



<b>REPORT TO:</b>	Executive Board
<b>DATE:</b>	15th February 2023
<b>SUBJECT:</b>	Annual Budget Report 2023/24, Medium Term Financial Strategy, Capital Programme and Capital Strategy, Treasury Management Policy/Strategy and Annual Delivery Plan
<b>PURPOSE:</b>	To approve: The General Fund Budget for 2023/24 including the use of reserves, Medium Term Financial Strategy, Capital Programme and Strategy, Treasury Management Policy/Strategy, MRP Policy and Annual Investment Strategy and the Annual Delivery Plan.
<b>KEY DECISION:</b>	Yes
<b>PORTFOLIO HOLDER:</b>	Councillor Richard Fry
<b>REPORT OF:</b>	Christine Marshall, Deputy Chief Executive Corporate Development
<b>REPORT AUTHOR:</b>	Samantha Knowles – Assistant Director – Finance Steven Houchin, Chief Finance Officer- Public Sector Partnership Services Ltd
<b>WARD(S) AFFECTED:</b>	All
<b>EXEMPT REPORT?</b>	No

#### **SUMMARY**

This report sets out the detail of the 2023/24 General Fund Annual Budget, the 5 year Medium Term Financial Strategy (MTFS) from 2023/24 to 2027/28, Capital Programme, Capital Strategy, Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy and Annual Delivery plan.

## **RECOMMENDATIONS**

That Executive Board approves the following recommendations for onward referral to Full Council on 1<sup>st</sup> March 2023:

1. The Revenue Estimates for the General Fund for 2023/24 (Appendices 1, 1a and 1b) be approved.
2. That the Council Tax for a Band A property in 2023/24 be set at £107.76 (£3.30 per annum increase on 2022/23 levels) and band D £161.64 for 2023/24 (a £4.95 per annum increase on 2022/23 levels).
3. The additions to and use of reserves (as detailed at Appendix 1) be approved.
4. The Medium Term Financial Strategy (at Appendix 1) be approved.
5. The Capital Programme and Capital Strategy (Appendices 1 and 2) be approved.
6. The Treasury Management Policy 2023/24 (Appendix 3a) and Treasury Management Strategy, including the Minimum Revenue Provision Policy and Annual Investment Strategy 2023/24 (Appendix 3b) be approved.
7. The Annual Delivery Plan for 2023/24 (Appendix 4) be approved.
8. That Executive Board notes the results of the Budget Consultation process at Appendix 5 (to follow).
9. That Full Council delegates approval to the Deputy Chief Executive Corporate Development (S151), to account as required for any s31 grant and reserve transactions required in respect of the Collection Fund.
10. That delegated authority be given to the Deputy Chief Executive Corporate Development (S151), in consultation with the Portfolio Holder for Finance, to make any necessary amendments to the budget prior to Council due to late notifications

## **REASONS FOR RECOMMENDATIONS**

To comply with the budgetary and policy framework.

## **OTHER OPTIONS CONSIDERED**

No other options were considered.

## **1. BACKGROUND**

- 1.1. This year's budget is being set within a background of unprecedented inflationary pressures and significant changes in resident, customer and business needs. Despite these challenges the Councils financial position means that it is well placed and able to take a considered approach to mitigating these exceptional challenges. In addition, the Council has been and continues to be successful in drawing in significant capital and revenue investment for the area.

## **2. REPORT**

2.1 This report sets out the 2023/24 Budget, Capital Programme and associated Medium Term Financial Strategy (MTFS). The budget has been through a budget consultation process with the public and members, draft budget proposals were subject to review by the Overview Committee on 24<sup>th</sup> January 2023 and Audit and Governance on 1<sup>st</sup> February 2023. The Treasury Management Strategy was also presented to Audit and Governance Committee on the 1st of February 2023 and has been updated to reflect the final budget accompanying this report.

## **3. Key Budget Pressures**

3.1. Identified below are the major changes and key pressures that are being included within the proposed budget:

- A pay award for 2022/23 was agreed in November 2022 averaging 5% across the pay spine. For 2023/24 a 5% award has been assumed, this allowance will be held corporately and adjusted to any savings target should it be settled at a lower level. This is one of the most significant impacts in the budget.
- Pension contributions 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. The pension contribution rate is assumed to stay at 23.8% throughout the life of the MTFS.
- The return on cash investment reflects recent increases to Bank of England base rates which has increased significantly from the recent historic low levels. A further meeting of the MPC on Thursday 2nd February increased rates by an additional 0.5%.
- Electricity and gas costs have been inflated for 2023/24, as a result of increased wholesale prices.
- Vehicle fuel costs have also experienced inflationary pressures.
- Increased Internal Drainage Board levy.
- Increased contract and service costs are similarly a feature of the budget, albeit officers and members are working closely to seek to manage these implications and impacts, these include:
  - Increased demand for homelessness support;
  - External audit fees;
  - External contract pay and inflation pressures.

