



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

## **Cabinet**

Tuesday 11<sup>th</sup> February 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 draft Budget proposals and estimates for 2025/26 for the General Fund and the Housing Revenue Account (HRA).

## **Recommendations**

**Cabinet is asked to make the following recommendations to Council to:**

- 1. Set a General Fund budget requirement of £20.603m for 2025/26 (inclusive of special expenses) as detailed at section 2 and Appendix A.**
- 2. Propose a Council Tax level of £189.37 for 2025/26 (Band D property) after taking into consideration the consultation findings.**
- 3. Note indicative Budget estimates for 2026/27 and 2027/28 (Appendix A).**
- 4. Approve HRA dwelling rent increases of 2.7% for 2025/26 providing an average rent of £100.77 per week.**
- 5. Approve an increase in HRA garage and shared ownership rents of 1.7%.**
- 6. Approve the HRA Revenue Budget 2025/26 and to note the indicative budgets for 2026/27 and 2027/28 (Appendix A).**
- 7. Approve the General Fund Capital programme and financing statement 2025/26 to 2027/28 detailed at Section 6 and Appendix B.**
- 8. Approve General Fund Capital Programme budget carry forward £11.433m from 2024/25 (Appendix B).**
- 9. Approve the Housing Capital programme and financing statement 2025/26 to 2027/28 detailed at Section 6 and Appendix B.**

**10. To approve the HRA Capital Programme budget carry forward of £2.842m from 2024/25 (Appendix B).**

**11. Approve the movements in General Fund Reserves detailed in Section 8 and Appendix C.**

**12. To approve the movements in HRA Reserves detailed at Section 8 and Appendix C.**

**13. To approve the Treasury Management Strategy Statement detailed at Section 10 and Appendix F.**

**14. To approve the Capital Strategy detailed at Section 10 and Appendix I.**

#### **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Does the report contain any exempt or confidential information not for publication?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 particularly note the commentary from the Chief Finance Officer at Section 9, 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 D 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 E.

# **2 Background to the Report**

- 2.1. The Council is required to set a balanced budget and agree the level of Council Tax for 2025/26. This report contains a summary of the proposals that have been considered for inclusion. The proposals were scrutinised in detail by the Budget Joint Overview and Scrutiny Committee (OSC) on 14<sup>th</sup> January 2025 and by Cabinet on 16<sup>th</sup> January 2025. The draft proposals were consulted upon during the period 20<sup>th</sup> January – 3<sup>rd</sup> February 2025 and the results of the consultation will be presented to Cabinet at the meeting.

- 2.2. In January 2024 the Council approved a new Corporate Plan for 2024 -2027. The primary purpose of the budgets for the next 3 years is to enable the delivery of the aims and ambitions set out in the Corporate Plan.
- 2.3. 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).
- 2.4. 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.
- 2.5. 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.
- 2.6. This report is the final presentation to Cabinet of the budget proposals for 2025/26 and therefore contains a summary of the information that was included in the report presented to Cabinet on 16<sup>th</sup> January 2025.

This report covers the following sections:

- The Funding Position for the General Fund (section 3)
- The General Fund budget estimates and Council Tax proposals (section 4)
- The Housing Revenue Account (HRA) position (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)

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

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

- 3.1 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.
- 3.2 The headlines from the settlement were not positive for the Council nor 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. The funding position is disappointing although it had been expected and budgets had been prepared accordingly.

- 3.3 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.
- 3.4 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.
- 3.5 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.
- 3.6 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.
- 3.7 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.
  - an method of transition from the current baseline to the new arrangements.
- 3.8 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.

- 3.9 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.
- 3.10 Table 2 shows the projected increases in Council Tax income should the Council take the opportunity to increase its share of Council Tax each year by the maximum amount.

**Table 2 – 3% increase on the 2025/26 Council Tax Band D Charge**

	<b>2024/25</b>	<b>2025/26</b>	<b>% Variation</b>	<b>Increase</b>
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	£189.37	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>

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.

