

**Appendix 1**



**East Lindsey**  
DISTRICT COUNCIL

**EAST LINDSEY DISTRICT COUNCIL**

**REPORT OF RICHARD FRY, EXECUTIVE MEMBER FOR FINANCE  
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**BUDGET SETTING REPORT AND ASSOCIATED FINANCIAL STRATEGIES - 2023/24-2027/28**

## **FOREWORD TO THE BUDGET FROM COUNCILLOR RICHARD FRY – EXECUTIVE BOARD MEMBER FOR FINANCE**

The creation of next year's budget has been most challenging. It has been set within a background of unprecedented inflationary pressures and significant changes in resident, customer and business needs. Despite these challenges, the Council's financial position means that it is well placed and able to take a considered approach to mitigating these exceptional challenges.

The Government has provided a one-year settlement which has taken some uncertainty away regarding certain grants, however, the challenge remains significant and into the medium-term.

East Lindsey District Council remains sovereign in terms of its constitution and budget, as do the Councils we partner with, and our ELDC priorities are to ensure that the Council remains financially resilient, able to deliver services it has to by law, and to provide support to the District's most vulnerable residents. Secondly, to continue the process of redressing the imbalances created by the COVID-19 pandemic by appropriately focussing on the provision of financial support to underpin economic recovery for the District and seeking to invest in our places.

Despite the challenges of the pandemic over the past few years, work to develop new opportunities, efficiencies and income streams to support the Council's revenue budget have continued.

A significant element of the Council's budget is the Drainage Board Levy. Like the Council, the drainage boards are also experiencing increased cost demands. The Council is liaising with the Boards, who are attempting to limit future increases, where possible. This is proving increasingly difficult with significant increases in power costs being experienced. Representations to government have been made and continue to be made due to the substantial loss of income to the Council (as the levy was previously funded through Revenue Support Grant (RSG) but this is no longer the case).

Another key component of the council's budget is its share of business rates income. In addition, inflationary pressures have been seen across all areas of the council's budget, particularly pay, contracts, utilities and fuel.

The proposed council tax increase for 2023/24 is an annual increase of £4.95 for a band D property.

The Council's revenue budget already provides for some annual contributions towards capital investment and we are delivering on our commitment to increase these by operating in a more commercial and business-like way to increase our ability to generate future capital receipts. In addition, the Council has a significant commitment towards de-carbonisation, climate change related initiatives and supporting residents during one of the most challenging financial environments for many years.

The Council has maintained a capital resource base commensurate with our capital delivery ambitions.

The Budget for 2023/24 proposes:

- A Council Tax increase of £4.95p per year (for Band D homes this is equivalent to 9.5p per week).
- To continue with the generation of additional efficiencies, shared services and income from commercial activities guided by our Delivery Plans.
- Increased capital investment in Council assets to help generate new income streams, reduce running costs and help deliver services more efficiently.
- Significant additional capital and revenue spending supported by Grant Funding.
- Setting aside funds to support de-carbonisation activities and support for the most vulnerable in our community.



Councillor Richard Fry, Portfolio Holder for Finance

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## EXECUTIVE SUMMARY

	2022/23	2023/24 (estimate)
ELDC Precept	£7.175m	£7.496m
Council Tax Increase	3.26%	3.16%
Council Tax Band D	£156.69	£161.64
Revenue Support Grant	£0.964m	£1.310m
Retained Business Rates used to support budget	£9.596m	£10.365m
Reserves (as at 1 April)	£31.962m	£19.478m

### 1. INTRODUCTION

- 1.1 This Appendix sets out the draft combined 2023/24 budget estimates and Medium Term Financial Strategy (MTFS) for the period 2023/24 to 2027/28 for the Council's General Fund. The Medium Term Strategy sets out the current and forecast future costs of the Council and is linked to the Corporate Plan and Delivery Plan, which sets out the aims and ambitions of the Council.
- 1.2 The MTFS establishes a set of financial policies and principles which aim to provide a sound basis for maintaining the financial integrity of the Council over the medium term.
- 1.3 This Appendix sets out:
- The Council's Medium Term Financial Strategy for the period 2023/24 to 2027/28.
  - The 2023/24 General Fund Revenue Budget & Financing.
  - The General Fund Reserves Position.
  - The General Fund Capital Programme and Financing.
  - Risks, key issues, sensitivity and monitoring.
  - Treasury Management Policy and Strategy.
- 1.4 The unprecedented challenges faced by all of us in 2021/22 and 2022/23 have continued into 2023/24, with significant inflationary pressures. The government settlement delivered in mid-December for East Lindsey included New Homes Bonus (£378k) and a 3% Funding Guarantee (£888k).

- 1.5 In 2023/24, a budget is proposed that allows expenditure to be financed using reserves and creation of efficiencies and appropriate funding in order to smooth the impact of the council's ongoing pressure. Savings are required going forward as a result of increased inflationary costs and other cost pressures but particularly in relation to substantial pressure from the IDB levy where it has and continues to lead on raising this issue with its partners in the South and East Lincolnshire Partnership. This means that the Council can continue to provide services whilst also supporting its overall objectives. The Council will continue to strive to be as efficient as possible in all its work, building on the SELCP Partnership with its partners whilst ensuring it maximises the income it receives.

