



REPORT TO:	Audit and Governance Committee
DATE:	24th January 2024
SUBJECT:	Draft Budget Report 2024/25-2028/29
PURPOSE:	To consider the draft budget position for 2024/25
KEY DECISION:	<i>N/A</i>
PORTFOLIO HOLDER:	Councillor Richard Fry
REPORT OF:	Christine Marshall, Deputy Chief Executive Corporate Development
REPORT AUTHOR:	Colleen Warren – (Head of Finance - Client) and Stuart Leafe (Strategic Finance Manager)
WARD(S) AFFECTED:	All
EXEMPT REPORT?	<i>No</i>

SUMMARY

Attached to this report is the draft detail of the 2024/25 budget, the 5-year Medium Term Financial Strategy (MTFS) from 2024/25 to 2028/29.

The report also includes the recommended level of Council Tax for 2024/25.

The proposed budget shows that efficiencies will be required to support the medium-term financial strategy (MTFS).

Audit and Governance Committee are asked to review the attached draft budget provide comment and feedback to Executive Board.

RECOMMENDATIONS

It is recommended:-

- 1. The Draft Budget and Medium Term Financial Strategy for the period 2024/25 – 2028/29 is scrutinised by the Audit and Governance Committee and feedback is provided to Executive Board on 14th February 2024 and Council on 28th February 2024 when they consider these documents as part of the budget report.*

REASONS FOR RECOMMENDATIONS

To comply with the budgetary and policy framework and legislative requirement.

OTHER OPTIONS CONSIDERED

It is best practice to consult with Audit and Governance as part of the budget setting process. No other options were considered.

1. BACKGROUND

- 1.1** The attached Budget Report and Financial Policies set out the Council's Revenue and Capital Budgets for 2024/25 and the Medium Term Financial Strategy (MTFS)S to 2028/29.
- 1.2** The preparation of the budget for 2024/25 has been a detailed process involving officers working groups, Management Team and member meetings amidst a background of uncertainty, continued 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 challenges. In addition, the Council has been and continues to be successful in drawing in significant capital and revenue investment for the area.
- 1.3** The draft Local Government Settlement announced on 18th December 2023 provided additional detail of continuing and additional one off support to councils including confirmation of allocations of Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG), New Homes Bonus and Minimum Funding guarantee.
- 1.4** The report below sets out the basis for draft budget and MTFS for the next five years and assumptions used in its development.

2. KEY BUDGET PRESSURES

- 2.1.** Identified below are the major changes and key pressures that are being included within the proposed budget:
 - 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 a 3.5% increase has been assumed with this moving to 3% for 2025/26 and then 2.5% from 2026/27 onwards.

- Pension contributions will be 23.8% in 2024/25 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 Wednesday 20th December 2023 held rates at 5.25%.
- Electricity and gas costs have been based on actuals for 2024/25.
- Vehicle fuel costs have been based on 2023/24 actuals and current fuel prices.
- 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;
 - PSPS contract increase

3. COUNCIL TAX AND BUSINESS RATES

- 3.1. The previous Medium Term Financial Strategy (MTFS) committed to a Council Tax increase in line with the maximum allowed under the recent Local Government Settlement. For ELDC in 2024/25 this is a £4.95 (3.06%) per annum increase (for band D properties). This will generate additional income of £370k and the increase is reflected throughout the life of the MTFs.
- 3.2. The tax base projections for 2024/25 indicate growth of 845 band D equivalent properties (1.82%). Future growth has been projected at 1.5%.
- 3.3. 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 economic impacts and changes in Government Policy and will be finalised on 31st January 2024 and be one of the final components of the budget to be finalised between draft and final
- 3.4. 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.

4. LOCAL GOVERNMENT SETTLEMENT

4.1. The provisional local government settlement delivered on 18th December has provided the following support:

Local Government Settlement Information	East Lindsey District Council		
	2023/24 Budget	2024/25 PROVISIONAL Settlement	Difference 23/24 - 24/25
	£'000	£'000	£'000
Revenue Support Grant	1,310	1,396	86
Rural Services Delivery grant	779	779	0
Lower Tier Services Grant	0	0	-0
Service Grant	249	39	(210)
Sub Total	2338	2214	(124)
Funding Guarantee (3%)	888	940	52
Sub Total	3226	3,154	(72)
New Home Bonus	378	434	56
Total Funding	3,604	3,588	(16)

4.2. The 2024/25 local government finance settlement is for one year only. 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.

5. INTERNAL DRAINAGE BOARDS

5.1. Internal Drainage Board (IDB) levy figures are still being finalised and will be 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 2024/25 cost is £5.2m and the estimated increases range from 2% to 10% for next year.

5.2. 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, worsening weather events and contract inflation. Representations have been and

continue to be made to government due to the substantial loss of income to the Council. 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.

5.3. The table below illustrates that the estimated IDB levy will consume 48% of all the Council's proposed Council Tax increase for 2024/25 which should be used to finance and support services but also requires additional efficiencies/funding to be identified to finance this

Council	Total Council Tax Received per year 24/25	Total IDB levy per year 24/25	Increase 2024/25	Council Tax 24/25 Increase £4.95	Increase from 21/22 to 24/25
East Lindsey District Council	£8.0m	£5.2m	£176k	£370k	£1,351k (35%)

5.4. 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 and a Special Interest Group has been set up to lobby Government on this matter with the SELCP partnership leading on this work.

6. CAPITAL PROGRAMME 2024/25 – 2028/29

6.1. The capital programme included in Appendix A, is subject to final additions and other announcements that may be received by the time of publication. A final version of the programme will be presented to Council on 1st March 2023 for approval.

6.2. 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.

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.

7. RESERVES

7.1. General Fund Specific Reserves are budgeted to increase by £6.670m in 2024/25, this is predominantly NNDR surplus. This figure will be adjusted once the outturn for 2023/24 is known.

8. BALANCING THE BUDGET

8.1. 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.
- 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.
- Commercialisation/opportunities
- Alternative service delivery.

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.

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

9. AREAS FOR PRIORITY INVESTMENT AND CONSULTATION

9.1 Some Particular areas of investment for consultation have been identified by Members:

- Market Towns and Rural Areas
- Driving and supporting Economic Growth
- Supporting the Delivery of Affordable Housing
- Supporting the Vulnerable
- Supporting Healthy Living
- Decarbonisation and continued investment in green initiatives
- Invest to Save

9.2 A new Corporate Priorities reserve has been established to facilitate the delivery of these areas of focus.

10. CONCLUSION

10.1. Members of the Audit and Governance Committee are asked to review the attached budget report and provide feedback to the Executive Board prior to the finalisation of the budget and MTFs for 2024/25 to 2028/29.

EXPECTED BENEFITS TO THE PARTNERSHIP

This report enables East Lindsey District Council to consult on its budget and the level of Council Tax for 2024/25.

IMPLICATIONS

SOUTH AND EAST LINCOLNSHIRE COUNCILS 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.

WORKFORCE CAPACITY IMPLICATIONS

Contained within the report.

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

As contained within this 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

NOP – National Portfolio Organisation

LUF – Levelling Up Funding

UKSPF – UK Shared Prosperity Funding

APPENDICES

Appendix A

BACKGROUND PAPERS

None

CHRONOLOGICAL HISTORY OF THIS REPORT

Executive Board 10th January 2024.

Overview Committee 23rd January 2024

REPORT APPROVAL

Report author:	Colleen Warren (Head of Finance – Client) and Stuart Leafe (Strategic Finance Manager)
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Approved for publication:	Councillor Richard Fry, Portfolio Holder for Finance