## 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>	<b>23,547</b>	<b>24,008</b>	<b>23,012</b>	<b>23,543</b>
<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	57	2,087	1,020	769
Transfer to/from Earmarked Reserves	1,223	(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. This would 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**

	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>
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. Further details on the bid proposals are provided at Appendix A.
- 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**

<b>Details</b>	<b>Cost £'000</b>	<b>Recurring</b>
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**

<b>Details</b>	<b>Cost £'000</b>	<b>One Off</b>
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 from 1<sup>st</sup> April 2025. In support of this new operating model, the Company presented its business plan and funding proposals to the Culture and Leisure OSC on 28 November 2024.
- 4.9 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**

<b>Details</b>	<b>Saving £'000</b>	<b>Comments</b>
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**

- 4.10 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.

- 4.11 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

- 4.12 This information has been used to estimate interest on the Council's investment of cash balances. The total interest receivable is shared between the General Fund and the HRA dependent upon the reserve balances for each

### **Fees and Charges**

- 4.13 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 Charges Policy was approved by Council (Appendix G - Charging Policy).
- 4.14 The fees and charges were considered and approved by Full Council on 30<sup>th</sup> January 2025 and are set out at Appendix H.

## **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.

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

- 5.3 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.
- 5.4 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.
- 5.5 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 H. Further analysis of rent details is provided in Tables 10 and 11.

**Table 10 - Impact – 2.7% increase**

<b>Bedrooms</b>	<b>Dwelling Stock (%)</b>	<b>Average Weekly Rent 2024/25 (£)</b>	<b>Average Weekly Rent 2025/26 (£)</b>	<b>Average Increase (£)</b>	<b>Average 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 11 - 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%
Total	5,853	

5.6 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      The indicative General Fund Capital programme has been amended since it was presented to Cabinet on 16<sup>th</sup> January 2025 to include currently known budget carry forwards from 2024/25. If further budget carry forwards requests are identified, then they will be included in the outturn report once actual spend for 2024/25 has been determined.

6.3      A summarised capital programme is shown at Table 12 and a detailed capital programme included at Appendix B.

**Table 12 – General Fund Capital Programme Summary**

Directorate	2024/25 Carry Forwards	2025/26 Proposed Budget	2026/27 Indicative Budget	2027/28 Indicative Budget
	£'000	£'000	£'000	£'000
<b>Corporate, Governance &amp; Public Protection</b>				
Disabled Facilities Grants	0	975	975	975
CCTV	0	56	0	0
<b>Finance, Property &amp; Waste Services</b>				
Vehicle and Bin Replacement	583	1,814	1,431	1,386
Food Waste	1,371	0	0	0
Depot Development	5,667	0	0	0
Asset Enhancement and Maintenance	988	350	350	300
IT Systems	0	111	0	0
Financial System Upgrade	0	100	0	0
<b>Growth &amp; Culture</b>				
Play Parks	0	100	100	100
<b>Housing &amp; Projects</b>				
Scheme Decarbonisation	2,824	0	0	0
<b>Total Budget</b>	<b>11,433</b>	<b>3,506</b>	<b>2,856</b>	<b>2,761</b>
<b>Financing:</b>				
Borrowing	5,667	0	0	0
Grants and Contributions	3,703	975	975	975
Reserves	1,410	1,245	1,020	869
Useable Capital Receipts	653	1,286	861	917
<b>Total Financing</b>	<b>11,433</b>	<b>3,506</b>	<b>2,856</b>	<b>2,761</b>

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

- 6.4 The capital programme for the period 2025/26 – 2027/28 has been derived using the results and analysis of the rolling stock condition survey.
- 6.5 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.
- 6.6 The indicative HRA Capital Programme has been amended since it was presented to Cabinet on 16<sup>th</sup> January 2025 to include currently known budget carry forwards from 2024/25. If further carry forwards are identified, then they will be included in

the outturn report once actual spend for 2024/25 has been determined.

- 6.7 A summary of the programme is shown at Table 13 and detailed at Appendix B.