## 2. BUDGET ASSUMPTIONS

### 2.1 Table 1 - Assumptions Which Influence The 5 Year Financial Strategy

<b>Assumption</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Budgeted inflation <sup>1</sup>	0%	<b>0%</b>	0%	0%	0%	0%
Pay costs increase <sup>2</sup>	2%	<b>5%</b>	2%	2%	2%	2%
Full Time Equivalent Employees <sup>3</sup>	408.5	<b>424.41</b>	424.41	424.41	424.41	424.41
Staffing levels <sup>4</sup>	99%	<b>96%</b>	96%	96%	96%	96%
Pension contribution rate applied to staff budgeted in pension scheme <sup>5</sup>	17.50%	<b>23.80%</b>	23.80%	23.80%	23.80%	23.80%
Pension contribution cash amount to fund deficit on scheme <sup>5</sup>	£1,067,000	<b>£649,000</b>	£674,000	£700,000	£700,000	£700,000
Return on cash investments <sup>6</sup>	0.48%	<b>4.40%</b>	3.30%	2.60%	2.50%	2.50%
Return on property fund investments <sup>6</sup>	3.81%	<b>3.60%</b>	3.60%	3.60%	3.60%	3.60%
Utility cost rises - electricity <sup>7</sup>	30%	<b>50%</b>	0%	0%	0%	0%
Fuel cost rises <sup>8</sup>	0%	<b>25%</b>	0%	0%	0%	0%
Tax base increase <sup>9</sup>	1.61%	<b>1.28%</b>	1.50%	1.50%	1.50%	1.50%

#### Notes to Assumptions

These assumptions reflect, where known, future changes which may arise from the implementation of the council's organisational development plans including the South and East Lincolnshire Councils Partnership with Boston Borough Council and South Holland District Council (see Section 10).

1. Although inflation does affect the price of supplies and services that the Council procures, because services are given cash limited budgets, they are required to absorb the cost of inflation within the resources they have. As such, the net impact of inflation is reduced to zero within the estimates. The only exceptions are those contracts which have an agreed inflationary arrangement built into them.
2. The nationally agreed pay award ended on 31st March 2022. An award for 2022/23 was agreed in November 2022 averaging 5% across the pay spine. For 2023/24, a 5% award has been prudently assumed.
3. An annual General Fund saving in staff costs (£660k) is built into the budget (equivalent to 4% of the staff budget) due to anticipated staff vacancies during the year. This is considered realistic based on previously years' vacancy rates.
4. Based on the Pension Triennial Valuation the pension contribution will be 23.8% in 2023/24 with an additional lump sum amount payable towards the deficit on the pension scheme – this rate is applied only to those staff in the local government pension scheme. A further review will take place which could change the amount from 2027/28 onwards. Any vacant posts are assumed to be within the pension scheme. The pension contribution rate is assumed to stay at 23.8% throughout the life of the MTFS. The lump sum towards the deficit is confirmed for 2023/24.
5. These are the estimated returns on cash investments and the estimated yield on the current budgeted £25m property funds (subject to further review).
6. Utility costs have been inflated by 50% for 2023/24 as a result of increased wholesale prices. These will need to be kept under review as it is an area that could be subject to future inflationary pressures.
7. Vehicle fuel costs are predicted to increase by 25% due to national trends.
8. The tax base projections for 2023/24 has provided for a growth of 584 band D equivalent properties. Future growth has been projected at 1.5% (see section 4.6 and Table 3).



### **3. RESOURCES**

- 3.1 The following section of the report outlines the resources that will be available to the Council under 6 headings: Business Rates, Council Tax, Revenue Support Grant and other Government Grants, New Homes Bonus, Fees and Charges and Other Income.
- 3.2 On 19th December 2022 the Local Government Finance Settlement 2023/24 was delivered. The papers included a continuation of New Homes Bonus for 2023/24 and a new grant stream called Funding Guarantee, replacing the Lower Tier Service grant.
- 3.3 As part of the policy statement, it was confirmed there would be no review of business rates or funding formula for at least 2 years.
- 3.4 As a result of this announcement it makes planning the years from 2025/26 onwards very difficult as many things could change because of these planned reviews and resets. As and when further announcements are made Members will be kept up to date accordingly and the financial impact assessed.

### **4. SPENDING PLANS**

- 4.1 Under the current arrangements for retained Business Rates, where a Council collects rates above an assessed baseline level set by the Government, a 50% levy is applied that is paid to the Government. In order to avoid this 50% levy a business rates pool was adopted with the County Council and other districts within Lincolnshire.
- 4.2 A revaluation exercise for business rates will take effect from 1 April 2023. The Council is expecting a number of appeals against the revaluation. A provision has been put aside based on intelligence from the Council's advisors to hopefully cover any effects from this but there still remains a large amount of uncertainty in this area.
- 4.3 Table 2 provides details of the anticipated business rates figures for 2023/24 and provisional figures for 2024/25 through to 2027/28.
- 4.4 It is important that members note that the potential changes to the retention of Business Rates from 2025/26 presents a significant uncertainty around future funding levels. It is very likely that as part of the ongoing reassessment of Area Needs the Government may significantly change the current baseline levels. As such, the current amount of retained business rates that the Council is experiencing could be significantly reduced under these new arrangements.

