



Tuesday, 10 February 2026

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

## **Budget Proposals for 2026/27 and Indicative Budgets for 2027/28 and 2028/29 – General Fund**

### **Report Author**

**Richard Wyles, Deputy Chief Executive and s151 Officer**

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

### **Purpose of Report**

To present the draft budget proposals and estimates for 2026/27 for the General Fund.

### **Recommendations**

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

- Set a General Fund budget requirement of £22.875m for 2026/27 inclusive of Special Expenses (Section 3 and Appendix A).**
- Propose a Council Tax level of £195.03 including Special Expenses for 2026/27 (Band D property) after consideration of the consultation responses.**
- Note indicative Budget estimates for 2027/28 and 2028/29 (Appendix A)**
- Approve the General Fund Capital programme and financing statement 2026/27 to 2028/29 (Section 6 and Appendix B).**
- Approve the General Fund Capital Programme budget carry forward £1.389m from 2025/26 (Appendix B).**
- Approve the movements in General Fund Reserves (Section 8 and Appendix C).**
- Approve the Treasury Management Strategy Statement (Section 9 and Appendix F).**
- To approve the Capital Strategy (Section 9 and Appendix G).**

## Decision Information

Does the report contain any exempt or confidential information not for publication?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

What are the relevant corporate priorities? All

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 level of Council reserves and the Financial Risk Register.

*Completed by: 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(3) of the Constitution of the Council (Rules of Procedure). Members (via approval from Cabinet) must consult with the community on the proposals contained within this report as required in accordance with statutory regulation and constitutional requirements.

*Completed by: James Welbourn, Democratic Services Manager*

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

- 1.3 A Financial Risk Register is shown at Appendix E and risk scores are applied accordingly.

*Completed by: Tracey Elliott, Risk and Governance Officer*

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

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

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

- 2.1. The purpose of this report is to present the draft budget proposals for the 2026/27 Financial Year to the Cabinet.
- 2.2. The Budget – Joint Overview and Scrutiny Committee (OSC) reviewed the content of this report on 13 January 2026. Feedback was presented to the Cabinet on 15 January. The draft proposals were the subject of a consultation between 19 January and 2 February 2026. A summary of the responses is provided in **Appendix H**.
- 2.3. The proposed budgets for the next 3 years have been developed with the primary aim of allocating resources to deliver the aims and ambitions outlined in the Council’s Corporate Plan 2024 -2027 which was approved in January 2024.
- 2.4. The Council has received a multi-year settlement for the period 2026/27 – 2028/29 which provides a basis for accurate Medium Term Financial Planning because it reduces the uncertainty caused by single year settlements. However, annual reviews will still be undertaken by the Government and consequently annual settlements remain subject to change.
- 2.5. This report brings together the conclusions of the budget preparatory work and covers a number of areas:
  - The funding position for the General Fund (section 3)
  - Draft General Fund budget proposals (section 4)
  - Draft Capital Programme 2026/27 – 2028/29 (section 5)
  - Capital Financing (section 6)
  - Reserves and Balances (section 7)
  - Statement of Financial Robustness by the Chief Finance Officer (section 8)
  - Treasury Management Strategy and Capital Strategy (section 9)
  - Collection Fund (section 10)

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

- 3.1 The provisional settlement was announced on 17<sup>th</sup> December 2025 and included:
  - a full baseline reset (for the first time since the Business Rate Retention was introduced in 2013-14),
  - major changes to all the Relative Needs Formulas (RNFs), and
  - the simplification of many grants.
- 3.2 The final settlement has yet to be confirmed but is expected in early February. Any variations to the provisional settlement will be incorporated into the final budget report to Council on 26 February 2026.
- 3.3 This is a 3-year Government settlement which gives some certainty on the levels of funding for the second and third years. However, each of the latter two years

will still be subject to an annual settlement process and therefore should be considered as indicative.

