Recovery	
Community rooms & guest rooms	Up 3%	Cost Recovery	
Domestic refuse collection e.g. bulky waste	0%	Cost Recovery	
Hygiene food safety, packs and energy efficiency standards	Full cost recovery analysis undertaken	Cost Recovery	

4.17 Details of all the proposed fees and charges are set out at Appendix B.

4.18 A separate report concerning 2025/26 fees and charges proposals will be presented to the Cabinet on the 16 January 2025. This is necessary in order for Council to consider the charges on 30 January 2025 thereby allowing sufficient time for the green waste bin renewal process.

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

- 5.1 The HRA budget proposals continue to focus on:
  - Meeting tenants housing needs
  - Facilitating the delivery of new housing across a range of tenures
  - Enabling those whose independence may be at risk to access suitable housing (including their current home)
  - Supporting investment in affordable warmth for tenants
  - Meeting compliance requirements and ensuring resources are allocated.
- 5.2 The budgets for the HRA have been prepared by identifying 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.

### **Autumn Budget Impact on HRA**

- 5.3 On 30 October 2024, the Chancellor presented her 2024 Autumn Budget and Spending Review to the House of Commons. The Budget had two main impacts on the Council's HRA.
  - 5.4 The first was the confirmation of a five-year rent settlement of the Consumer Price Index (CPI) plus 1% for social housing providers. This is certainly a significant improvement on year-on-year settlements and will help in the planning and forecasting for the future.
  - 5.5 In addition, it was announced that Right to Buy discounts will be reduced and councils will be able to retain the full receipts of Right to Buy sales. Whilst the retention of full receipts will provide further resources to support the building of new homes, the reduction in the discount could reduce the level of receipts as RTB's becomes less affordable.

### **Housing Revenue Account 2025/2026 – Rent Proposals**

- 5.6 The rental income budgets are set in accordance with the Government's rent setting guidance formula which has been approved as 2.7% for 2025/26.
- 5.7 The rent setting proposals for 2025/26 increase the annual budgeted rental income from £28.916m in 2024/25 to £29.698m in 2025/26. The average weekly rental increase for individual properties will be £2.65. The average weekly rent in 2025/26 will be £100.77 with a minimum of £66.12 and a maximum of £204.20.

Garage rents and service charges are proposed to increase by 1.7% and other HRA charges are set out in the fees and charges shown at Appendix B. Further analysis of rent details is provided in Tables 12 and 13.

**Table 12 - Impact – 2.7% increase**

<b>Bedrooms</b>	<b>% of Dwelling Stock</b>	<b>Average Weekly Rent 2024/25 (£)</b>	<b>Average Weekly Rent 2025/26 (£)</b>	<b>Average Increase (£)</b>	<b>% Increase</b>
Bedsit	0.51%	68.50	70.35	1.85	2.70%
1 Bedroom	13.40%	83.88	86.14	2.26	2.70%
2 Bedrooms	42.95%	94.38	96.92	2.54	2.70%
3 Bedrooms	40.91%	103.95	106.76	2.81	2.70%
4 Bedrooms	2.09%	108.80	111.74	2.94	2.70%
6 Bedrooms	0.14%	127.37	130.81	3.44	2.70%

**Table 13 - Increases for Individuals**

<b>Increase per week</b>	<b>Number of Properties</b>	<b>% of Properties</b>
Under £1.99	43	0.73%
£2.00 – £2.49	2,018	34.48%
£2.50 - £2.99	3,291	56.23%
£3.00 - £3.49	469	8.01%
£3.50 - £3.99	12	0.21%
£4.00 - £4.49	7	0.12%
£4.50 - £4.99	7	0.12%
Over £5.00	6	0.10%
<b>Total</b>	<b>5,853</b>	

5.8 In addition to using the 2.7% rent increase in setting the budget for rental income for future years, further assumptions have been made:

- Void rent assumptions of 2.0% have been built into the budgets. Whilst this figure is lower than current performance levels, the direction of travel has improved and suggest the 2.0% will be achievable from April 2025.
- Right to Buy sales have been budgeted at 35 sales for 2025/26 and is in line with recent sale figures. The recent announcement from Government regarding the proposed changes to the scheme resulted in the Council receiving 62 applications before the discount reduction came into effect. It is too early to determine if the discount change reduces the number of sales although this would help maintain stock levels.