Table 2 – Business Rates

	2022/23 £'000	Estimate 2023/24 £'000	Draft 2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000	Draft 2027/28 £'000
Net Rates	(11,932)	<b>(10,016)</b>	(11,087)	(12,566)	(14,050)	(14,331)
Transitional Relief <sup>1</sup>	-	<b>(3,224)</b>	(2,418)	(1,209)	-	-
<b>Retained Business Rates</b>	(11,932)	<b>(13,240)</b>	<b>(13,505)</b>	<b>(13,775)</b>	<b>(14,050)</b>	<b>(14,331)</b>
Renewables - Standard	(699)	<b>(867)</b>	(884)	(902)	(920)	(938)
<b>Total Renewables</b>	(699)	<b>(867)</b>	(884)	(902)	(920)	(938)
Tariff	7,412	<b>7,827</b>	7,983	8,143	8,306	8,472
<b>Net Retained Business Rates Income</b>	(5,219)	<b>(6,280)</b>	(6,406)	(6,534)	(6,664)	(6,797)
S 31 Grants relating to Business Rates	(6,069)	<b>(8,060)</b>	(8,221)	(8,386)	(8,554)	(8,725)
<b>Pre- levy income</b>	(11,288)	<b>(14,340)</b>	(14,627)	(14,920)	(15,218)	(15,522)
Levy payment to Lincolnshire Pool	677	<b>882</b>	900	918	936	955
Net gain to ELDC from the Pool contributed to the Economic Growth Reserve	1,015	<b>1,323</b>	1,349	1,376	1,404	1,432
Contribution to Reserves	-	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>
<b>Business rates used to support the budget</b>	(9,596)	<b>(10,635)</b>	<b>(10,878)</b>	<b>(11,126)</b>	<b>(11,378)</b>	<b>(11,635)</b>
Estimated (Surplus)/Deficit) on Collection Fund <sup>2</sup>	6,985	<b>(1,432)</b>	-	-	-	-
Renewables - Additional <sup>3</sup>	-	<b>(4,086)</b>	(4,176)	(4,267)	(4,361)	(4,457)
<b>Total NNDR 1 Income</b>	(2,611)	<b>(16,153)</b>	<b>(15,054)</b>	<b>(15,393)</b>	<b>(15,739)</b>	<b>(16,092)</b>

1. Business Rates Revaluation effective from 1st April 2023, increases in rates are tapered over 3 years and the Council receives Transitional premium
2. The unusually high deficit in 2022/23 is mainly as a result of retail relief granted to businesses because of the Covid-19 pandemic. These reliefs have been fully funded by the government and the income received in 2020/21 and 2021/22; this budget is covered by a reserve contribution.
3. In December 2022 a new renewables hereditament was added to the local rating list.

4.5 As well as the potential for the authority to attract additional income through retained business rates there is also the risk of uncertainty through a reduction in the amount of business rates that it collects; this has been further exacerbated by the

COVID-19 pandemic. This, coupled with uncertainties relating to appeals against rateable values for business premises, with the potential for successful appeals being backdated, makes estimating income accurately extremely challenging and potentially volatile.

## Council Tax

- 4.6 The MTFs assumes a Council Tax increase in line with the maximum allowed under the Local Government Settlement. In the case of ELDC for 2023/24 this is a £4.95 (3.16%) per annum increase (for band D properties). The increase is reflected through the life of the MTFs. See Table 3 for the estimated changes in the tax base and council tax collected.

Table 3 – Council Tax

		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
a	Council Tax Base (band D equivalents)	45,793	46,377	47,073	47,779	48,495	49,223
b	Council Tax band D (£.p)	156.69	161.64	166.59	171.54	176.49	181.44
	Annual Increase £	4.95	4.95	4.95	4.95	4.95	4.95
	Annual Increase %	3.26%	3.16%	3.06%	2.97%	2.89%	2.80%
c	Annual Council Tax collected(a x b) £	<b>(7,175,305)</b>	<b>(7,496,378)</b>	<b>(7,841,724)</b>	<b>(8,195,838)</b>	<b>(8,558,883)</b>	<b>(8,930,840)</b>
	Annual Increase in Council Tax collected £	(336,838)	(321,073)	(345,346)	(354,114)	(363,044)	(371,957)
d	Surplus on the Collection Fund £	(77,822)	(69,097)	-	-	-	-
	<b>Gross Council tax (c + d) £</b>	<b>(7,253,127)</b>	<b>(7,565,475)</b>	<b>(7,841,724)</b>	<b>(8,195,838)</b>	<b>(8,558,883)</b>	<b>(8,930,840)</b>

- 4.7 The tax base for 2023/24 has been increased by 1.28% and by 1.5% per annum thereafter. This is based on the latest projected house building trajectory. The District's Council Tax remains one of the lowest in the country and the lowest in Lincolnshire.

Table 4 – Precepting Authority Band D Charges

Authority	Proposed Band D amount (£.p)	Increase over 2022/23 £	Increase over 2022/23 %
Lincolnshire County Council	TBC	TBC	TBC
Police and Crime Commissioner	TBC	TBC	TBC
East Lindsey DC	161.64	4.95	3.16
Parishes (average)	TBC	TBC	TBC

### Revenue Support Grant and Other S31 Government Grants

- 4.8 The table below currently builds in the assumption that RSG will continue throughout the MTFs period until such time as we have more information regarding the outcome of the fairer funding review. Other than S31 grants for Business Rates (see table 2) the other main non-specific grants received by the Council relate to the Rural Services Delivery Grant (RSDG) and the newly announced Funding Guarantee grant. RSDG for 2023/24 is proposed to be £697k and the Funding Guarantee grant is £980k for 2023/24. The future of this grant into the longer term is not known, however, it now incorporates the previous Lower Tier Grant.

Table 5 - Revenue Support Grant and other Non-Specific S31 Government Grants

	2022/23 £	<b>2023/24</b> £	Draft 2024/25 £	Draft 2025/26 £	Draft 2026/27 £	Draft 2027/28 £
Revenue Support Grant	(964,253)	<b>(1,310,000)</b>	(1,310,000)	(1,310,000)	(1,310,000)	(1,310,000)
Rural Services Delivery Grant	(697,156)	<b>(779,175)</b>	(779,175)	(779,175)	(779,175)	(779,175)
Services Grant	(424,036)	<b>(248,774)</b>	(248,774)	(248,774)	(248,774)	(248,774)
Lower Tier Services Grant	(275,918)	-	-	-	-	-

	2022/23 £	2023/24 £	Draft 2024/25 £	Draft 2025/26 £	Draft 2026/27 £	Draft 2027/28 £
Funding Guarantee	-	<b>(887,816)</b>	(887,816)	(887,816)	(887,816)	(887,816)
<b>Total Received</b>	<b>(2,361,363)</b>	<b>(3,225,765)</b>	<b>(3,225,765)</b>	<b>(3,225,765)</b>	<b>(3,225,765)</b>	<b>(3,225,765)</b>
Annual Change in Resource	(467,184)	<b>(864,402)</b>	-	-	-	-

### New Homes Bonus

- 4.9 New Homes Bonus (NHB) allocations were announced as part of the Local Government Finance Settlement for 2023/24 only as far as we are aware. The government has added a year of additional grant, as previously announced, the 2021/22 “in year” allocations did not have future years legacy payments nor has the 2023/24 allocation. If the scheme was to be continued in its current form, next year’s payment would reflect just the growth in the previous year.
- 4.10 The NHB has been taken to reserves for future use and investment opportunities.