The main headlines are as follows:

3.4 **Fair Funding Assessment (FFA)** – MHCLG (Ministry for Housing, Communities and Local Government) has published the provisional outcome of the Fair Funding Review which sets underlying figures for the FFA. The settlement suggests the FFA amounts should also cover Simpler Recycling new burdens but this is not itemised and there is little additional funding that could account for this. This lack of transparency was raised by the District Council Network as a concern to MHCLG so further lobbying might reveal the amount allocated for this new responsibility.

3.5 **Council Tax** – As previously announced, the Council Tax referendum limits for shire district councils has been set at 2.99% or £5 (whichever is the higher).

3.6 **Business Rates** – As part of the Governments reform of local authority funding alongside Fair Funding review of local 2.0 a full baseline reset of business rates has also been undertaken. This includes the removal of growth from prior years to set a revised baseline funding level which forms part of the Core Spending Power (CSP). For 2026/27 the baseline funding level is **£3.459m** – there is a 100% safety net for the next financial year so this will be the minimum amount the council will receive in business rates. When preparing the business rate budget for 2026/27, using the NNDR1 form, a small amount of growth has been added to the baseline plus an allowance for renewable energy, resulting in an overall budget of **£4.000m**. For the years up to 2028/29 the projected baseline amounts included in the provisional multi-year settlement have been used with no allowance for growth.

3.7 The core principle of the Fair Funding Review is to maintain an equal balance of local authorities CSP which takes into account Core Government Grants, Specific Grants and Council Tax. The Government has modelled our base CSP for 2025/26 at **£20.592m** which forms our base over the next 3 years as shown in **Table 1**:

**Table 1 Core Spending Power – South Kesteven**

Reserve Heading	2026/27 £'000	2027/28 £'000	2028/29 £'000
Fair Funding Allocation	9,324	8,471	7,569
Council Tax (government estimates)	9,881	10,282	10,700
Homelessness funding (specific grant)	838	875	907
Transitional Protection Grant	549	964	1,417
<b>Total</b>	<b>20,592</b>	<b>20,592</b>	<b>20,592</b>

3.8 The Government has stated that there is now funding certainty over the 3-year period although this assumes maximum Council Tax increases. If Council Tax

increases are ignored, the Council's funding from Government actually reduces from **£10.711m** to **£9.893m** in 2028/29 – a reduction of **£0.818m**. The lack of clarity over the 'new burdens' funding for weekly food waste collection service suggests the decrease might be even greater.

3.9 **Table 2** below shows the projected increase for Council Tax for 2026/27 of **2.99%** which is an increase of **£5.66** for the year (which equates to less than **11p** per week). This proposed increase is within the referendum limits outlined above. This level of Council Tax includes the charge to the Special Expense Areas and these are included in the total charge.

**Table 2 – Option to increase SKDC share on the 2026/27 Council Tax Band D Charge**

	<b>2025/26</b>	<b>2026/27</b>	<b>Variation</b>	<b>Increase</b>
Tax Base	50,140.50	50,762.30	1.24%	621.80
Band D – SKDC Only	£177.30	£183.07	3.25%	£5.77
Band D – Grantham SEA	£52.38	£52.47	0.17%	£0.09
Band D – Langtoft SEA	£7.02	£7.02	0%	£0.00
Band D (SKDC + Special Expenses Areas	£189.37	£195.03	2.99%	£5.66
Council Tax Income	£9.495m	£9.900m	4.27%	£405,000

## **4. GENERAL FUND BUDGET PROPOSALS**

4.1 The overall General Fund position for 2026/27 is summarised in **Table 3** below and detailed in **Appendix A**. A more detailed breakdown at cost centre level was provided at the Budget Scrutiny meeting on 13 January 2026 and can be accessed here: [General Fund Budget Summary 2026-27 by Cost Centre](#)

4.2 The net cost of services for 2026/27 is estimated at **£24.003m**.

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

<b>Heading</b>	<b>2025/26 Revised Budget £'000</b>	<b>2026/27 Proposed Budget £'000</b>	<b>2027/28 Indicative Budget £'000</b>	<b>2028/29 Indicative Budget £'000</b>
Corporate, Governance and Public Protection	4,463	4,561	4,844	4,645
Finance, Property and Waste Services	12,501	12,338	12,662	12,955
Growth and Culture	9,857	7,119	7,232	7,835
Housing and Projects	2,032	1,856	1,875	1,895
HRA Recharge	(2,960)	(3,049)	(3,110)	(3,172)
Internal Drainage Board Levies	1,026	1,128	1,241	1,365
<b>Net Cost of Services</b>	<b>26,469</b>	<b>24,003</b>	<b>24,744</b>	<b>25,750</b>

