



<b>REPORT TO:</b>	Executive Board
<b>DATE:</b>	14th February 2024
<b>SUBJECT:</b>	Annual Budget Report 2024/25, 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 2024/25 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>	Colleen Warren – (Head of Finance - Client) and Stuart Leafe (Strategic Finance Manager)
<b>WARD(S) AFFECTED:</b>	All
<b>EXEMPT REPORT?</b>	No

## SUMMARY

Attached to this report is the final detail of the 2024/25 budget, the 5-year Medium Term Financial Strategy (MTFS) from 2024/25 to 2028/29, Capital Programme, Capital Strategy, Treasury Management Policy, Treasury Management Strategy, MRP Policy and Annual Investment Strategy for 2024/25.

The report also includes the recommended level of Council Tax for 2024/25 taking into account the pressures including that of the IDB levy.

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

Executive Board are asked to consider the attached budget and associated appendices and to refer it onwards to Full Council.

## **RECOMMENDATIONS**

*That Executive Board approves the following recommendations for onward referral to Full Council on 28<sup>th</sup> February 2024:*

- 1. That the Revenue Estimates for the General Fund and Medium Term Financial Strategy for the period 2024/25 – 2028/29 (Appendices 1, 1a and 1b) be approved*
- 2. That the Council Tax for a band D property in 2024/25 be set at £166.59 (a £4.95 per annum increase on 2023/24 levels) and be approved.*
- 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, including the addition of £400,000 into the capital programme funded by the Corporate Priorities reserve for the Sutton on Sea Paddling Pool.*
- 6. The Treasury Management Policy 2024/25 (Appendix 3a) and Treasury Management Strategy, including the Minimum Revenue Provision Policy and Annual Investment Strategy 2024/25 (Appendix 3b) be approved.*
- 7. To approve the proposed Fees and charges as set out in Appendix 4.*
- 8. The Annual Delivery Plan for 2024/25 (Appendix 5) be approved.*
- 9. That Executive Board notes the results of the Budget Consultation process at Appendix 6*
- 10. That the alignment of constitutional financial limits across the partnership (Appendix 7) be approved.*
- 11. That Executive Board recommends to Council to reaffirm its previous decision in respect of long term empty properties determined in Appendix 1, and makes a determination for the introduction of the premium for substantially furnished with no residents (second homes), to be introduced at the earliest point 1<sup>st</sup> April 2025.*

## **REASONS FOR RECOMMENDATIONS**

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

## **OTHER OPTIONS CONSIDERED**

*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) to 2028/29.
- 1.2 The preparation of the budget for 2024/25 has been a detailed process involving officers and the attached appendices reflect the latest known position.
- 1.3 The final Local Government Settlement announced on 5<sup>th</sup> February 2024 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 the final budget and MTFS for the next five years and assumptions used in its development. 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 23<sup>rd</sup> January 2024 and Audit and Governance on 24<sup>th</sup> February 2024.

## 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 Thursday 1<sup>st</sup> February 2024 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.
- 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 final local government settlement delivered on 5th February has provided the following support:

Local Government Settlement Information	East Lindsey District Council		
	2023/24 Budget	2024/25 FINAL Settlement	Difference 23/24 - 24/25
	£'000	£'000	£'000
Revenue Support Grant	1,310	1,396	86
Rural Services Delivery grant	779	902	123
Lower Tier Services Grant	0	0	0
Service Grant	249	43	(206)
<b>Sub Total</b>	<b>2,338</b>	<b>2,341</b>	<b>3</b>
Funding Guarantee (4%)	888	998	110
<b>Sub Total</b>	<b>3,226</b>	<b>3,339</b>	<b>113</b>
New Home Bonus	378	434	56
<b>Total Funding</b>	<b>3,604</b>	<b>3,773</b>	<b>169</b>

- 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 4% 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.
- 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. The budget includes 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 2024/25 IBD costs have been estimated at £5.3m. The only levy outstanding at the time of writing this report was Witham Fourth, their Board met on 7<sup>th</sup> February, the confirmed levy for Witham Fourth will be updated for Full Council.

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.