Table 6 - New Homes Bonus

	2022/23 £'000	2023/24 £'000	Draft 2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000
New Homes Bonus	(1,244)	<b>(378)</b>	-	-	-

## Fees and Charges

- 4.11 The Council is dependent on direct payment for many of its services in the form of various fees, charges and rents. Fees and charges play an important role in the effective delivery of services; they not only raise income but can also control access to services, help the council respond to competition, fund investment and guide client behaviour.
- 4.12 In some cases, the levels of fees are set by the Government and the Council has no control over what is charged. Where the Council has had control, it has not always increased these charges in line with inflation or other market conditions. Given future uncertainty around levels of government grant support and business rates income, the Council will have to develop policies for continually reviewing its fees and charges in order to maintain this income at current or higher levels. A review of fees and charges in light of inflationary pressures is currently underway.

Table 7 - Fees, Charges and Rental Income (under review)

Budget Area	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Building Control Fees	(445)	(445)	(445)	(445)	(445)	(445)
Planning Fees (including pre-planning advice)	(1,571)	(1,571)	(1,571)	(1,571)	(1,571)	(1,571)
Car Parking Income	(3,305)	(3,490)	(3,490)	(3,490)	(3,490)	(3,490)
Market Stall Fees	(100)	(100)	(100)	(100)	(100)	(100)
Kingfisher Caravan Park	(1,020)	(1,054)	(1,054)	(1,054)	(1,054)	(1,054)
Waste Services	(1,468)	(1,424)	(1,424)	(1,424)	(1,424)	(1,424)
Commercial property rental income	(2,149)	(2,208)	(2,208)	(2,208)	(2,208)	(2,208)
Sales, Fees and other Direct Income	(4,758)	(4,807)	(4,807)	(4,807)	(4,807)	(4,807)
<b>TOTAL</b>	<b>(14,816)</b>	<b>(15,099)</b>	<b>(15,099)</b>	<b>(15,099)</b>	<b>(15,099)</b>	<b>(15,099)</b>

## Other Income

4.13 The Council also receives other forms of income, as shown in the following table.

Table 8 - Other Income

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Interest on Investments*	(1,305)	(3,271)	(2,379)	(1,925)	(1,794)	(1,794)
Use of Reserves	(18,994)	(8,567)	(1,418)	(204)	(268)	(170)
Housing Benefit Subsidy/ Universal Credit	(28,472)	(25,125)	(25,125)	(25,125)	(25,125)	(25,125)
Housing Benefit/Universal Credit Overpayments	(270)	(270)	(270)	(270)	(270)	(270)
Council Tax and Housing Benefit Administration Grant	(628)	(600)	(554)	(511)	(472)	(472)
Specific Government Grants	(80)	(64)	(64)	(64)	(64)	(64)
Court Income & Council Tax Penalties	(436)	(436)	(436)	(436)	(436)	(436)
Local Authority Grants including Disabled Facility Grants	(1,583)	(3,460)	(5,305)	(1,583)	(1,583)	(1,625)
Other Government Grants (including Register of Electors, Discretionary Housing Payments, Flexible Homelessness grant, Homelessness Reduction new burdens grant and Towns Fund)	(41,185)	(31,153)	(10,985)	(1,808)	(935)	(935)
Other Grants and contributions	(761)	(1,566)	(1,572)	(1,577)	(1,582)	(1,588)
<b>TOTAL</b>	<b>(93,714)</b>	<b>(74,512)</b>	<b>(48,108)</b>	<b>(33,503)</b>	<b>(32,529)</b>	<b>(32,479)</b>

\*Assumptions have been made on investment income levels due to a variety of factors. In order to manage investment income peaks; excess investment income has been taken to reserves so that reliance on investment income is not built into the base budget.

Use of Reserve values will change as and when new schemes are approved for inclusion within the programme.

## Summary

Table 9 – All Sources of Income

	2022/23 £'000	<b>2023/24 £'000</b>	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Business Rates	(3,626)	<b>(18,976)</b>	(17,902)	(18,269)	(18,643)	(19,024)
Revenue Support Grant	(964)	<b>(1,310)</b>	(1,310)	(1,310)	(1,310)	(1,310)
Lower Tier Services Grant	(276)	-	-	-	-	-
Services Grant	(424)	<b>(249)</b>	(249)	(249)	(249)	(249)
Rural Services Delivery Grant	(697)	<b>(779)</b>	<b>(779)</b>	<b>(779)</b>	<b>(779)</b>	<b>(779)</b>
Funding Guarantee	-	<b>(888)</b>	(888)	(888)	(888)	(888)
New Homes Bonus	(1,244)	<b>(378)</b>	-	-	-	-
Council Tax	(7,253)	<b>(7,565)</b>	(7,842)	(8,196)	(8,559)	(8,931)
<b>Funding subtotal</b>	<b>(14,484)</b>	<b>(30,145)</b>	<b>(28,970)</b>	<b>(29,691)</b>	<b>(30,428)</b>	<b>(31,181)</b>
Fees, Charges, Rents	(14,816)	<b>(15,099)</b>	(15,099)	(15,099)	(15,099)	(15,099)
Other Income	(93,714)	<b>(74,512)</b>	(48,108)	(33,503)	(32,529)	(32,479)
<b>Fees, Charges &amp; Other Income subtotal</b>	<b>(108,530)</b>	<b>(89,611)</b>	<b>(63,207)</b>	<b>(48,602)</b>	<b>(47,628)</b>	<b>(47,578)</b>
<b>Gross Budgeted Income</b>	<b>(123,014)</b>	<b>(119,756)</b>	<b>(92,177)</b>	<b>(78,293)</b>	<b>(78,056)</b>	<b>(78,759)</b>

4.14 There is uncertainty with regard to the reliability of estimates due to high levels of volatility across a number of headings.