## 6 CAPITAL PROGRAMMES 2025/26 – 2027/28

6.1 The schemes included within the capital programme have been designed 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 £1.669m
- Wheelie Bin Replacement £0.145m
- Extension to the Cattle Market Car Park £0.100m
- Wharf Road Car Park Refurbishment £0.350m
- Play Parks £0.100m
- Disabled Facilities Grants (100% grant funded) £0.975m

6.2 A summarised capital programme is shown at Table 14 and a detailed capital programme included at Appendix C.

**Table 14 – General Fund Capital Programme Summary**

Directorate	2025/26 Proposed Budget* £'000	2026/27 Indicative Budget £'000	2027/28 Indicative Budget £'000
<b>Corporate, Governance &amp; Public Protection</b>			
Disabled Facilities Grants	975	975	975
CCTV	56	0	0
	<b>1031</b>	<b>975</b>	<b>975</b>
<b>Finance, Property &amp; Waste Services</b>			
Vehicle and Bin Replacement	1,814	1,431	1,386
Asset Enhancement and Maintenance	350	350	300
IT Systems	211	0	0
	<b>2,375</b>	<b>1,781</b>	<b>1,686</b>
<b>Growth &amp; Culture</b>			
Play Parks	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total Budget</b>	<b>3,506</b>	<b>2,856</b>	<b>2,761</b>
Financing:			
Borrowing	0	0	0
Grants and Contributions	975	975	975
Reserves	1,245	1,020	869
Useable Capital Receipts	1,286	861	917
<b>Total Financing</b>	<b>3,506</b>	<b>2,856</b>	<b>2,761</b>

\* no carry forward from 2024/25 has been included at this time, there is significant carry forward anticipated from both the Depot Project (c. £5.9m) and Social Housing Decarbonisation (c. £2.8m).

### **Housing Investment Programme (HIP)**

- 6.3 The capital programme for the period 2025/26 – 2027/28 has been derived using the results and analysis of the rolling stock condition survey.
- 6.4 This analysis allows the Council to focus the resources of the HRA on 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.
- 6.5 A summary of the programme is shown at Table 15 and detailed at Appendix C.

**Table 15 – HRA Capital Programme Summary**

	<b>2025/26 Proposed Budget*</b>	<b>2026/27 Indicative Budget</b>	<b>2027/28 Indicative Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Energy Efficiency Initiatives	5,172	5,227	5,172
Vehicle Purchase	423	221	238
New Build Programmes**	12,700	4,000	3,000
Refurbishment & Improvement Works	3,513	2,570	2,570
Scheduled Works	6,761	5,782	5,782
Disabled Adaptations	360	378	378
<b>HRA Budget</b>	<b>28,929</b>	<b>18,178</b>	<b>17,140</b>
Financing:			
Capital Receipts	8,700	4,000	3,000
Grants and Contributions	6,000	2,000	2,000
Reserves	14,229	12,178	12,140
<b>Total Financing</b>	<b>28,929</b>	<b>18,178</b>	<b>17,140</b>

\* no carry forwards from 2024/25 has been included at this time but will be included in the final budget proposals

\*\* the 2025/26 New Build Programme includes schemes at Larch Close Grantham and Wellington Way, Market Deeping

## **7 CAPITAL FINANCING**

- 7.1 The General Fund Capital Programme is detailed at Appendix C. The proposed schemes are being funded by a combination of external grants, earmarked reserves and internal borrowing. Ongoing reduction of reserve balances means the Council will need to continue to use internal borrowing to fund some elements of the capital programme.
- 7.2 There has been a strategy over the last 2 years to dispose of surplus assets, if they 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 some projects in the capital programme. However, this will not be sufficient to avoid internal borrowing in either the short or medium term.
- 7.3 The HRA Capital Programme is included at Appendix C and is proposed to be financed from HRA earmarked reserves. This is affordable without the need for 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 2025/26 is £3.714m.

### **General Fund**

- 7.4 The General Fund Capital Programme for 2025/26 will be financed from the following:
  - £0.936m Capital Receipts Reserve
  - £0.975m Grants and Contributions
  - £1.034m Local Priorities Reserve
  - £0.350m Property Maintenance Reserve
  - £0.111m ICT Reserve

- 7.5 At the time of compiling this report, the £0.975m grant funding for Disabled Facilities Grants has not been confirmed (anticipated as part of the settlement) and therefore the financing or level of the 2025/26 investment may need to be amended when the level of grant funding is confirmed.

### **Housing Revenue Account**

- 7.6 The HRA capital programme for 2025/26 is proposed to be financed from the following:
  - £8.700m Capital Receipts Reserve
  - £6.000m Grant Funding
  - £14.229m Major Repairs Reserve

## 8 **RESERVES AND BALANCES**

8.1 In accordance 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.

8.3 A summary of the proposed reserve movements to fund the General Fund Revenue and Capital Budgets are set out at Table 16 below. Full details of the General Fund Reserves can be found at Appendix D.