The table below illustrates that the estimated IDB levy will consume 75% of all the Council's proposed Council Tax increase for 2024/25 which should be used to finance and support services.

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 2021/22 to 2024/25
East Lindsey District Council	£8.0m	£5.3m	£277k	£370k	£1.451m (38%)

5.3. 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. Meetings with DLUHC/DEFRA have now taken place and will continue, and we await a response on this key issue.

## 6. CAPITAL PROGRAMME 2024/25 – 2028/29 AND TREASURY MANAGEMENT/INVESTMENT STRATEGIES

- 6.1. The capital programme included in Appendix 1, 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 28<sup>th</sup> February 2024 for approval, if required.
- 6.2. The Councils Capital Strategy is attached at Appendix 2 and focuses on the core principles of capital investment. The Council has been in detailed discussion with government officers regarding this position over the past year regarding proposed regulation changes.
- 6.3. 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. In addition, this Capital Programme now allows for slippage from 2023/24.
- 6.4. Also attached is the Councils Treasury Management Policy 2024/25 (Appendix 3a) and Treasury Management Strategy, including the Minimum Revenue Provision Policy and Annual Investment Strategy 2024/25 (Appendix 3b).

## **7. RESERVES**

- 7.1. General Fund Specific Reserves are budgeted to decrease by £468k in 2024/25, this is predominantly linked to financing the Capital Programme offset by 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 use of reserves 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.

8.3. In order to facilitate delivery and to align constitutions across the SELCP in addition to providing administrative ease for implementation of funding streams it is proposed that some changes are made as part of the budget setting decision making process and these are set out at Appendix 7.

## **9. ADDITIONAL CONSIDERATIONS**

### **9.1 Council Tax Premiums**

The levelling Up and Regeneration Act 2023 enabled authorities to charge a premium up to 100% for unoccupied and unfurnished properties for 1 year and charge a premium up to 100% on properties occupied periodically (second homes). At the end of November 2023, East Lindsey had 366 properties which had been empty for more than two years and subject to a premium charge. It is proposed that Executive Board recommends that Full Council re-affirms its previous decision in respect of long-term empty properties, detailed in Appendix 1, and makes a determination for the introduction of the premium for substantially furnished with no resident (second homes), to be introduced at the earliest time, 1 April 2025.

### **9.2 Fees and Charges**

Appendix 4 sets out the Councils proposal for Fees and Charges for 2024/25. The document also compares the proposed fees and charges against those levied in 2023/24. It is proposed due to continued significant inflationary pressures, to include an annual RPI uplift for all fees and charges, where applicable.

### **9.3 Annual Delivery Plan**

The South and East Lincolnshire Councils Partnership Annual Delivery Plan (Appendix 5) identifies the planned programme of work for the Partnership and sovereign Councils for 2024/25, drawing on the previously approved Partnership Work Programme, as well as wider opportunities that have since been identified.

## **10. AREAS FOR PRIORITY INVESTMENT AND CONSULTATION**

10.1 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

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

## **11. CONCLUSION**

11.1 Executive Board is recommended to approve this report for onward approval by Full Council as part of the formal annual budget setting process.

#### **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. The consultation report is attached.

#### **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 1 - The Revenue Estimates for the General Fund for 2024/25 (Appendices 1, 1a, 1b).

Appendix 2 – Capital Strategy

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

Appendix 4 – Fees and Charges 2024/25

Appendix 5 – SELCP Annual Delivery Plan 2024/25

Appendix 6 – Results of the Budget Consultation process

Appendix 7 – Proposed Constitutional Amendment

### **BACKGROUND PAPERS**

None

### **CHRONOLOGICAL HISTORY OF THIS REPORT**

Executive Board – 10<sup>th</sup> January 2024

Overview Committee – 23<sup>rd</sup> January 2024

Audit & Governance – 24<sup>th</sup> January 2024

<b>REPORT APPROVAL</b>	
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

**CHECKLIST - DELETE BEFORE SUBMISSION TO DEMOCRATIC SERVICES**

S151 Officer consulted on financial implications:	Yes
Monitoring Officer consulted on legal and constitutional implications:	No
Portfolio Holder consulted:	Yes
Ward Member consulted:	NA