### 2022/23 SPENDING PLANS

4.15 Table 10 below shows the estimated Council spending plans for the next 5 years. It shows expenditure analysed by the CIPFA Standard classification. The paragraphs below the table provide explanations for the main variances across the MTFS.



Table 10 – Spending Plans

Description	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Employees	15,835	<b>18,344</b>	18,577	19,052	19,471	19,870
Premises	3,002	<b>3,125</b>	3,125	3,125	3,125	3,125
Transport	1,114	<b>1,217</b>	1,217	1,217	1,217	1,217
Supplies & Services	4,353	<b>4,715</b>	4,680	4,680	4,680	4,680
Drainage Board Levies	3,941	<b>4,888</b>	5,132	5,286	5,444	5,608
Transfer Payments	64,612	<b>43,727</b>	38,762	28,215	27,609	27,651
Capital Charges	16,596	<b>24,484</b>	3,950	374	268	170
Third Party Payments	9,041	<b>10,155</b>	10,159	10,156	10,186	10,215
Interest on Borrowing	495	<b>495</b>	495	495	495	495
Contributions to Reserves	4,710	<b>10,215</b>	7,446	7,558	7,605	7,522
<b>Gross Expenditure</b>	<b>123,699</b>	<b>121,365</b>	<b>93,543</b>	<b>80,158</b>	<b>80,100</b>	<b>80,553</b>

Employee costs have been prepared in accordance with the Council's Pay Policy. Pay generally has been increased by salary increments due to staff, and by an estimated 5% increase in 2023/24 and 2% thereafter. Pension cost estimates have been prepared on the basis of current staff in the pension scheme at October 2022, and all vacant posts assumed to be within the pension scheme. There have been some staffing changes which are mainly grant funded as a result of successful bidding to government departments. The employee costs also include the latest results of the Pension Triennial Review.

Premises budgets have increased in 2023/24. The main increase being the cost of utility wholesale increases in the price of gas and electricity. There has been an assumption of a 50% increase in the cost of utilities.

Transport costs have increased from 2022/23 levels due to the increase in fuel and additional maintenance costs associated with the vehicle fleet.

Supplies and Services budgets have increased slightly mainly due to increases in audit fees, banking charges, agreed increases in council contracts in relation to RPI, additional inflationary costs in Environmental services and Homelessness.

At a time of significant increases in rising costs it is expected that Internal Drainage Board (IDB) increases will be greater than in previous years. The Council is liaising with the local Internal Drainage Boards to work towards limiting future increases, where possible. Lobbying of government is also underway because of the impact of this loss of revenue to the Council due to the embedded levy having an impact every year that passes.

Transfer Payments – There is a reduction to reflect the current estimated expenditure on benefits, there is a reduction in the budget for rent allowance payments (with an offsetting reduction in benefits income – see table 8 above).

Capital Charges – Changes in capital charges relate to revisions to the capital programme between years which do not affect the General Fund bottom line as they funded from reserves.

Third party payments - These budgets reflect payments to Magna Vitae, Public Sector Partnership Services and other outside bodies.

## 5. BUDGET REQUIREMENT

5.1 The budget requirement is formed by comparing resource prediction and spending plans.

Table 11 – Budget Requirement

	2022/23 Estimate £'000	<b>2023/24 Estimate £'000</b>	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Fees, Charges & Other Income (table 9)	(108,530)	<b>(89,611)</b>	(63,207)	(48,602)	(47,628)	(47,578)
Gross Expenditure (table 10)	123,699	<b>121,365</b>	93,543	80,158	80,100	80,553
Parish Precepts	3,206	<b>3,270</b>	3,335	3,401	3,469	3,538
Efficiency Target	(685)	<b>(1,608)</b>	(1,367)	(1,866)	(2,045)	(1,795)
<b>Net Budget</b>	<b>17,690</b>	<b>33,416</b>	<b>32,304</b>	<b>33,091</b>	<b>33,896</b>	<b>34,718</b>
<u>Funded By</u>						
Retained Business rates	(10,611)*	<b>(17,545)*</b>	(17,903)	(18,269)	(18,643)	(19,024)
Business Rates Collection Fund	6,985	<b>(1,432)</b>	-	-	-	-
Revenue Support Grant	(964)	<b>(1,310)</b>	(1,310)	(1,310)	(1,310)	(1,310)
Specific Grants	(1,397)	<b>(1,916)</b>	(1,916)	(1,916)	(1,916)	(1,916)
New Homes Bonus	(1,244)	<b>(378)</b>	-	-	-	-
Parish Precepts	(3,206)	<b>(3,270)</b>	(3,335)	(3,401)	(3,469)	(3,538)
ELDC Council tax (table 3)	(7,175)	<b>(7,496)</b>	(7,842)	(8,196)	(8,559)	(8,931)
Council Tax Collection Fund Surplus	(78)	<b>(69)</b>	-	-	-	-
<b>Total Funding</b>	<b>(17,690)</b>	<b>(33,416)</b>	<b>(32,306)</b>	<b>(33,092)</b>	<b>(33,897)</b>	<b>(34,719)</b>

\*Fluctuations are due to Business Rates Revaluations and renewables

5.2 Based on current assumptions, the Council has a significant efficiency target for 2023/24; plans are already underway to address this including extensive lobbying of government on the IDB levy issue which makes up the majority of this requirement.