## **4 COUNCIL TAX AND BUSINESS RATES**

4.1 The previous Medium Terms Financial Strategy (MTFS) committed to a Council Tax increase in line with the maximum allowed under the recent Local Government Settlement. For ELDC in 2023/24 this is a £4.95 (3.16%) per annum increase (for band D properties). This will generate additional income of £321k and the increase is reflected through the life of the MTFS.

4.2 The tax base projections for 2023/24 indicate growth of 584 band D equivalent properties (1.28%). Future growth has been projected at 1.5%.

4.3 Business rates budgeting for 2023/24 was particularly complex this year due to a number of changes including the inflation measure used to increase the local government funding

amount within the Settlement Funding Amount using the CPI September indicator 10.1% instead of the RPI September Indicator (12.6%).

4.4 The National Non-Domestic Rates Form (NNDR1) production is now particularly important in terms of changes to the business rate yield which heavily influences not just our own budgets, but also the Pool we are part of within Lincolnshire and significantly the County Council. This is an area of focus as we seek to understand the changes within the yield, particularly as a result of Covid and changes as a result of the Business Rate Revaluation 2023.

4.5 In order to manage and review this important income stream and the changes within it regular review meetings are taking place internally. There have also been some significant changes which need further and detailed consideration in terms of growth, appeals and new hereditaments.

## 5 LOCAL GOVERNMENT SETTLEMENT

5.1 The local government settlement delivered on 6<sup>th</sup> February 2023 has provided the following support:

Local Government Settlement Information	East Lindsey District Council		
	2022/23 Budget	2023/24 FINAL Settlement	Difference 22/23-23/24
	£'000	£'000	£'000
Revenue Support Grant	964	1,310	346
Rural Services Delivery grant	697	779	82
Lower Tier Services Grant	281	0	-281
Service Grant	424	249	-175
<b>Sub Total</b>	<b>2,366</b>	<b>2,338</b>	<b>-28</b>
Funding Guarantee (3%)	0	888	888
<b>Sub Total</b>	<b>2366</b>	<b>3,226</b>	<b>860</b>
New Home Bonus	1,244	378	-866
<b>Total Funding</b>	<b>3,610</b>	<b>3,604</b>	<b>-6</b>

5.2 The 2023/24 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels, updated for the 2022 Autumn Statement announcements. The main points are set out below:

- The Funding Guarantee replaces the Lower Tier Services Grant. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3% before any decisions about organisational efficiencies, use of reserves or council tax levels are taken.
- Revenue Support Grant has been increased in line with what would have been the increase to the multiplier; there have also been existing grants worth rolled into the RSG amounts.

- Local Government Funding Reform – as per the published Policy Statement, the Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years.

## 6 INTERNAL DRAINAGE BOARDS

6.1 Internal Drainage Board (IDB) levy figures have been finalised and are very substantial increases on previous years due to the extensive use of power and fuel for the activities that these organisations undertake, along with other pressures. The 2023/24 cost is £4.9m and the increases ranging from 8% to 27% for next year.

6.2 The Council is liaising with the local Internal Drainage Boards who have been trying to limit future increases, where possible, but proving impossible with the pressures from power costs being experienced, particularly standing charges, in addition to pay, pension and contract inflation. Representations have been and continue to be made to government due to the substantial loss of income to the Council, as this was previously funded through Revenue Support Grant (RSG). This embedded levy can no longer be afforded having a significant impact, every year that passes, on the ability of the Council to finance the services it is providing and putting it at a disadvantage to the majority of Councils in England, with only a handful of councils impacted upon in this way.

6.3 The table below illustrates this point clearly. IDB levy will not only consume all the Council's proposed increase for 2023/24 which should be used to finance and support services but also require additional efficiencies/funding to be identified.

Council	Total Council Tax Received per year 23/24	Total IDB levy per year 23/24	Increase 2023/24	Council Tax 23/24 Increase £4.95
East Lindsey District Council	£7.5m	£4.9m	£946k	£321k

6.4 The Council has been in detailed discussion with government officers regards this position over the past year. We are also aware that the IDBs have made extensive representations to DEFRA and via ADA of this significant issue. A meeting with the Minister has now taken place and we await a response on this key issue. The total additional cost of last years and this year's levy increase as a pressure on the Councils revenue account is £1.1m.

## 7 CAPITAL PROGRAMME

7.1 The capital programme included in Appendix 1, is subject to final additions such as the Levelling Up Fund and other announcements that may be received by the time of publication. A final version of the programme will be presented to Council on 1<sup>st</sup> March 2023 for approval.

7.2 The Councils Capital Strategy is shown at Appendix 2 and focuses on the core principles of capital investment.

7.3 The five year General Fund Capital Programme includes provision for Investment and Growth linked to the Councils Strategic objectives. Final decisions on individual projects will be subject to approval and detailed business case. The main areas of continued investment are:

- Disabled Facilities Grant;
- IT Systems;
- Asset Improvements;
- To support Grant Funding bids.