Depreciation	(4,537)	(4,017)	(4,171)	(4,071)
Investment Income	(781)	(1,276)	(1,309)	(1,148)
Minimum Revenue Provision	271	505	501	497
Revenue Contribution to Capital	2,087	0	0	0
(Transfer to)/from Earmarked Reserves	(2,906)	3,660	(104)	(443)
<b>Net Budget Requirement</b>	<b>20,603</b>	<b>22,875</b>	<b>19,661</b>	<b>20,358</b>

<b>Heading</b>	<b>2025/26 Revised Budget £'000</b>	<b>2026/27 Proposed Budget £'000</b>	<b>2027/28 Indicative Budget £'000</b>	<b>2028/29 Indicative Budget £'000</b>
<b>Funding:</b>				
Business Rates	(7,189)	(4,000)	(3,539)	(3,610)
Collection Fund (Surplus)/Deficit				
Business Rates	(1,400)	(708)	0	0
Council Tax	(9,495)	(9,900)	(10,298)	(10,713)
Collection Fund (Surplus/Deficit –				
Council Tax	(4)	(41)	0	0
Revenue Support Grant	(195)	(5,864)	(4,932)	(3,958)
Transitional Protection	0	(549)	(964)	(1,417)
Funding Guarantee Grant	(1,188)	0	0	0
New Homes Bonus	(474)	0	0	0
PEPR Payment	(837)	(1,813)	0	0
NIC Funding	(151)	0	0	0
IDB Funding	(80)	0	0	0
Surplus contribution	410	0	0	0
<b>Total Funding</b>	<b>(20,603)</b>	<b>(22,875)</b>	<b>(19,733)</b>	<b>(19,698)</b>
<b>Projected (Surplus)/ Deficit</b>	<b>0</b>	<b>0</b>	<b>(72)</b>	<b>660</b>

4.3 The Council is legally obliged to produce a balanced budget each year and **Table 3** shows this can be achieved for 2026/27 without using reserves. Whilst there are proposals to use specific earmarked reserves to fund certain activities, the Council does not need to use the budget stabilisation reserve to balance the budget. However, the medium-term outlook remains difficult as the Council transitions towards its newly established baseline funding levels following the Fair Funding Review and Business Rate Reset. It is therefore recommended that a transfer is made to the Budget Stabilisation Reserve during 2026/27 to ensure adequate financial resilience while the outlook remains challenging.

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

4.4 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. Making MRP is statutory and aimed at ensuring the council does not have outstanding debt related to time expired or fully depreciated assets.

4.5 MRP is charged in the first full year after an 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 undertakes further borrowing.

**Table 4 – Forecasted MRP Charges**

<b>Heading</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>2028/29 £'000</b>
Existing MRP Charge (legacy borrowing)	111	107	103
St Martin's Park Stamford	161	161	161
Turnpike Close Grantham – New Depot	233	233	233
<b>Total</b>	<b>505</b>	<b>501</b>	<b>497</b>

**Key Budget Proposals**

4.6 The budget proposals for 2026/27 incorporate a number of service changes required to meet operational demands. These proposed increases have been formulated in response to a combination of Cabinet priorities, changes in statutory responsibilities and service delivery pressures. The proposals are set out in **Tables 5 and 6** below:

**Table 5 – Proposed Budget Increase – (Recurring)**

<b>Heading</b>	<b>Cost</b>	<b>Details</b>
<b>Employee Expenditure</b>	£316,060	<ul style="list-style-type: none"> <li>• Enforcement Officer</li> <li>• Private Sector Housing Officer</li> <li>• Events Officer</li> <li>• Income Recovery Officer</li> <li>• Rough Sleeper Support Officer Roles</li> <li>• Housing Options Officer</li> </ul>
<b>General Expenditure</b>		
Tree planting for SKDC open spaces	£62,000	Tree planting initiative across the District including in the award winning parks
Tree maintenance for SKDC open spaces	£66,150	Allocation to respond to the actions arising from the Tree Management Policy
Events budget	£100,000	A programme of public events across the district during 2026/27. The programme to be presented to the Leisure and Culture OSC.
Funding for Compliance Works in General Fund Corporate Buildings	£100,000	Rolling programme of compliance works relating to DDA, Asbestos, Fire Risk Assessments across General Fund assets
Surface Water Drainage Clearance Programme	£60,000	Rolling programme of remedial repairs and maintenance of gullies and drainage systems.
Stock condition surveys	£40,000	Rolling programme of stock condition surveys across General Fund assets. 20% of assets to be surveyed each year

Increase in community grants	£100,000	Increase in the annual budget for the established community grant scheme from £100k to £200k
<b>Total</b>	<b>£844,210</b>	

**Table 6 – Proposed Budget Increase (One-Off)**

Heading	Cost	Details (One-Off)
Employee Expenditure	£41,494	Safer Streets patrols Safer Streets CCTV Cover
<b>General Expenditure</b>		
Spitalgate Garden Village Consultancy Support	£30,000	External expert support to progress the Garden Village development
Town Centre Vitality & Viability	£20,000	Support assessment of the vitality and viability in town centres in order to create of a strategy for town centre development.
Citizens Advice South Lincolnshire – increase in annual grant allocation	£33,000	Application from CASL to increase the funding from £52k to £85k to support financial sustainability. The increase to be reviewed after the first year.
Mobile CCTV cameras	£10,000	Purchase of mobile cameras to target fly-tipping hot spots
Body worn cameras	£10,000	Purchase of body cameras for key officer roles
<b>Total</b>	<b>£144,494</b>	

### **General Fund Budget Estimates – 2026/27**

4.7 Budget assumptions that have been considered and incorporated into the estimates are shown at **Table 7**. All other inflationary costs have been absorbed by service areas which has enabled a balanced budget.

**Table 7 – General Fund Budget Assumptions**

Cost Heading	2026/27		2027/28		2028/29	
	% Increase	Annual Increase on base budget	% Increase	Annual Increase on base budget	% Increase	Annual Increase on base budget
Drainage Board Levies	10%	£103k	10%	£112k	10%	£125k
Pay Award	3%	£599k	2%	£420k	2%	£434k
Fuel *	10%	£29k	5%	£65k	5%	£88k

Gas*	5%	£5k	5%	£2k	5%	£2k
Electricity*	10%	£28k	5%	£15k	5%	£16k

\* These budgets have been rebased in 2026/27 following an underspend in 2024/25 and forecast savings in 2025/26. The increases in 2026/27 are based on the reduced base budget for these areas.

4.8 The drainage board levies continue to be a significant cost with anticipated annual increases of over £100k. The Council received Internal Drainage Board Levy Grants from Central Government of £50k in 2024/25 and £80k in 2025/26 to provide additional funding towards the increased cost of these levies. Further support is expected for 2026/27 with details expected Summer 2026.

4.9 Actuary Triennial Review – Following the triennial review the Actuary has reduced the employer contribution rates for the following three-year period as the Fund is currently over funded. This follows a number of years where additional levels of contributions were required as the fund was previous in deficit. Therefore, the primary employer contribution rate will reduce from **24.8%** to **17.7%** from 2026/27 to 2028/29. This reduction in financial terms amounts to **£1.064m** and will be used to offset against the pay award assumption increased that is referenced in this report.

4.10 Treasury Investment Income - 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 8 below**. This information has been used to estimate interest on the Council's investment of its cash balances.