**Table 16 – Proposed General Fund Revenue Reserve Movements**

<b>Reserve Heading</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Climate Change Reserve	363	0	0
Local Priorities Reserve	(1,445)	(1,968)	(1,480)
Markets Reserve	50	0	0
Invest to Save	(37)	0	0
ICT Reserve	(132)	0	0
Property Maintenance	(350)	0	0
Leisure & Community	100	0	0
Pension movement (former employees)	(31)	(31)	(31)
Building Control Reserve	(30)	(27)	(26)
Football 3G Pitch	25	25	25
Special Expense	186	198	210
Waste Services Reserve	837	0	0
<b>Total Movement</b>	<b>(464)</b>	<b>(1,803)</b>	<b>(1,302)</b>

8.4 The following paragraphs set out the reasons for major uses of either new reserves established or those that have had additional resources added:

- **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 has been used for the following:

- upgrading lighting at the Grantham Meres Leisure Centre,
- electric grounds maintenance equipment
- upgrading of the boiler control panel at Bourne Corn Exchange
- swimming pool covers at Bourne and Stamford Leisure Centres

The additional resources have been added to the reserve to support future initiatives and a work programme relating to its use is monitored by the Environment Overview and Scrutiny Committee. It is proposed that the balance of this reserve is increased to £500k in order to provide further resources to fund future initiatives.

- **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 £0.455m and £3m from the 2023/24 closedown after a full review of the appeals provision on business rates, has been transferred to the Local Priorities Reserve. This is to provide an immediate increase to the balance of the Reserve but thereafter no further receipts are expected as New Homes Bonus will cease after 2025/26.

It is proposed that £1.1m of this reserve is used to contribute towards the 2025/26 capital programme including: £0.9m for vehicle replacement; £0.1m Refurbishment of Play Parks and £0.1m Finance system

- **Markets Reserve** – this Reserve has been established to support the continued regeneration of the markets and to deliver specific actions as set out in the Markets Action Plan that has been developed. An allocation of £50k has been made for the establishment of this reserve.
- **Leisure & Community Reserve** – an additional £100k has been added to this reserve bringing the amount to £300k to enable it to be widened in order to support both leisure and community projects across the district.
- **Waste Services Reserve** – this Reserve has been established from the packaging Extended Producer Responsibility payment recently announced by Government. The payment is a one-off grant that has been received in 2025/26 in order to support the implementation of the new legislation as set out in the Environment Act 2021.
- **Food Waste Reserve** – this Reserve has been established from a grant announced by Government in March 2024 to support capital expenditure to establish a food waste kerbside collection service by 1<sup>st</sup> April 2026. The one-off funding allocation of £1.371m has been calculated by Government as the necessary resources to fund the purchase of food waste caddies for each household and the necessary additional twelve food waste freighters. In order to ensure the operational go live date of April 2026, it will be necessary to commence the procurement in the coming weeks.

8.5 There are a number of specific reserves to assist in the delivery of HRA services, which are used to fund both revenue and capital expenditure. In addition, the HRA has a specific working balance which provides financial resilience to the HRA

should any significant unforeseen costs arise during the financial year.

8.6 The Major Repairs Reserve is the primary source of funding for the HRA capital programme and is proposed to be utilised to fund the investment in the housing stock over the next 3 years. Further detail of the HRA Reserves can be found in Appendix D.

**Table 17 - Budgeted HRA Reserve Movements**

Reserve Heading	2025/26 £000	2026/27 £000	2027/28 £000
Priorities Reserve	(100)	(100)	(100)
Working Balance	1,227	331	400
Capital Receipts Reserve	(6,699)	(555)	445
Major Repairs Reserve	(6,609)	(2,165)	(1,565)

- The Priorities Reserve is used to fund Housing Revenue Account service priorities. It is proposed that £100k of the reserve will be used to fund New Build Feasibility studies.
- The Capital Receipts Reserve movements shown at Table 17 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 (£14.504m) will be used to contribute towards the 2025/26 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. As at 31 March 2024, the outstanding debt is £79.769m. 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 2025/26 this contribution is £3.714m. 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 current housing stock.

## **9 Reasons for the Recommendations**

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

## **10 Consultation**

10.1 The Budget - Joint OSC provides an opportunity for members to consider the budget proposals for 2025/26 and to make any recommendations with respect to the information set out in the report.

- 10.2 As has been stated earlier, the Environment OSC discussed the proposed fees and charges relating to Green Waste and Bulky Waste collection services.
- 10.3 Recommendations from the Budget Joint OSC will be considered at the January meeting of Cabinet.
- 10.4 A public consultation will take place on the setting of the Council Tax level for 2025/26.

## 11 Appendices

Appendix A - Revenue summary – General Fund (GF) and Housing Revenue Account (HRA) **(Appendices to follow)**

Appendix B – Fees & Charges – GF & HRA

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

Appendix D – Reserves Statement – GF & HRA

Appendix E – Risk Register

Appendix F – Equality Impact Assessment **(Appendix to follow)**