Due to the nature of some capital projects, it can be common for large scale project timing to change over the medium term. This budget provides the best estimates of deliverability available at the time of production and the programme will be flexed over time as reported in quarterly reports to Executive Board and Council.

## **8 RESERVES**

8.1 General Fund Specific Reserves are budgeted to reduce by £12.484m in 2023/24, this is predominantly to fund the Capital Programme which has seen slippage on some of the larger schemes. This figure will be adjusted once the outturn for 2022/23 is known.

8.2 There have been a number of significant changes particularly within the Collection Fund relating to the appeals provision, the recent new business rate changes and the Councils renewable element. Detailed analysis of these changes are still underway in terms of future years impacts. As a result of these changes additional funding is being set aside to reserves and in 2023/24 it is proposed that the following sums are made available for use in the following areas:

- Decarbonisation of Assets - £1.5m
- Cost of Living Support for Residents - £1m

These will be funded from the New Initiatives/Contingency Reserve.

## **9 BALANCING THE BUDGET**

9.1 In terms of balancing the budget the following areas have been considered as part of the budget setting process:

### **Short Term**

- The potential use of reserves to support one off pressure and for invest to save initiatives.
- Set aside of the New Homes Bonus to support service efficiencies whilst medium term activity is actioned.
- Continued work to engage on the Internal Drainage Board financing challenge.

- Review of all new pressures and service budgets to consider efficiency opportunities and alternative options.

### **Medium Term**

- Work with PSPS in terms of its transformation plans for the future and to help finance contract cost pressures.
- Driving transformational change using the SELCP sub-regional partnership as a driver for innovation and efficiency.
- Reviewing all assets to maximise income and efficiency of use.
- Delivering and supporting economic growth
- Reviews of fees and charges in light of inflationary increases in costs, where appropriate.

9.2 Detailed efficiency and transformation plans are being put together for members consideration.

## **10 ADDITIONAL CONSIDERATION**

### **10.1 Annual Delivery Plan**

The Annual Delivery Plan at Appendix 4 identifies the planned programme of work for the Partnership and sovereign Councils for 23/24, drawing on the previously approved Partnership Work Programme, as well as wider opportunities that have since been identified.

### **10.2 Scrutiny**

The budget was considered by Overview Committee on 24<sup>th</sup> January 2023 and Audit & Governance on 1<sup>st</sup> February 2023, where they raised the following matters:

- Concerns regarding the on-going impact of the IDB levy on the Councils resources and services;
- Pressures in homelessness and the need to look at new service solutions;
- The need to stimulate economic growth – jobs, businesses.

### **10.3 Consultation**

A summary of the consultation results, which ended on 10<sup>th</sup> February, is included at Appendix 5.

## **10 CONCLUSION**

That the final revenue and capital budget estimates the MTFS and associated strategies be approved for onward recommendation to Full Council.

## **EXPECTED BENEFITS TO THE PARTNERSHIP**

This report enables East Lindsey District Council to consult on its budget the level of Council Tax for 2023/24.

## **IMPLICATIONS**

### **SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP**

This budget support the SELCP partnership arrangements

### **CORPORATE PRIORITIES**

This budget has been built in line with corporate priorities.

## **STAFFING**

The Equality Act requires ELDC to consider any equality impacts in relation to staff from these plans. As projects within the programme are developed a draft impact assessment will be discussed with Trades Unions and staff, and especially as individual projects are delivered.

## **CONSTITUTIONAL AND LEGAL IMPLICATIONS**

This report is required by virtue of the Local Government Finance Act 1992, as amended by the Localism Act 2011.

## **DATA PROTECTION**

None

## **FINANCIAL**

This is a fully financial report.

## **RISK MANAGEMENT**

Risk management is considered as part of the budget setting process.

## **STAKEHOLDER / CONSULTATION / TIMESCALES**

The Council has a legal duty to consult residents on its draft budget proposals.

## **REPUTATION**

None

## **CONTRACTS**

None

## **CRIME AND DISORDER**

None

## **EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING**



New Equality Impact Assessments will be developed and published wherever these are required and will be made available during the management and decision-making of the Programme.

## HEALTH AND WELL BEING

None

## CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

## ACRONYMS

**ADA – Association of Drainage Authorities**

**IDB – Internal Drainage Board**

## APPENDICES

Appendix 1 - The Revenue Estimates for the General Fund for 2023/24 (Appendices 1, 1a, 1b).

Appendix 2 - The Capital Strategy.

Appendix 3 - The Treasury Management Statement and Strategy, including the Minimum Revenue Provision Policy and Annual Investment Plan/Strategy (Appendices 3a, 3b).

Appendix 4 - The Annual Delivery Plan for 2023/24

Appendix 5 - Results of the Budget Consultation process

## BACKGROUND PAPERS

None

### CHRONOLOGICAL HISTORY OF THIS REPORT

Executive Board – 11<sup>th</sup> January 2023

Overview Committee – 24<sup>th</sup> January 2023

Audit & Governance 1<sup>st</sup> February 2023

### REPORT APPROVAL

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