**Table 8 – Treasury Investment Financial Forecasts**

Financial Year	2026/27	2027/28	2028/29
Forecasted Interest Rate	3.50%	3.25%	3.00%
Assumed Interest Receivable	£1.276m	£1.309m	£1.148m

## **5 CAPITAL PROGRAMME 2026/27 – 2028/29**

5.1 The schemes included within the capital programme have been designed to deliver the Council ambitions for growth and investment in its assets to support the delivery of quality services. The capital programme contains key investments across General Fund assets including:

- Vehicle replacement £1.046m
- Wheelie Bin Replacement £0.155m
- River Witham Footbridge £0.050m
- Grantham Canal £0.200m
- Car Park Improvements £0.120m

- Wharf Road Car Park Refurbishment £0.650m
- Disabled Facilities Grants (100% grant funded) £0.975m

5.2 A summarised capital programme (including carry forwards from 2025/26) is shown in **Table 9** and a detailed capital programme is included at **Appendix B**.

**Table 9 – General Fund Capital Programme Summary**

Details	2025/26 C'fwds £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000
Disabled Facilities Grant	0	975	975	975
Vehicle and Bin Replacement	1,326	971	1,616	1,779
Asset Investment	0	1,020	320	320
Chamber Audio Equipment	0	88	0	0
Grounds Maintenance Equipment	0	130	120	0
Loan to LeisureSK Ltd for improvement to the gym space at Stamford Leisure Pool	0	95	0	0
EV Charging Points	0	55	50	50
Cycle Shelter and Changing	40	0	0	0
Coronation Orchards	23	0	0	0
<b>Total</b>	<b>1,389</b>	<b>3,334</b>	<b>3,081</b>	<b>3,124</b>

## 6 CAPITAL FINANCING

6.1 The General Fund Capital Programme is detailed at **Appendix B**. The proposed schemes have been funded by a combination of external grants as well as capital and revenue reserves. No further internal borrowing has been necessary although the Council continues to carry the cost of internal borrowing and the financial implications of this are shown in **Table 4** (MRP) earlier in the report.

6.2 The adopted strategy of disposing of surplus assets to generate capital receipts has been in place for a several years but the identification of further assets for disposal is now limited. Consequently, the capital programme will continue to be financed from internal resources until borrowing is the only available option.

6.3 It is proposed that the General Fund Capital Programme for 2026/27 (including carry forwards) be financed from the following funding sources:

- £2.297m Capital Receipts Reserve
- £0.998m Grants and Contributions
- £1.285m Local Priorities Reserve
- £0.088m ICT Reserve
- £0.055m Climate Change Reserve

6.4 At the time of compiling this report, the £0.975m grant funding for Disabled Facilities Grants has not yet been confirmed (but is anticipated as part of the

settlement) and therefore the financing or level of the 2026/27 investment may need to be amended when the level of grant funding is confirmed.

## **7 RESERVES AND BALANCES**

7.1 Prudent financial management requires the Council to maintain a number of reserves for the following reasons:

- To ensure sufficient funds are available to meet cash flow requirements, to 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.

7.2 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.

7.3 A summary of the proposed reserve movements to fund the General Fund Revenue and Capital Budgets are set out at **Table 10** below. Full details of the General Fund Reserves can be found at **Appendix C**.

**Table 10 – Proposed General Fund Revenue Reserve Movements**

<b>Reserve Heading</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>2028/29 £'000</b>
Climate Change Reserve	(55)	(50)	(50)
Training & Development Reserve	100	0	0
Street Scene	(246)	0	0
ICT Investment	(88)		
Local Priorities Reserve	(1,503)	(1,262)	(2,114)
Market Reserve	(50)	0	0
Market Towns Investment Fund	550	0	0
Property Maintenance	(1,000)	(440)	(320)
Leisure & Community	367	0	0
Leisure Investment	500	0	0
Waste Services	2,059	0	0
Pensions	469	(31)	0
Budget Stabilisation	981	0	0
Building Control	(27)	(26)	0
Football 3G Pitch	25	25	0
Special Expense Area Reserve	169	160	157
New Burdens	(50)	0	0
Coronation Orchard	(23)	0	0
Capital Receipts	(2,297)	(617)	(165)

7.4 The following paragraphs set out the reasons for major uses of either new reserves established or those that have been allocated additional resources:

### **Movements to existing reserves**

- **Climate Change Reserve** – this Reserve was established to fund initiatives to support the delivery of the Climate Change Strategy. The proposed use in 2026/27 is to fund EV Charging Points at specific locations including council car parks (£55k).
- **Training and Development Reserve** – this Reserve supports the ongoing development of staff. It is proposed to add in a further £100k into this reserve to support ongoing apprenticeship opportunities across the Council.
- **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 have been insufficient. New Homes Bonus receipts have been the primary source of funding but, as outlined in the government's Fair Funding Review 2.0, New Homes Bonus will cease as a funding stream. However, it seems unlikely the reserve will be replenished because the primary contributor is no longer available and therefore the balance is forecast to reduce to a balance of **£1.2m** by March 2029.

It is proposed that **£1.285m** of this reserve is used to contribute towards the 2026/27 capital programme including: **£1.020m** for Asset Investment, **£0.130m** for grounds maintenance equipment; **£40k** for Cycle Shelter and **£95k** for a loan to LeisureSK Ltd for further investment at Stamford Leisure Pool. A further **£118k** will be drawn down to fund the play parks revenue maintenance works (£100k) and support the requirements of the Local Plan (£18k). A transfer of **£100k** is also proposed from this reserve into the Training and development Reserve to support apprenticeship scheme.

- **Property Maintenance Reserve** – this reserve was established to support ongoing investment in council assets and to reduce the maintenance backlog. As part of the 2025/26 budget setting process, a growth bid for an initial £2m pump prime investment to address revenue backlog maintenance issues was allocated across 2025/26 and 2026/27. **£1m** will be drawn from this reserve in 2026/27 as part of the second year of the programme.
- **Leisure & Community Reserve** – an additional **£367k** has been added to this reserve to enable it to be widened in order to support both leisure and community projects across the district. This allocation will increase the balance in the reserve to **£500k**.
- **Leisure Investment Reserve** – As part of the outturn for 2025/26 **£500k** was allocated to deal with capital investment requirements across the Council's Leisure sites. The programme of works is focused around high priority investment works but it is also recognised as part of managing an aging asset base further works will still be required and therefore it is proposed to allocate a further **£500k** to continue with this required investment.
- **Waste & Street Scene Reserve** – this reserve was established from the packaging Extended Producer Responsibility (pEPR) payment previously announced by Government to support the implementation of new legislation

set out in the Environment Act 2021. A further allocation of **£1.813m** has been awarded in 2026/27 which will be transferred into this reserve.

- **Pension Reserve** – a transfer of **£500k** to this reserve is proposed to provide resilience of any transformation impact costs associated with Local Government Reorganisation.
- **Budget Stabilisation Reserve** – based on the forecast business rate collection fund surplus in 2026/27 and potential growth in business rates it is proposed to allocate **£0.981m** into this reserve to help deal with the future deficits that are currently modelled on the basis of the multi-year settlement.

### **New Reserves**

It is proposed the following new reserve is created:

- **Market Towns Investment Fund** – this is a proposed new reserve of **£500k** to be established to provide continued investment in the four market towns following the success of the Future High Streets Fund programme which is now nearing completion.

### **Closed Reserves**

It is proposed the following reserves are closed down and balances transferred to another reserve:

- **Markets Reserve** – this Reserve was established to support the continued regeneration of the markets and to deliver specific actions set out in the Markets Action Plan. The actions associated with this reserve are closely aligned with the new Markets Towns Investment Fund and therefore it is proposed the balance on this reserve of **£50k** is transferred to this new reserve.
- **Street Scene Reserve** – due to the interrelated nature of the work between the waste service and street scene teams it is proposed to transfer the balance on this reserve of **£246k** into the waste services reserve to increase flexibility to deliver service requirements.

7.5 Based on the above reserve movements the impact on the overall General Fund reserve balances is summarised in **Table 11** below. Over the 3 year financial period the level of reserves reduces by **£4.999m** based on the forecast balance as at 31 March 2026. The level of working balance of **£2.5m** is maintained within the target of 10-15% of the value of the net cost of services.

