

## Appendix 1



### **EAST LINDSEY DISTRICT COUNCIL**

**REPORT OF RICHARD FRY, Portfolio Holder Finance,  
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**DRAFT BUDGET SETTING REPORT 2024/25 -2028/29**

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

The creation of next year's budget has been one of the 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, however the concerns remain significant 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.

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

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 and looking at 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 2024/25 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-carbinisation activities and support for the most vulnerable in our community.



Councillor Richard Fry, Portfolio Holder for Finance

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### EXECUTIVE SUMMARY

	2023/24	2024/25
ELDC Precept	£7.496m	£7.867m
Council Tax Increase	3.16%	3.06%
Council Tax Band D	£161.64	£166.59
Government Funding	£1.310m	£1.396m
Retained Business Rates used to support budget	£10.365m	£10.760m
Reserves	£17.756m	£30.337m
Capital Programme (General Fund)	£24.2m	£33.654m

#### 1. INTRODUCTION

- 1.1 This appendix sets out the draft combined 2024/25 budget estimates and Medium Term Financial Strategy (MTFS) for the period 2024/25 to 2028/29 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 Sub-regional Plan and Annual 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 2024/25 to 2028/29.
- The 2024/25 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 investment strategy.

**1.4** The unprecedented challenges faced through recent years have continued into 2024/25, with significant inflationary pressures. The government settlement delivered in mid December for East Lindsey included New Homes Bonus (£434k) and 3% funding guarantee (£940k).

**1.5** In 2024/25 a budget is proposed that allows expenditure to be financed through the use of reserves in order to smooth the impact of the council's ongoing pressure, significant savings are required going forward as a result of increased inflationary costs and other cost pressures, including substantial pressure from the IDB levy. 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 South and East Lincolnshire Council's Partnership with its partners at South Holland District Council, Boston Borough Council and PSPS, whilst ensuring it maximises the income it receives.

## 2. BUDGET ASSUMPTIONS

### 2.1 Table 1 - assumptions which influence the 5 year financial strategy

Assumption	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Budgeted inflation <sup>1</sup>	0%	<b>0%</b>	0%	0%	0%	0%
Pay costs increase <sup>2</sup>	5.0%	<b>3.5%</b>	3.0%	2.5%	2.5%	2.5%
Full Time Equivalent Employees	424.41	<b>447.65</b>	447.65	447.65	447.65	447.65
Staffing levels <sup>3</sup>	96%	<b>96%</b>	96%	96%	96%	96%
Pension contribution rate applied to staff budgeted in pension scheme <sup>4</sup>	23.8%	<b>23.8%</b>	23.8%	23.8%	23.8%	23.8%
Pension contribution cash amount to fund deficit on scheme	£649,000	<b>£674,000</b>	£700,000	£700,000	£700,000	£700,000
Return on cash investments <sup>5</sup>	4.40%	<b>3.30%</b>	2.60%	2.50%	2.50%	2.50%
Utility cost rises <sup>6</sup>	50%	<b>0%</b>	0%	0%	0%	0%
Fuel cost rises <sup>7</sup>	25%	<b>0%</b>	0%	0%	0%	0%
Tax base increase <sup>8</sup>	1.28%	<b>1.82%</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 7).

1. Although inflation does affect the price of supplies and services that the Council procures, because services are given cash limited budgets they have 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, we expect that contract costs will substantially increase on renew.
2. The nationally agreed pay award ended on 31<sup>st</sup> March 2023. An award for 2023/24 was agreed November 2023 being a rise of up to 9.42% for the lowest paid through to 3.88% for those on the highest bands. For 2024/25 onwards a 3.5% award has been assumed, reducing to 3% for 2025/26 and then 2.5% from 2026/27 onwards.
3. An annual General Fund saving in staff costs (£629k) is built into the budget (equivalent to 4% of the staff budget) due to anticipated staff vacancies during the year.
4. Based on the 2022/23 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 2024/25.