### **5.3 OTHER BUDGET ISSUES**

In order to meet its obligations, equality impact assessments will be carried out when the nature of proposed changes to services and the potential mitigation (if any) is clear, so that the implications of decisions are fully understood as they affect specific groups and communities. These have been, and will continue to be, regularly undertaken and considered as part of the decision making process.

## **6. RESERVES**

In order to comply with the requirements of the Local Government Act 2003, the Authority must undertake a review of the level of reserves as part of annual budget preparation. A review of the reserves has been undertaken to make sure that they have a defined purpose, identified and approved values for additions to and usage of each reserve, and that they are set at an appropriate value which identifies the current and future requirements and risks the Council might face. This has included an assessment of risk registers, pressures upon services, inflation and interest rates and any underwriting arrangements. The proposed budget has been developed on the basis of not requiring any long term support from reserves for the revenue budget.

### **6.1 General reserves**

The General Fund balance is estimated to stand at £2.0m for the next five years, which the Council's Section 151 Officer believes to be prudent for the Council at this time.

### **6.2 Specific Reserves**

Specific reserves are set up to provide funds for known future commitments or provide resources for unexpected events. Given the risks and uncertainties facing both the local and national economy the Council is committed to retaining robust levels of reserves, whilst ensuring resources are available to enable efficient service delivery.

Table 12 – Specific and General Fund reserves over the MTFS

The following tables set out the net contributions to and from earmarked reserves in 2023/24 and the reserves balances each year. In 2024/2025 there is a movement of £130k from the Economic Reserve to the Technology Reserve.

<b>Contribution To Reserves</b>	<b>2023/24 £'000</b>	<b>Contribution From Reserves</b>	<b>2023/24 £'000</b>
<u>Repair and Replacement Reserve</u>		<u>Insurance Reserve</u>	60
Embassy Units - Sinking Fund	(29)		
Green Waste	(232)	<u>Capital Reserve</u>	
Replacement and Refurbishment - Payback	(154)	Skegness Foreshore	200
		Towns Fund Mablethorpe High Street	25
<u>Technology Reserve</u>	(68)	<u>Technology Reserve</u>	
		IT Investment	100
<u>Economic Growth</u>		<u>Economic Growth</u>	
Business Rates Pooling Benefit	(1,323)	Towns Fund Leisure and learning HUB – Council Contribution	4,600
Payback previous projects	(142)	Towns Fund Contingency	3,500
		<u>Wellbeing Reserve</u>	-
<u>Capital Reserve</u>			
New Homes Bonus	(378)	<u>Repair and Replacement Reserve</u>	
		Vehicles	82
<u>Investment Volatility Reserve</u>	(871)		
<u>New Initiatives/Contingency Reserves</u>	(2,932)	<b>Contribution From Reserves Total</b>	<b>8,567</b>
<u>Business Rates Volatility Reserve</u>	(4,086)		
<b>Contribution To Reserves Total</b>	<b>(10,215)</b>	<b>Net Contribution From / (to) Reserves</b>	<b>(1,648)</b>

Reserves Balances	Balance	Estimated Balance	Balance	Balance	Balance	Balance	Balance
	31.3.22 £'000	31.3.23 £'000	31.3.24 £'000	31.3.25 £'000	31.3.26 £'000	31.3.27 £'000	31.3.28 £'000
Housing Reserve	2,030	2,030	2,030	2,030	2,030	2,030	2,030
Investments Volatility Reserve	1,000	1,000	1,871	1,871	1,871	1,871	1,871
Repair and Replacement Reserve	1,358	1,317	1,650	1,887	2,108	2,183	2,149
Carbon Reduction Reserve	106	106	106	106	106	106	106
Insurance Reserve	827	867	807	807	807	807	807
Capital Reserve	6,172	998	1,151	320	313	313	313
Service Transformation Reserve	1,093	1,130	1,130	1,130	1,130	1,130	1,130
Business Rates Volatility Reserve	7,401	762	4,848	11,956	17,723	23,584	29,541
Legal and Appeals Reserve	432	425	425	425	425	425	425
Technology Reserve	793	43	11	109	77	45	13
Wellbeing Reserve	805	825	825	825	825	825	825
Economic Growth	6,945	7,642	1,007	1,855	3,260	4,693	6,154
COVID-19 Budget Pressures Smoothing Reserve	1,178	511	511	511	511	511	511
New Initiatives/Contingency Reserve	-	-	2,932	1,500	1,500	1,500	1,500
<b>Specific Reserve Total</b>	<b>30,140</b>	<b>17,656</b>	<b>19,304</b>	<b>25,332</b>	<b>32,686</b>	<b>40,023</b>	<b>47,375</b>
General Fund	1,822	1,822	1,822	1,822	1,822	1,822	1,822
<b>Total</b>	<b>31,962</b>	<b>19,478</b>	<b>21,126</b>	<b>27,154</b>	<b>34,508</b>	<b>41,845</b>	<b>49,197</b>

## 7. CAPITAL PROGRAMME AND TREASURY MANAGEMENT

7.1 The Council's current draft 5 year Capital Programme is shown in the table below. Significant additions have taken place as a result of successful funding applications.