**Table 13 – HRA Capital Programme Summary**

	<b>2024/25 Carry Forwards</b>	<b>2025/26 Proposed Budget</b>	<b>2026/27 Indicative Budget</b>	<b>2027/28 Indicative Budget</b>
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Energy Efficiency Initiatives	0	5,172	5,227	5,172
Vehicle Purchase	0	423	221	238
New Build Programmes	2,434	12,700	4,000	3,000
Refurbishment & Improvement Works	317	3,513	2,570	2,570
Scheduled Works	41	6,761	5,782	5,782
Disabled Adaptations	50	360	378	378
<b>HRA Budget</b>	<b>2,842</b>	<b>28,929</b>	<b>18,178</b>	<b>17,140</b>
<b>Financing:</b>				
Capital Receipts	2,434	8,700	4,000	3,000
Grants and Contributions	0	6,000	2,000	2,000
Reserves	408	14,229	12,178	12,140
<b>Total Financing</b>	<b>2,842</b>	<b>28,929</b>	<b>18,178</b>	<b>17,140</b>

## 7 CAPITAL FINANCING

- 7.1 The General Fund Capital Programme is detailed at Appendix B. 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 B 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 (HRA)**

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 14 below. Full details of the General Fund Reserves can be found at Appendix C.

**Table 14 – Proposed General Fund Revenue Reserve Movements**

Reserve Heading	2025/26	2026/27	2027/28
	£000	£000	£000
Climate Change Reserve	363	0	0
Local Priorities Reserve	(1,935)	(1,968)	(1,580)
Markets Reserve	50	0	0
Invest to Save	(37)	0	0
ICT Reserve	(132)	0	0
Property Maintenance	(428)	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
Food Waste	(1,371)	0	0
<b>Total Movement</b>	<b>(2,403)</b>	<b>(1,803)</b>	<b>(1,402)</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 OSC. It is proposed that the balance of this reserve is increased to £500k in order to provide further resources to fund future projects. Proposals to widen the remit of this reserve to fund other initiatives will be presented to the Environment OSC during 2025.

- **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 C.

**Table 15 - Budgeted HRA Reserve Movements**

<b>Reserve Heading</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Priorities Reserve	(100)	(100)	(100)
Working Balance	1,224	320	383
Capital Receipts Reserve	(7,634)	(555)	445
Major Repairs Reserve	(6,742)	(2,165)	(1,565)
<b>Total Movements</b>	<b>(13,252)</b>	<b>(2,500)</b>	<b>(837)</b>

- The Priorities Reserve is used to fund HRA 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 Statement by the Chief Finance Officer (s151 Officer)**

- 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 are protected by a number of reserves that ensure the Council has sufficient financial cover should unforeseen events cause the operating costs to exceed those of the budgeted levels. Primarily these are the Working Balance and the Budget Stabilisation Reserve. 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 currently no proposal to use the Budget Stabilisation Reserve for the next 3 financial years however this will be kept under review when considering the response to the financial outlook that will be presented by Government in Spring 2025.
- 9.3 The draft HRA budgets do not require any financing from reserves over the three year period. The proposed capital programme is both ambitious and significant in value. Over the three year period, the proposed expenditure is £64m. This level of expenditure is not sustainable and will need to reduce over the medium term in

order for the funding to be affordable within the HRA 30 year business plan.

## **10 Treasury Management Strategy Statement 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 2024/25 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 22<sup>nd</sup> January 2025 for consideration prior to being presented to Council for approval.
- 10.6 The Capital Strategy has also been amended and updated and is provided in detail at Appendix I. 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 surplus distribution for Council Tax and Business Rates is detailed in Table 16.

	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>
	<b>£</b>	<b>£</b>
South Kesteven District Council	4	TBC
Lincolnshire County Council	27	TBC
Lincolnshire Police and Crime Commissioner	5	TBC
Central Government	0	TBC
<b>Total</b>	<b>36</b>	<b>0</b>

## 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 OSC met on 14<sup>th</sup> January 2025 and debated all aspects of the budget proposals for both General Fund and HRA. The recommendations from the Budget Joint OSC were considered by Cabinet on 16<sup>th</sup> January 2025. Cabinet approved the consultation for the proposed Council Tax level for the District Council for 2025/26 and the findings of the consultation will be presented to Cabinet at the meeting on 11<sup>th</sup> February 2025.

## 14 Appendices

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

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

Appendix C – Reserves Statement – GF & HRA

Appendix D – Risk Register

Appendix E – Equality Impact Assessment

Appendix F – Treasury Management Strategy

Appendix G – Charging Policy

Appendix H – Fees and Charges

Appendix I – Capital Strategy