5. These are the estimated returns on cash and the estimated yield on the current budgeted £25m property funds (subject to further review).
6. Utility costs have been inflated for 2024/25 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. The tax base projections for 2024/25 has provided for a growth of 845 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 Appendix 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 18 December 2023 the Local Government Finance Settlement 2024/25 was delivered. The papers included a continuation of New Homes Bonus for 2024/25 and 3% Funding Guarantee that replaced 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 2024/25 and provisional figures for 2025/26 through to 2028/29.

- 4.4 It is important that members note that the potential changes to the retention of Business Rates from 2023/24 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**

\*NNDR 1 expected 31<sup>st</sup> January, this table displays 23/24 information and will be updated

	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000	Draft 2027/28 £'000	Draft 2028/29 £'000
Net Rates	(10,016)	<b>(11,087)</b>	(12,566)	(14,050)	(14,331)	0
Transitional Relief <sup>1</sup>	(3,224)	<b>(2,418)</b>	(2,418)	(1,209)	-	0
<b>Retained Business Rates</b>	<b>(13,240)</b>	<b>(13,505)</b>	<b>(13,775)</b>	<b>(14,050)</b>	<b>(14,331)</b>	<b>0</b>
Renewables – Standard	(867)	<b>(884)</b>	(902)	(920)	(938)	0
<b>Total Renewables</b>	<b>(867)</b>	<b>(884)</b>	<b>(902)</b>	<b>(920)</b>	<b>(938)</b>	<b>0</b>
Tariff	7,827	<b>7,983</b>	8,143	8,306	8,472	0
<b>Net Retained Business Rates Income</b>	<b>(6,280)</b>	<b>(6,406)</b>	<b>(6,534)</b>	<b>(6,664)</b>	<b>(6,797)</b>	<b>0</b>
S 31 Grants relating to Business Rates	(8,060)	<b>(8,221)</b>	(8,386)	(8,554)	(8,725)	0
<b>Pre-levy income</b>	<b>(14,340)</b>	<b>(14,627)</b>	<b>(14,920)</b>	<b>(15,218)</b>	<b>(15,522)</b>	<b>0</b>
Levy Payment to Lincolnshire Pool	882	<b>900</b>	918	936	955	0
Net gain to ELDC from the Pool contributed to the Economic Growth Reserve	1,323	<b>1,349</b>	1,376	1,404	1,432	0
Contribution to Reserves	1,500	<b>1,500</b>	1,500	1,500	1,500	0
<b>Business rate used to support the budget</b>	<b>(10,635)</b>	<b>(10,878)</b>	<b>(11,126)</b>	<b>(11,378)</b>	<b>(11,635)</b>	<b>0</b>
Estimated (Surplus)/Deficit on Collection Fund <sup>2</sup>	(1,432)	-	-	-	-	-
Renewables – Additional <sup>3</sup>	(4,086)	<b>(4,176)</b>	(4,267)	(4,361)	(4,457)	0
<b>Total NNDR 1 Income</b>	<b>(16,153)</b>	<b>(15,054)</b>	<b>(15,393)</b>	<b>(15,739)</b>	<b>(16,092)</b>	<b>0</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 is mainly as a result of retail reliefs 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 therefore is covered by a reserve contribution shown in table 8.

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 2024/25 this is a £4.95 (3.06%) per annum increase (for band D properties). The increase is reflected through the life of the MTFs. See Table 3 below for the estimated changes in the tax base and council tax collected.