Table 13 – 5 Year Capital Programme, Funding and Resource Implications

<b>CAPITAL PROGRAMME</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>Total £'000</b>
Capitalised Planned Enhancements	200	200	200	200	200	<b>1,000</b>
Car Park Resurfacing	250	250	250	250	250	<b>1,250</b>
Disabled Facilities Grants	1,562	1,562	1,562	1,562	1,562	<b>7,810</b>
IT Investment	100	100	100	100	100	<b>500</b>
<b>CURRENTLY APPROVED CAPITAL: NON TOWNS FUND PROJECTS</b>	<b>2,112</b>	<b>2,112</b>	<b>2,112</b>	<b>2,112</b>	<b>2,112</b>	<b>10,560</b>
Towns Fund - Mablethorpe Leisure and Learning Hub	10,725	895	-	-	-	<b>11,620</b>
Towns Fund - Sutton on Sea Colonnade	3,579	-	-	-	-	<b>3,579</b>
Towns Fund - Skegness Foreshore	200	2,774	-	-	-	<b>2,974</b>
Towns Fund - Skegness Railway Station	2,317	39	-	-	-	<b>2,356</b>
Towns Fund - Skegness Town Centre Transformation	1,050	812	122	-	-	<b>1,984</b>
Towns Fund - Skegness Learning Campus	8,170	4,158	189	-	-	<b>12,517</b>
Towns Fund - Skegness Cultural	1,137	-	-	-	-	<b>1,137</b>
Towns Fund - Mablethorpe Campus for Future Living	5,137	2,124	267	-	-	<b>7,528</b>

<b>CAPITAL PROGRAMME</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>Total £'000</b>
Towns Fund - Mablethorpe Sandilands	1,980	-	-	-	-	<b>1,980</b>
Towns Fund - Mablethorpe Mobihub	277	-	-	-	-	<b>277</b>
Towns Fund - Mablethorpe High Street	471	478	302	-	-	<b>1,251</b>
Town Fund - Contingency	3,500	-	-	-	-	<b>3,500</b>
<b>CURRENTLY APPROVED PROGRAMME : TOWNS FUND PROJECTS</b>	<b>38,543</b>	<b>11,280</b>	<b>880</b>	<b>-</b>	<b>-</b>	<b>50,703</b>
<b>NEW PROJECTS / ADDITIONS</b>						
Environmental Services: Vehicle Requirements	82	-	-	168	4,270	<b>4,520</b>
IT Projects	208	98	98	329	669	<b>1,402</b>
UKSPF	215	564	-	-	21	<b>800</b>
UKSPF - RP	800	900	-	-	21	<b>1,721</b>
<b>ADDITIONS</b>	<b>1,305</b>	<b>1,562</b>	<b>98</b>	<b>497</b>	<b>4,981</b>	<b>8,443</b>
<b>GRAND TOTAL</b>	<b>41,960</b>	<b>14,954</b>	<b>3,090</b>	<b>2,609</b>	<b>7,093</b>	<b>69,706</b>
<b>FUNDED BY:</b>						<b>0</b>
Capital Reserve	225	831	7	-	-	<b>1,063</b>
Other Reserve - Economic Growth	8,100	400	-	-	-	<b>8,500</b>
External Grants	32,795	13,076	2,435	1,562	1,604	<b>51,473</b>
Other Reserve - Technology	100	100	100	100	100	<b>500</b>
Other Reserve - Repair & Replacement	82	-	-	168	70	<b>320</b>
Internal Borrowing	658	548	548	779	5,319	<b>7,852</b>
<b>TOTAL</b>	<b>41,960</b>	<b>14,954</b>	<b>3,090</b>	<b>2,609</b>	<b>7,093</b>	<b>69,706</b>



- 7.2 The Capital Strategy, Asset Management Strategy and Economic Action Plan identify and will generate potential future capital investment requirements. Specific schemes and values will only be included in the recommended programme when the need and likely costs have been further established in detailed business cases, and the Council has ensured that it has sufficient capital and revenue resources to implement such schemes.
- 7.3 The Council has limited capital resources and must look to new ways of financing its capital expenditure. It must also seek to reduce the running costs of its assets and maximise capital receipts. The MTFs contributes all New Homes Bonus (NHB) into the Capital Reserve. NHB is assumed to cease over the life of the MTFs and as such the Council will need to create additional future revenue capacity to maintain adequate contributions to the Capital Reserve.
- 7.4 Funding for Disabled Facility Grants (DFGs) comes from the Better Care Fund via Lincolnshire County Council's Health and Wellbeing Board.

The Treasury Management Strategy Statement pulls together the decisions of capital investment and our cash flow and revenue budgets.

Table 14 – Treasury Assumptions

<b>Treasury Assumptions</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2025/26</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Investment Balances	£25.8m	£75.4m	£62.2m	£54.0m	£50.5m	£47.0m
Investment assumptions – cash investments return	0.48%	4.40%	3.30%	2.60%	2.50%	2.50%
Investment assumptions – property fund return (revenue return only)	3.81%	3.60%	3.60%	3.60%	3.60%	3.60%
External Borrowing	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m
Average Borrowing Rate	2.465 %	2.465 %	2.465 %	2.465 %	2.465 %	2.465 %

7.5 These assumptions include:

- The Council's available cash balances and investment returns will be influenced by the future development of the Council's Asset Management Plan and all decisions made regarding the use of the Council's Reserves for capital and revenue purposes.

## **8. CONSULTATION**

8.1 Under the Gunning Principles, the following points are the golden rules of consultation:

- Proposals being consulted upon must be at a formative stage;
- Proposals must contain enough information for the respondent to provide intelligent consideration;
- Must give adequate time for a response;
- Responses must be conscientiously taken into account.

Using these principles, the budget consultation process for the 2023/24 budget comprised a number of elements. It was published on the Council's website for consultation by all stakeholders, including the local business community.

8.2 In addition to this the Council consulted through a number of Member forums including Executive Board and Scrutiny; and on the governance aspects of its preparation through the Audit and Governance Committee.

8.3 Following the budget consultation process, comments received through the Member forums, preceptors and the public exercise were taken into account in preparing and recommending the proposed budget for Executive Board review and formal Council approval on 15<sup>th</sup> February and 1<sup>st</sup> March 2023, respectively.

