

**EAST LINDSEY DISTRICT COUNCIL
COUNCIL**

Report of: Councillor Richard Fry
Executive Member for Finance

Report to:	Council
Date:	4th March 2020
Subject:	Annual Budget Report, MTFS, Financial Strategies & Council Tax

Decision Proposal:	Council Key decision
Relevant Executive Member:	<i>Cllr Richard Fry – Executive Member for Finance</i>
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Reviewed by:	Adrian Sibley, Section 151 Officer, adrian.sibley@e-lindsey.gov.uk 01507 601111
Signed off by:	Adrian Sibley
Approved for publication	<i>Cllr Richard Fry</i>
Does the report identify information that is exempt from publication	No.

SUMMARY

This report sets out the detail of the budget for 2020/21, the five year Medium Term Financial Strategy (MTFS) 2020/21 to 2024/25, various associated financial strategies and the recommended level of Council Tax for 2020/21. This was presented to and reviewed by Executive Board on 19th February 2020, and amendments made at that meeting have been incorporated into the accompanying figures to this report, and has been through a scrutiny and consultation process.

In accordance with the budget for 2020/21 this report will set the level of Council Tax for 2020/2021 in accordance with the relevant statutory requirements. The figures below are

based on an annual increase of £4.95 (3.49%) in the East Lindsey District's Council Tax, a band D level of Council Tax being £146.79.

This report is a combination of the outcome of the Council's Budget report, the major precepts for Lincolnshire County Council (LCC) and the Police and Crime Commissioner for Lincolnshire and the precepts levied by Parish/Town Councils.

The Council Tax levels for a Band D property for each of the precepting authorities is summarised below:

	2019/20 Band D	2020/21 Band D	Increase £	Increase %
Lincolnshire County Council	£1,292.40	£1,337.58	£45.18	3.50%
Police and Crime Commissioner for Lincolnshire	£241.38	£251.37	£9.99	4.14%
East Lindsey District Council	£141.84	£146.79	£4.95	3.49%
Parish Precepts (Average)	£59.91	£64.83	£4.92	8.21%
TOTAL	£1,735.53	£1,800.57	£65.04	3.75%

RECOMMENDATIONS

That Council:

1. Approves the East Lindsey District Council budget for 2020/21 the five year Medium Term Financial Strategy and the associated financial strategies (2020/21 to 2024/25) (Appendix 1);
2. Agrees the formal Council Tax resolutions detailed at Appendix B1 (Parishes , the County and the Police and Crime Commissioner for Lincolnshire are also dealt with as a part of this resolution), that there is a 3.49% increase in East Lindsey's Council Tax, the Band D Council Tax being £146.79.
3. Approves the creation of an Investments Volatility Reserve and the transfer of £1m into the new reserve from the Council's General Fund with immediate effect.

REASONS:

The authority must by law set a balanced revenue budget while retaining sufficient resources to offset the impact of reasonable foreseen risks. The recommended budget is regarded as the most suitable approach.

1. BACKGROUND TO REPORT

Budget and Medium Term Financial Strategy (MTFS)

- 1.1 The purpose of this report is to approve the budget and associated strategies, which then enables the Council to calculate and set the Council Tax for 2020/21.
- 1.2 The budget was presented to Executive Board on 19th February 2020. The budget and associated strategies are held within **Appendix 1** and include:
- a) **Appendix 1**: Summary of the revenue budget and five year Medium Term Financial Strategy
 - b) **Appendix 2**: Capital and Treasury Strategy
 - c) **Appendix 3**: Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
 - d) **Appendix 4**: Budget Savings and Pressures
 - e) **Appendix 5**: Pay Policy Statement
 - f) **Appendix 6**: Fees and Charges Proposed for 2020/21
 - g) **Appendix 7**: Links to other relevant finance documents
 - h) **Appendix 8**: Budget Consultation
- 1.3 The budget recommended to Council by the Executive Board is based on the finance settlement advised by the Ministry of Housing, Communities and Local Government (MHCLG).
- 1.4 The government finance settlement continues to give the Council significant challenges to ensure that the budget is robust in 2020/21 and going forward. The MTFS assumes a significant continued reduction in anticipated government grant over the medium term.
- 1.5 Sections 3 and 4 of the budget report detail the various sources of income and expenditure. Section 5 provides the overall budget requirement. Section 7 provides a forecast for the estimated budget gap in future years and the need to continue to develop the Council's organisational development plans in order to deliver the required level of savings.
- 1.6 Section 6 summarises the anticipated changes in the level of the Council's reserves. These reserves are provide the main sources of funding for future capital projects. Future revenue pressures may need the transfer of any funding to reserves to be revisited.
- 1.7 The Capital Programme for 2020/21 is £9.515m, (**Appendix 1, section 9 and Appendix 2**), and five year programme as presented remains affordable, sustainable and prudent over the next 5 years. However, the Council's Asset Management Strategy and Economic Action Plan both recognise the need for increased capital investment in future years. The Council will need to create further capacity to fund these capital investment requirements.
- 1.8 Treasury management and capital prudential indicators are given within the Strategy at **Appendix 3**. This strategy has been reviewed by Audit Committee
- 1.9 Section 8 mentions some of the risks attached to the budget and MTFS. Going forward I am confident, as is the Council's Section 151 officer, that the budget will be delivered and that at this present time the level of the Council's reserves are adequate.