Table 3 – Council Tax

		2023/24	<b>2024/25</b>	2025/26	2026/27	2027/28	2028/29
a	Council Tax Base (band D equivalents)	46,377	47,222	47,930	48,649	49,379	49,379
b	Council Tax band D (£.p)	161.64	166.59	171.54	176.49	181.44	186.39
	Annual Increase £	4.95	4.95	4.95	4.95	4.95	4.95
	Annual Increase %	3.16%	3.06%	2.97%	2.89%	2.80%	2.73%
c	Annual Council Tax collected(a x b) £	<b>(7,496,378)</b>	<b>(7,866,713)</b>	<b>(8,221,912)</b>	<b>(8,586,062)</b>	<b>(8,959,326)</b>	<b>(9,341,680)</b>
	Annual Increase in Council Tax collected £	(321,073)	(370,335)	(355,199)	(364,150)	(373,264)	(382,355)
d	Surplus on the Collection Fund £	(69,097)	(128,303)	0	0	0	0
	<b>Gross Council tax (c + d) £</b>	<b>(7,565,475)</b>	<b>(7,995,016)</b>	<b>(8,221,912)</b>	<b>(8,586,062)</b>	<b>(8,959,326)</b>	<b>(9,341,680)</b>

- 4.7 The tax base for 2024/25 has been increased by 1.82% and by 1.50% per annum thereafter. This is based on the latest projected house building trajectory.

Table 4 – Precepting Authority Band D charges

Authority	Proposed Band D amount (£.p)	Increase over 2024/25 £	Increase over 2024/25 %
Lincolnshire County Council*	1,503.63	71.46	4.99%
Police and Crime Commissioner*	291.24	14.94	5.41%
East Lindsey DC	166.59	4.95	3.06%
Parishes (average)*	74.17	4.16	5.94%

\*Figures based on 23/24 until information is available – this will be amended for final budget

### **Revenue Support Grant and Other 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 2024/25 is proposed to be £779k and the Funding Guarantee grant is £940k for 2024/25, 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

	2023/24 £'000	2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000	Draft 2027/28 £'000	Draft 2028/29 £'000
Revenue Support Grant	(1,310)	<b>(1,396)</b>	(1,396)	(1,396)	(1,396)	(1,396)
Rural Services Delivery Grant	(779)	<b>(779)</b>	(779)	(779)	(779)	(779)
Services Grant	(249)	<b>(39)</b>	(39)	(39)	(39)	(39)
Lower Tier Services Grant	-	-	-	-	-	-
Funding Guarantee (3% - New Grant)	(888)	<b>(940)</b>	(940)	(940)	(940)	(940)
<b>Total Received</b>	<b>(3,226)</b>	<b>(3,154)</b>	<b>(3,154)</b>	<b>(3,154)</b>	<b>(3,154)</b>	<b>(3,154)</b>
Annual Change in Resource £	(864)	<b>72</b>	-	-	-	-

### New Homes Bonus

4.9 New Homes Bonus (NHB) allocations were announced as part of the Local Government Finance Settlement for 2024/25 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 2024/25 allocation. If the scheme was to be continued in its current form next years payment would reflect just the growth in the previous year.

4.10 The New Homes Bonus will be fully transferred to Reserves in 2024/25

Table 6 - New Homes Bonus

	2023/24 £	Draft 2024/25 £	Draft 2025/26 £	Draft 2026/27 £	Draft 2027/28 £	Draft 2028/29 £
New Homes Bonus	(378)	<b>(434)</b>	<b>(434)</b>	<b>(434)</b>	<b>(434)</b>	<b>(434)</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 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. The Council has been subject to expenditure inflationary pressures over the last 24 months. It is proposed that the budget should apply RPI increases to all discretionary fees and charges on an annual basis, where supported by the S151 Officer and Finance Portfolio Holder.

Table 7 - Fees, Charges and Rental Income

Budget Area	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Building Control Fees	(445)	(445)	(445)	(445)	(445)	(445)
Planning Fees (including pre-planning advice)	(1,571)	(1,488)	(1,488)	(1,488)	(1,488)	(1,488)
Car Parking Income	(3,490)	(3,490)	(3,490)	(3,490)	(3,490)	(3,490)
Market Stall Fees	(100)	(100)	(100)	(100)	(100)	(100)
Kingfisher Caravan Park	(1,054)	(1,054)	(1,054)	(1,054)	(1,054)	(1,054)
Waste Services	(1,424)	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)
Commercial property rental income	(2,208)	(2,343)	(2,343)	(2,343)	(2,343)	(2,343)
Sales, Fees and other Direct Income	(4,807)	(4,517)	(4,517)	(4,517)	(4,517)	(4,517)
<b>TOTAL</b>	<b>(15,099)</b>	<b>(15,165)</b>	<b>(15,165)</b>	<b>(15,165)</b>	<b>(15,165)</b>	<b>(15,165)</b>

Note: Fees and Charges are subject to review in future years due to inflationary pressures.