**Table 11 – Summary General Fund Reserve Balances**

	<b>Forecast Balance as at 31 March 2026 £'000</b>	<b>Forecast Balance as at 31 March 2027 £'000</b>	<b>Forecast Balance as at 31 March 2028 £'000</b>	<b>Forecast Balance as at 31 March 2029 £'000</b>
Discretionary Reserves	12,059	12,646	10,894	8,310
Governance Reserves	4,842	6,459	6,587	6,744
<b>Total General Reserves</b>	<b>16,901</b>	<b>19,105</b>	<b>17,481</b>	<b>15,054</b>
Government Grants	1,997	1,924	1,924	1,924
Working Balance	2,535	2,535	2,535	2,535
<b>Total Revenue Reserves</b>	<b>21,433</b>	<b>23,564</b>	<b>21,940</b>	<b>19,513</b>
Capital Reserves	3,658	1,361	744	579
<b>Total General Fund Reserves</b>	<b>25,091</b>	<b>24,925</b>	<b>22,684</b>	<b>20,092</b>

## **8 Statement by the Chief Finance Officer (s151 Officer)**

- 8.1 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.
- 8.2 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 2 financial years but may be required in 2028/29 based on the current provisional settlement figures and future service projections. This will be kept under review when further updates are provided by Government regarding future funding levels and any changes to the multi-year settlement.

## **9 Treasury Management Strategy Statement (TMMS) and Capital Strategy**

- 9.1 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”*.
- 9.2 The TMSS sets out the counterparties that the Council will invest with and the limits of investment with each counterparty. There are no proposed changes to the limits contained in the 2026/27 Strategy.
- 9.3 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 alongside the in-year reporting.
- 9.4 The Council produces quarterly treasury update reports and an annual report which are presented to the Governance and Audit Committee for approval.
- 9.5 The draft TMMS is included at Appendix F has been presented to Governance and Audit Committee on 21 January 2026 for consideration prior to being presented to Council for approval. The Committee recommended the Statement to Cabinet without amendment.
- 9.6 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

## **10 Collection Fund**

- 10.1 All relevant transactions associated with Council Tax and National Non-Domestic Rates (NNDR) are shown in the Collection Fund.
- 10.2 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.
- 10.3 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.

10.4 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%).

10.5 A breakdown of the surplus distribution for Council Tax and Business Rates is detailed in Table 12.

**Table 12 – Collection Fund distribution summary**

	<b>Council Tax</b>	<b>Business Rates</b>
	<b>£'000</b>	<b>£'000</b>
South Kesteven District Council	41	708
Lincolnshire County Council	274	177
Lincolnshire Police and Crime Commissioner	54	0
Central Government	0	885
<b>Total</b>	<b>369</b>	<b>1,770</b>

10.6 Initial modelling included in the draft reports to budget scrutiny had a higher-than-expected collection fund surpluses than those outlined in Table 12 above for business rates predominately. Following completion of the NNDR1 form and collection fund calculations, the collection fund surpluses have reduced but there has been a corresponding increase on the forecast business rates income for 2026/27. With a positive movement on the Council Tax collection fund surplus the overall impact is broadly the same and still maintains a balanced budget position.

## **11 Reasons for the Recommendations**

11.1 The Council is legally required to set a balanced budget each Financial Year.

## **12 Consultation**

12.1 The draft budget proposals were presented to The Budget - Joint OSC on the 13 January 2026 for consideration and provided opportunity to feedback to Cabinet at their meeting on 15 January 2026. Cabinet approved the consultation on the proposed Council Tax level for the District Council for 2026/27 and the findings of the consultation are shown at Appendix H.

## **13 Appendices**

13.1 Appendix A – Revenue summary – General Fund

13.2 Appendix B – Capital Programmes & Financing Statements

13.3 Appendix C – Reserves Statement

13.4 Appendix D – Risk Register

13.5 Appendix E – Equality Impact Assessment

13.6 Appendix F – Treasury Management Strategy Statement

13.7 Appendix G – Capital Strategy

13.8 Appendix H – Council Tax Survey Findings