## **9. SAVINGS TARGETS**

9.1 The projected budgets recognise an increasingly challenging and uncertain position through the five year period of our financial strategy. A key factor is that the Local Government Finance Act 2012 and future finance reviews demand a significant transformation in the way public services are both paid for and provided, with an emphasis on business and housing growth to both improve economic development and maximise funding to the Council to help offset ongoing reductions in overall resources.

9.2 Based upon current budget assumptions the value of efficiency savings required to set a balanced budget for the next five years are as follows:

Table 15 – Savings Targets

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Budget Savings Requirement	1,608	1,367	1,866	2,045	1,795

9.3 The ongoing delivery of a significant level of savings is recognised as a key challenge to the Council that will require both political and cultural direction to ensure it is met. Of this sum, £1.1m relates to the IDB budgeted uplift for 2022/23 and 2023/24 alone.

**10. SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP PLANS**

10.1 As we think of 2023/24, there is great uncertainty with the central funding which could be allocated to East Lindsey. This is driven by several financial matters which remain unresolved such as the implications of the Fairer Funding Review, Business Rates baseline reset and a review of the Business Rates retention scheme. It should therefore be noted the Council’s assumptions on future budget gaps, whilst prudent, could well be understated.

10.2 The Council is taking a positive response to this uncertainty by seeking to influence those matters raised above through both engagement and lobbying to ensure a fair deal is delivered for rural communities.

10.3 As we look forward into 2023/24, the Executive will be promoting projects which aim to drive commercial opportunities, place the customer at the centre of everything we do and achieve as much as possible through greater collaboration through the South and East Lincolnshire Councils Partnership. Some of these key projects to be developed during 2023/24 include:-

- Residential house building
- Realising efficiencies working together with Boston Borough Council and South Holland District Council through the South and East Lincolnshire Councils Partnership, with annual delivery plans.
- A Council service modernisation programme
- Building the case for investment in infrastructure
- Empowering communities in the way services are provided
- Commercialisation of services
- Addressing Deprivation in the district

- Tackling Climate Change through the Green Homes Initiative.

## 11. RISK AND SENSITIVITY

11.1 The following table shows the key risks and how they will be mitigated through risk management practices:

<u>Table 16 - Key Risks</u>	<b>Likelihood</b>	<b>Impact</b>	<b>Action</b>
Fairer Funding and Business Rate reset/changes	High	High	To lobby as required
IDB Levy	High	High	To lobby as required
Increased Interest Rates	High	High	Market advice and forecasting for continuation
Growth plans may require borrowing at some point in the future	High	High	Continue to closely monitor and prioritise the Council's Capital Financing Requirement.
Increased demand for Homelessness Support Services – relating to Homelessness Reduction Act	High	High	Monitor service demand and impact on costs. Optimise use of grant funding and closely monitor impact.
Lack of clarity for funding levels beyond 22/23 and spending review	High	Medium	Prudent budget set to provide best estimate. Transitional arrangements have been applied in similar previous changes imposed on funding arrangements.
Fluctuation in business rates	High	High	Growth plans and accurate monitoring.
Fair Funding Review could take into account actual levels of commercial activity	Medium	Medium	Prudent budget set to provide best estimate.
Pension fund deficit	Medium	Medium	Close links with LCC pension fund.
Additional bad debts as a result of economic circumstances	Medium	Medium	The Council has pro-active debt management and pre-pay fee policies.
Increased maintenance costs of ageing physical assets	Medium	Medium	Asset management plan. Pro-active rather than reactive maintenance programme.
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions kept up to date with most recent projections.

<b>Table 16 - Key Risks</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Action</b>
Court Income	High	Low	Court income projections are in line with budget. The budget has not been increased due to concerns over collectability of this income. A year-end review will be undertaken to inform future year's budgets.
PSPS may be unable to deliver an effective service within the agreed contract price.	Low	Medium	Reviewing Service Level Agreements, activity levels and service priorities, develop a suitable Transformation Programme.
Fluctuation in business rates	High	High	Growth plans and accurate monitoring.
Fee Income volatility	High	High	Early monitoring of deviations.
Contract Cost volatility	High	High	To seek to pre-purchase where necessary.
Lack of funding to partners causing displacement of service demand	High	High	Engagement and realism.

- 11.2 The changing environment of Local Authority finance means that the Council is facing increasing risks and uncertainty in respect of the resources that it will have available to it. From 2025/26, the Business Rates baseline reset, if implemented, will contribute to the challenges to be faced by the Council.
- 11.3 As noted in Section 4.8, reductions in Government funding is one element of risk, but there are probably even larger risks attached to the ability to generate and retain business rates. Growth in the business economy, changes in the retail price index, the impact of changing business rate valuations and the number of successful appeals against rateable values will all have an impact. Whilst the Council is working with a range of partners to address the issues the pandemic has raised, the one thing that is certain is that from 2024/25 onwards the estimates of funding could well be significantly different than anticipated.
- 11.4 While predicting and controlling the level of external funding resources may be difficult, where possible, the Council will use its budget management processes, reserves and general balances to mitigate those risks that it can try to control. It will also aim to deliver its services in a way that reduces its exposure to certain risks.

## **12. OPTIONS**

- 12.1 There are no alternative budget options presented, however, if Council does not accept the proposed budget then any changes to income or expenditure which will produce a revised balanced budget must be presented and approved at the Council meeting.

## **13. RECOMMENDATION**

13.1 Reason for recommendation - To comply with the budgetary and policy framework.

- Recommendation – That Executive Board recommends to Council to approve the budget setting report 2023/24 and associated financial strategies 2023/24 to 2027/28 which includes the Minimum Revenue Provision (MRP) Policy.