## Other Income

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

Table 8 - Other Income

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Interest on Investments*	(1,305)	<b>(3,415)</b>	(3,415)	(3,415)	(3,415)	(3,415)
Housing Benefit Subsidy and Rent Rebates Subsidy.	(28,472)	<b>(26,243)</b>	(26,243)	(26,243)	(26,243)	(26,243)
Housing Benefit/Universal Credit Overpayments	(270)	<b>(270)</b>	(270)	(270)	(270)	(270)
Council Tax and Housing Benefit Administration Grant	(628)	<b>(426)</b>	(426)	(426)	(426)	(426)
Specific Government Grants , UKSPF, NSAP, Levelling Up and RSAP)	(80)	<b>(64)</b>	(64)	(64)	(64)	(64)
Court Income & Council Tax Penalties	(436)	<b>(436)</b>	(436)	(436)	(436)	(436)
Local Authority Grants including Disabled Facility Grants	(1,583)	<b>(1,916)</b>	(1,916)	(1,916)	(1,916)	(1,916)
Other Government Grants (incl. Register of Electors, Discretionary Housing Payments, Flexible Homelessness grant, Homelessness Reduction new burdens grant and Towns Fund)	(39,930)	<b>(2,180)</b>	(2,180)	(2,180)	(2,180)	(2,180)
Other Grants and contributions	(2,016)	<b>(2,695)</b>	(2,695)	(2,695)	(2,695)	(2,695)
Use of Reserves	(18,994)	<b>(1,583)</b>	(418)	(451)	(353)	(283)
<b>TOTAL</b>	<b>(93,714)</b>	<b>(39,229)</b>	<b>(38,064)</b>	<b>(38,097)</b>	<b>(37,999)</b>	<b>(37,929)</b>

\*Assumptions have been made on investment income levels due to a variety of factors



- Use of Reserve values will change as and when new schemes are approved for inclusion within programme.
- Reductions in the Housing Benefit Subsidy income is due to a realignment of the budget to reflect current anticipated levels of activity – especially with the roll out of Universal Credit. There is a corresponding reduction in expenditure in section 4 below.
- Reduction in Other Government Grants primarily relates to Towns Funds and Sustainable Warmth Grant.

## Summary

Table 9 – All sources of income

	2023/24 £'000	<b>2024/25 £'000</b>	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Business Rates (Table 2)	(18,977)	<b>(18,745)</b>	(18,745)	(18,745)	(18,745)	(18,745)
Revenue Support Grant (Table 5)	(1,310)	<b>(1,396)</b>	(1,396)	(1,396)	(1,396)	(1,396)
Lower Tier Services Grant (Table 5)	0	<b>0</b>	0	0	0	0
Services Grant (Table 5)	(249)	<b>(39)</b>	(39)	(39)	(39)	(39)
Funding Guarantee (3%) (table 5)	(888)	<b>(940)</b>	(940)	(940)	(940)	(940)
Rural Services Delivery Grant (Table 5)	(779)	<b>(779)</b>	(779)	(779)	(779)	(779)
New Homes Bonus (Table 6)	(378)	<b>(434)</b>	(434)	(434)	(434)	(434)
Council Tax (Table 3)	(7,565)	<b>(7,995)</b>	(8,222)	(8,586)	(8,959)	(9,342)
<b>Funding subtotal</b>	<b>(30,146)</b>	<b>(30,328)</b>	<b>(30,555)</b>	<b>(30,919)</b>	<b>(31,292)</b>	<b>(31,675)</b>
Fees, Charges, Rents (Table 7)	(15,099)	<b>(15,165)</b>	(15,165)	(15,165)	(15,165)	(15,165)
Other Income (Table 8)	(81,191)	<b>(39,389)</b>	(38,224)	(38,257)	(38,159)	(38,089)
<b>Fees, Charges &amp; Other Income subtotal</b>	<b>(96,290)</b>	<b>(54,553)</b>	<b>(53,388)</b>	<b>(53,422)</b>	<b>(53,324)</b>	<b>(53,254)</b>
<b>Gross Budgeted Income</b>	<b>(126,436)</b>	<b>(84,881)</b>	<b>(83,943)</b>	<b>(84,341)</b>	<b>(84,616)</b>	<b>(84,928)</b>