Council Tax and Precepts

- 1.10** Detailed below and at **Appendices B1 to B4** are the relevant resolutions for the setting of Council Tax for 2020/21 in accordance with the recommended budget.
- 1.11** Local Authorities are required to hold a referendum if an authority wishes to increase council tax by more than a set percentage or amount. This is fixed by the Secretary of State each year.
- 1.12** The thresholds have been published for 2020/21. A local authority must hold a referendum if it wishes to increase council tax by these amounts or more:
- Lincolnshire County Council – as an authority responsible for adult social care – 4% (of which 2% must be spent on adult social care);
 - Lincolnshire Police and Crime Commissioner – £10 on a Band D bill;
 - East Lindsey DC – 3% or no more than £5 on a Band D bill;
 - Local Precepting Authorities (parish councils) are not subject to a council tax referendum.
- 1.13** Based on the Council Tax resolutions at **Appendices B1 to B4** none of the precepting authorities are proposing to set a Council tax level that would require a referendum.
- 1.14** The Council's tax base of 44,971 was approved under delegated arrangements by the Chief Executive on 18 December 2019.
- 1.15** The Council is required to approve the levels of Council Tax each year in a prescribed format. The required resolutions for approval are set out at **Appendix B1** to this report. The figures relating to the district and the average for the parishes is summarised in the table below:

Resolution Ref	Description	ELDC	Parish Precept	Total
(3a)	Gross Expend	£79,597,902	£2,915,398	£82,513,300
(3b)	Gross Income	£72,996,609	0	£72,996,609
(2, 3c and 3e)		£6,601,293	£2,915,398	£9,516,691
	Divided by Tax Base	44,971	44,971	44,971
(3d and 3f)	Band D Council Tax	£146.79	£64.83	£211.62

- 1.16** The Council Tax Bills for 2020/2021 includes the requirements of Town and Parish Councils (where relevant), Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire who are all responsible for setting their own Council Tax levels. The Council Tax resolutions (**resolutions 4, 5 and 6**) relating to these organisations are included at **Appendix B4** and summarised below.

Town and Parish Precepts

- 1.17** The Town and Parish Council Precepts for 2020/21 are detailed at Appendix B2 and total £2,915,398. The increase in the average Band D for Council Tax for Town and Parish Councils is 8.21% and results in an average Band D Council Tax figure of £64.83 for 2020/21.

Appendix B3 shows the combined Parish and District precept levels.

Lincolnshire County Council

Lincolnshire County Council met on 21st February 2020 and set their precept for 2020/2021. The figures resulted in a Council Tax Requirement on the District of £60,152,310.18. The estimated Collection Fund surplus is £668,256.61 giving rise to a County Precept on the District of £60,820,566.79. The Council Tax Requirement represents a Council Tax Band D charge of £1,337.58 (£1,292.40 in 2019/20). This is a 3.50% increase on the 2019/20 Band D requirement.

Police and Crime Commissioner for Lincolnshire

The Police and Crime Panel for Lincolnshire met on 20th February 2020 and approved the proposed precept for 2020/21.

The Police and Crime Commissioner's Council Tax Requirement on the District is £11,304,360.27. The estimated Collection Fund surplus is £115,791.54 giving rise to a Police and Crime Commissioner precept on the district of £11,420,151.81. The Council Tax Requirement represents a Council Tax Band D charge of £251.37 (£241.38 in 2019/20). This is a 4.14% increase on the 2019/20 Band D requirement.

- 1.18** The formal Council Tax resolutions are set out at **Appendix B1**. If the formal Council Tax Resolutions at Appendix B1 are approved, the total (average) Band D Tax will be as follows:

	2019/20	2020/21	Increase £	Increase %
East Lindsey District Council	£141.84	£146.79	£4.95	3.49%
Lincolnshire County Council	£1,292.40	£1,337.58	£45.18	3.50%
Police and Crime Commissioner for Lincolnshire	£241.38	£251.37	£9.99	4.14%
Sub-Total	£1,675.62	£1,735.74	£60.12	3.59%
Town & Parish Council (average)	£59.91	£64.83	£4.92	8.21%
Total	£1,735.53	£1,800.57	£65.04	3.75%

Appendix B4 shows the combined overall precepts

Creation of an Investments Volatility Reserve

- 1.19** When the Council originally made the decision to widen its investment portfolio, £1m was put aside into the Council's general fund to cover any fluctuations in the fair value of the assets invested in and to negate any impact on the Council's revenue account. It is now proposed to move this amount into a specific earmarked reserve which is solely for this purpose.

2. OTHER OPTIONS CONSIDERED

2.1 Setting an alternative budget could result in an alternative level of Council Tax.

3. RESOURCE IMPLICATIONS

3.1 These are contained in appendix 1.

4. RISK AND MITIGATION

4.1 Contained in section 8 of appendix 1.

5. ISSUES AND MATTERS TO TAKE INTO ACCOUNT ARISING FROM KEY CORPORATE CONSIDERATIONS (EQUALITY, SAFEGUARDING, CARBON REDUCTION, DEPRIVATION, HEALTH & SAFETY ETC.)

5.1

6. COUNCILLOR COMMENTS

6.1 The Finance Portfolio Holder has been closely involved in the preparation of the budget and supports the measures outlined and recommended.

7. CRIME AND DISORDER IMPLICATIONS

7.1 N/A

8. FINANCIAL CONSIDERATIONS/IMPLICATIONS

8.1 Considered in Appendix 1.

9. LEGAL CONSIDERATIONS/IMPLICATIONS

9.1 The Council is required to set a balanced budget and to set the Council Tax in accordance with the requirements of the Local Government Finance Act 1992. As such the approval of the report meets the Council's statutory duties.

10. APPENDICES

1. Revenue budget and Medium Term Financial Strategy summary
2. Capital & Treasury Management Strategy
3. Treasury Management policy and Investment Strategy
4. 2020/21 - Budget Savings and Pressures
5. Pay Policy 2020/21
6. Fees and Charges 2020/21
7. Other relevant documents (links)
8. Budget Consultation
- B. Council Tax Resolutions

11. BACKGROUND PAPERS

11.1 N/A