## 2023/24 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.

4.15.1 The table below summarises the main changes in expenditure budgets between 2023/24 and 2024/25. The ongoing delivery of the Council's Efficiencies and Transformation Programme may introduce further changes in the year ahead and over the Medium Term.

Table 10 – Spending Plans

Description	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2027/28 £'000
Employees	18,344	<b>20,764</b>	21,476	22,078	22,663	23,235
Premises	3,125	<b>3,523</b>	3,523	3,523	3,523	3,523
Transport	1,217	<b>1,555</b>	1,555	1,555	1,555	1,555
Supplies & Services	6,367	<b>6,440</b>	6,440	6,440	6,440	6,440
Drainage Board Levies	4,888	<b>5,158</b>	5,158	5,158	5,158	5,158
Transfer Payments	48,754	<b>29,562</b>	29,562	29,562	29,562	29,562
Capital Charges	24,484	<b>100</b>	100	100	100	100
Third Party Payments	10,155	<b>11,166</b>	11,166	11,166	11,166	11,166
Interest on Borrowing	495	<b>3</b>	3	3	3	3
Contributions From Reserves	10,215	<b>8,253</b>	7,795	7,820	7,645	6,563
<b>Gross Expenditure</b>	<b>128,044</b>	<b>86,524</b>	<b>86,778</b>	<b>87,405</b>	<b>87,815</b>	<b>87,305</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 3.5% increase in 2024/25 and 3.0% to 2.5% thereafter. Pension cost estimates have been prepared on the basis of current staff in the pension scheme at October 2023/24, 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 2022/23 Pension Triennial Review.

Premises budgets have increased in 2024/25. The main increase being the cost of utility wholesale increases in the price of gas and electricity.

Transport costs have increased from 2023/24 levels due to an increase in maintenance costs associated with the vehicle fleet.

Supplies and Services budgets have increased slightly due to agreed increases in council contracts in relation to RPI, additional project costs offset by grant, offset by the removal of the cost of living support scheme now held in reserve.

Internal Drainage Board (IDB) increases, in total average 3.6% for 2024/25. The cost of 2024/25 have been estimated as the base throughout the MTFs until further information has been provided by the Internal Drainage Boards. At a time of significant increases in rising energy cost it would be safe to assume that 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 with the impact of this loss of revenue to the Council due to the embedded levy having an impact every year that passes. The table below breaks down the levy by each Board.

<b>Internal Drainage Board</b>	<b>2022/23 (Actual) £</b>	<b>2023/24 (Actual) £</b>	<b>2024/25 Budget £</b>	<b>Increase over 2023/24 £</b>
Lindsey Marsh Drainage Board	3,148,320	4,091,378	<b>4,197,754</b>	106,376
The Witham Third District Internal Drainage Board	382,480	446,085	<b>481,773</b>	35,688
Witham Fourth Internal Drainage Board	410,100	443,015	<b>478,456</b>	35,441
<b>Total</b>	<b>3,940,900</b>	<b>4,980,478</b>	<b>5,157,983</b>	<b>177,505</b>

Transfer Payments – Linked to Capital Programme activity primarily Towns Fund

Capital Charges – The Capital Programme does not feature in the draft budget for 24/25 at present. The figure shown from 24/25 onwards represents MRP £100k.

Third party payments - These budgets reflect payments to 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.

5.2 **Appendices 1a and 1b** bring together the budgeted expenditure and income and show the overall MTFs position analysed by income and expenditure type, service area and by portfolio budgets.

Table 11 – Budget Requirement

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Fees, Charges & Other Income (table 9)	(96,290)	<b>(54,553)</b>	(53,388)	(53,422)	(53,324)	(53,254)
Gross Expenditure (table 10)	128,044	<b>86,524</b>	86,778	87,405	87,815	87,305
Parish Precepts	3,440	<b>3,509</b>	3,579	3,650	3,723	3,798
Efficiency Target (table 15)	(1,608)	<b>(1,643)</b>	(2,835)	(3,065)	(3,200)	(2,377)
<b>Net Budget</b>	<b>33,586</b>	<b>33,837</b>	<b>34,134</b>	<b>34,568</b>	<b>35,014</b>	<b>35,472</b>
<b>Funded By</b>						
Retained Business rates (table 2)	(17,545)	<b>(18,745)</b>	(18,745)	(18,745)	(18,745)	(18,745)
Business Rates Collection Fund (table 2)	(1,432)	<b>0</b>	0	0	0	0
Revenue Support Grant (table 5)	(1,310)	<b>(1,396)</b>	(1,396)	(1,396)	(1,396)	(1,396)
Specific Grants (table 5)	(1,916)	<b>(1,758)</b>	(1,758)	(1,758)	(1,758)	(1,758)
New Homes Bonus (table 6)	(378)	<b>(434)</b>	(434)	(434)	(434)	(434)
Parish Precepts	(3,440)	<b>(3,509)</b>	(3,579)	(3,650)	(3,723)	(3,798)
ELDC Council tax (table 3)	(7,496)	<b>(7,867)</b>	(8,222)	(8,586)	(8,959)	(9,342)
Council Tax Collection Fund Surplus (table 3)	(69)	<b>(128)</b>	0	0	0	0
<b>Total Funding</b>	<b>(33,586)</b>	<b>(33,837)</b>	<b>(34,134)</b>	<b>(34,569)</b>	<b>(35,015)</b>	<b>(35,473)</b>

5.3 Based on current assumptions the Council has a significant efficiency target for 2024/25 in respect of which plans are already underway to address, in addition to the continued liaison with Government on the IDB issue. With uncertainty around Business Rates after 2024/25 as mentioned earlier it is very unclear at this stage what the financial impact will be.

## **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.

### **General reserves**

The General Fund balance is estimated to stand at £1.822m for the next five years, which the Council's Section 151 Officer believes to be prudent for the Council at this time.

Table 12 – Reserve Balances

Reserve	Forecast Balances at 31st March 2024	Forecast Balances at 31st March 2025	Forecast Balances at 31st March 2026	Forecast Balances at 31st March 2027	Forecast Balances at 31st March 2028	Forecast Balances at 31st March 2029
	£'000	£'000	£'000	£'000	£'000	£'000
Investments Volatility Reserve	871	871	871	871	871	871
Housing Reserve	2,244	2,161	2,077	1,994	1,911	1,827
Repair and Replacement Reserve	1,054	792	871	817	861	975
Carbon Reduction Reserve	398	398	398	398	398	398
Insurance Reserve	767	707	647	587	527	467
Capital Reserve	4,970	5,373	5,800	6,234	6,668	7,102
Economic Growth	658	966	2,098	3,255	4,437	4,337
Service Transformation Reserve	934	984	1,034	1,084	934	984
Business Rates Volatility Reserve	4,488	4,488	4,488	4,488	4,488	4,488
Legal and Appeals Reserve	2,632	2,632	2,632	2,632	2,632	2,632
Technology Reserve	334	402	470	538	606	674
Wellbeing Reserve	185	92	-	-	-	-
Property Fund Reserve	138	138	138	138	138	138
Budget Pressures Smoothing Reserve	742	742	742	742	742	742
Climate Change Reserve	-	481	481	481	481	481
Corporate Priorities Reserve	-	5,857	11,714	17,571	23,428	29,285
De-carbonisation Reserve	1,432	1,432	1,432	1,432	1,432	1,432
<b>Specific Reserves Total</b>	<b>21,846</b>	<b>28,515</b>	<b>35,892</b>	<b>43,261</b>	<b>50,553</b>	<b>56,832</b>
General Fund	1,822	1,822	1,822	1,822	1,822	1,822
<b>Total</b>	<b>23,668</b>	<b>30,337</b>	<b>37,714</b>	<b>45,083</b>	<b>52,375</b>	<b>58,654</b>

## 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 13 – Specific Reserves

Contribution To Reserves	2024/25 £'000	Contribution From Reserves	2024/25 £'000
-		<u>Housing Reserve</u>	
-		Rough Sleeper Initiative	83
		-	
<u>Repair &amp; Replacement Reserve</u>		<u>Repair &amp; Replacement Reserve</u>	
Replacement and Refurbishment - Payback	(154)	Capital Programme	166
		Fleet Maintenance	250
-		-	
-		<u>Insurance Reserve</u>	60
<u>Capital Reserve</u>		<u>Capital Reserve</u>	
New Homes Bonus	(434)	Capital Programme	31
<u>Economic Growth</u>		<u>Economic Growth</u>	
NNDR	(1,208)	Capital Programme	900
<u>Service Transformation Reserve</u>			
Elections contribution	(50)		
<u>Technology Reserve</u>	(68)		
-		<u>Wellbeing Reserve</u>	93



<u>Climate Change Reserve</u>		-	
Sustainable Warmth	(481)	-	
<u>Corporate Priorities Reserve</u>	(5,857)		
<b>Contribution To Reserves Total</b>	<b>(8,252)</b>	<b>Contribution From Reserves</b>	<b>1,583</b>
		<b>Net Contribution (To)/From Reserves</b>	<b>(6,669)</b>

## 7. CAPITAL PROGRAMME AND TREASURY MANAGEMENT

7.1 The Council's proposed 5 year Capital Programme and its 5 year capital resource projections are shown in the table below:  
Table 14 – 5 year Capital Programme, funding and resource implications

Capital Schemes	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total
Capitalised Planned Enhancements	200	200	200	200	200	1,000
Car Park Resurfacing	250	250	250	250	250	1,250
Disabled Facilities Grants	1,562	1,562	1,562	1,562	1,562	7,810
IT Investment	198	198	429	769	100	1,694
Neighbourhoods Vehicles			168	4,270		4,438
Sustainable Warmth	8,400					8,400
CDF - Phase 2	2,539	117				2,656
CDF - Pier Transformation	3,597	149				3,746
Horncastle Industrial Estate	400					400
<b>Total Projects (Excl Towns Funds, UKSPF &amp; LUF)</b>	<b>17,146</b>	<b>2,476</b>	<b>2,609</b>	<b>7,051</b>	<b>2,112</b>	<b>31,394</b>
Towns Fund - Mablethorpe Leisure and Learning	895					895
Towns Fund - Skegness Railway Station	39					39
Towns Fund - Skegness Town Centre Transformation	812	122				934
Towns Fund - Skegness Learning Campus	4,158	189				4,347
Towns Fund - Mablethorpe Campus for Future Living	2,124	267				2,391
Towns Fund - Mablethorpe High Street	478	302				780
<b>Towns Fund</b>	<b>8,506</b>	<b>880</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,386</b>
UKSPF	564					564
UKSPF - Rural	900					900
<b>UKSPPF</b>	<b>1,464</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,464</b>
LUF: Spilsby Sessions House	3,592					3,592
LUF: Alford Manor House	913	45				958
LUF: Alford Windmill	15					15

<b>LUF Projects</b>	<b>4,520</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,565</b>
<b>Total Current Approved Programme</b>	<b>31,636</b>	<b>3,401</b>	<b>2,609</b>	<b>7,051</b>	<b>2,112</b>	<b>46,809</b>

<b>Scheme</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>2028/29 £'000</b>	<b>Total</b>
<b>New Capital Bids</b>						
Disabled facilities Grant (inc Discretionary Grants)	955	955	955	955	955	<b>4,775</b>
Capital Enhancements Programme	177	65	170	(10)	195	<b>597</b>
Neighbourhoods Vehicles (EL04a only includes inflationary increases from yellow columns from already approved expenditure)	720	34	57	1,065		<b>1,876</b>
Enforcement - Van		35				<b>35</b>
Neighbourhoods Growth	100					<b>100</b>
Environmental Services	66	40	40	40	40	<b>226</b>
<b>Capital Bids</b>	<b>2,018</b>	<b>1,129</b>	<b>1,222</b>	<b>2,050</b>	<b>1,190</b>	<b>7,609</b>
<b>Total Draft Programme</b>	<b>33,654</b>	<b>4,530</b>	<b>3,831</b>	<b>9,101</b>	<b>3,302</b>	<b>54,418</b>

- 7.2 The Capital Strategy, Asset Management Plans 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. NHB is assumed to cease over the life of the MTFs and as such the Council will need to create additional future revenue capacity if it is to maintain contributions for capital expenditure.
- 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 15 – Treasury Assumptions

<b>Treasury Assumptions</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Average Investment Balances	£75.4m	£59.5m	£40.6m	£39.4m	£42.0m	£45.2m
Investment assumptions - cash investments return	4.40%	4.70%	3.20%	3.00%	3.25%	3.25%
Investment assumptions – property fund return (revenue return only)	3.60%	4.00%	4.00%	4.00%	4.00%	4.00%
External Borrowing	£20.0m	-	-	-	-	-
Average Borrowing Rate	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.

## 12. EFFICIENCY TARGETS

- 12.1 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.
- 12.2 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 16 – Efficiency Targets

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Budget Savings Requirement	426	1,618	1,848	1,983	1,160
IDB Savings Requirement	1,217	-	-	-	-

- 12.3 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.

## 13. SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP PLANS

- 13.1 As we think of 2024/25, there is great uncertainty with the central funding which could be allocated to South Holland. 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 Councils assumptions on future budget gaps whilst prudent could well be understated.
- 13.2 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.

13.3 As we look forward into 2024/25, the Cabinet 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 is 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

## 14. RISK AND SENSITIVITY

14.1 The following table shows the key risks and how we intend to treat them through our risk management practices

Table 17 - Key Risks

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating Action</b>
Fairer Funding and Business Rate reset/changes	High	High	To lobby as required
Financial pressure as a result of the IDB levy	High	High	Lobbying underway
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.
Universal Credit	High	Medium	The implementation of the Universal credit may impact on the General Fund in terms of running costs for the Benefits service and additional demand on other council services and on the HRA in terms of increased arrears. This will be closely monitored.
Fluctuation in business rates	High	High	Growth plans and accurate monitoring

Fair Funding Review could take into account actual levels of commercial	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.
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 were necessary
Lack of funding to partners causing displacement of service demand	High	High	Engagement and realism
Inadequate capital resources to finance future desired plans	High	High	Proportionate spending and sale of surplus assets
Central Government policy changes	High	High	Engagement in consultation and policy creation



Reductions in NHB impacting on future plans	High	High	Lobbying and service transformation
VAT – partial exemption	High	High	Close forecasting VAT partial exemption position
Failure to deliver the required transformation programme	Medium	High	Effective programme and project management
Reduction in Investment Values	Medium	Medium	Regular Monitoring, allocation of specific Reserve
Central Government policy changes	High	High	Engagement in consultation and policy creation
A poor settlement for rural councils	Medium	Medium	Lobbying as a special interest group
Increased demand for services in general	Medium	Medium	A robust performance management framework

## 15. OPTIONS

15.1 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

## 16. RECOMMENDATION

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

- Recommendation –That Executive Board approves the budget for consultation.