

<b>REPORT TO:</b>	Audit and Governance Committee
<b>DATE:</b>	29 <sup>th</sup> January 2025
<b>SUBJECT:</b>	Draft Budget Report 2025/26 – 2029/30
<b>PURPOSE:</b>	To scrutinise the draft General Fund budget for 2025/26, MTFS and Capital Programme for 2025/26 to 2029/30.
<b>KEY DECISION:</b>	<i>N/A</i>
<b>PORTFOLIO HOLDER:</b>	Councillor Tom Kemp
<b>REPORT OF:</b>	Christine Marshall, Deputy Chief Executive Corporate Development
<b>REPORT AUTHOR:</b>	Carl Holland – Head of Finance (Client) Stuart Leafe – Strategic Finance Manager
<b>WARD(S) AFFECTED:</b>	All
<b>EXEMPT REPORT?</b>	<i>No</i>

## **SUMMARY**

Attached to this report is the final detail of the 2025/26 budget, the 5-year Medium Term Financial Strategy (MTFS) from 2025/26 to 2029/30 and Capital Programme.

The report also includes the recommended level of Council Tax for 2025/26 taking into account the pressures including that of the IDB levy.

The final budget includes efficiencies that have been identified to support the short and medium-term financial strategy (MTFS) and the remaining efficiency target still to be achieved against which a plan of activity has been developed.

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

## **RECOMMENDATIONS**

It is recommended that the Draft Budget and Medium Term Financial Strategy for the period 2025/26 – 2029/30 is scrutinised by the Audit & Governance Committee with a particular focus around budget risks and feedback is provided to Executive Board on 20<sup>th</sup> February 2025 and Council on 5<sup>th</sup> March 2025 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 scrutiny as part of the budget setting process.

### **1. BACKGROUND**

- 1.1** This year's budget has been set within a background of unprecedented inflationary pressures and significant changes in resident, customer, and business needs as well as proposed significant changes to funding arrangements. 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 attached Budget Report sets out the Council's Revenue and Capital Budgets for 2025/26, the MTFS to 2029/30 and associated financial strategies.
- 1.2** The preparation of the budget for 2025/26 has been a detailed process involving officer review and the attached appendices reflect the latest known position.
- 1.3** The report below sets out the basis for final budget and MTFS for the next five years and assumptions used in its development.

### **2. REPORT**

- 2.1** A budget consultation process with the public has been undertaken and the results are attached at Appendix 2. The Treasury Management Strategy will also be presented to Audit and Governance Committee on the 29<sup>th</sup> January 2025.

### **3. KEY BUDGET PRESSURES**

- 3.1** Identified below are the major changes and key pressures that are being included within the proposed budget:
  - For 2025/26 a 3.0% increase in pay has been assumed, with this moving to 2.5% from 2026/27 onwards.
  - National Insurance Employers costs were increased in the Government Autumn Statement, the provisional funding settlement announced a grant to offset this increase.
  - Pension contributions will be 23.8% in 2025/26 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 current Bank of England base rates and the forecasts provided by our external treasury advisors.
  - Electricity and gas costs have been based on 2024/25 actuals and current contract prices. Vehicle fuel costs have been based on 2024/25 actuals and current fuel prices.
  - Increased Internal Drainage Board levy is a hugely significant feature within the budget.
  - 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 such items as: increased demand for homelessness support and its associated subsidy implications, external audit fees and the PSPS contract increase.

#### 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 2025/26 this is a £4.95 (2.97%) per annum increase (for band D properties). This will generate additional income of £396k and the increase is reflected through the life of the MTFS.
- 4.2** The tax base projections for 2025/26 indicate growth of 944 band D equivalent properties (1.2%). Future growth has been projected at 1.5%.
- 4.3** 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 which are due to be announced in the short term so this income stream has a significantly higher level of risk.
- 4.4** In order to manage and review this important income stream and the changes within it regular review meetings are taking place internally. There have been changes which need further and detailed consideration in terms of growth and appeals.

#### 5. LOCAL GOVERNMENT SETTLEMENT

- 5.1** The local government draft settlement delivered on 19<sup>th</sup> December 2024 has provided the following support, being reduction of £446,000 from the previous year and therefore is creating pressure for the 2025/26 budget

Local Government Settlement Information	East Lindsey District Council		
	2024/25 Settlement	2025/26 Settlement	Difference
	£'000	£'000	£'000
Revenue Support Grant	(1,396)	(1,441)	(45)
Rural Services Delivery grant	(902)	-	902
Service Grant	(43)	-	43
Recovery Grant	-	(586)	(586)
Funding Guarantee	(998)	(665)	333
<b>Sub Total</b>	<b>(3,339)</b>	<b>(2,692)</b>	<b>647</b>
New Home Bonus	(434)	(635)	(201)
<b>Total Funding</b>	<b>(3,773)</b>	<b>(3,327)</b>	<b>446</b>

**5.2** The 2025/26 local government finance settlement is for one year only. The main points are set out below:

- Discontinued Grants: Services Grant, Rural Services Delivery Grant
- New Funding: Recovery Grant being a significant shift away from using measures relating to rurality to those relating to deprivation.
- New Homes Bonus continues for one more year – proposals expect to consult ending the scheme in its current format.
- The long awaited “reset” of accumulated business rate growth is promised allowing government to reallocate some or all of locally accumulated growth using revised and up to date relative needs formulas. These plans will be set out in early 2025 with a technical consultation.
- A focus on evidence based policy – using the best available economic and statistical techniques along with the latest reliable data.
- A plan for a multi-year settlement looking forward
- The introduction as intended of Extended Producer Responsibility payments which for 2025/26 have been guaranteed. This funding may be needed to support the revenue account depending upon any final funding arrangements for IDB’s.

It would however be prudent to assume that future grant levels will further reduce and this will need to be factored into the forecasts looking forward.

## **6. INTERNAL DRAINAGE BOARDS**

**6.1** The budget continues to have substantial embedded pressures from previous year increases mainly due to power costs and other inflationary pressures being felt by IDB’s. The Council is liaising with the local Internal Drainage Boards who have been trying to limit future increases. Representations have been and continue to be made to government due to the substantial and unaffordable impact on the Councils budget.

**6.2** The table below illustrates this point clearly with the impact from 21/22 to 25/26 now totalling £1,823,000 as an annual and recurring impact and no funding other than the one-off grant allocations of £834,000 in 2024/25 and £927,373 in 2023/24.

<b>Council</b>	<b>Total Council Tax Received 2025/26</b>	<b>Total IDB levy 2025/26</b>	<b>IDB increase 2025/26</b>	<b>Council Tax 2025/26 Increase</b>	<b>Increase from 2021/22 to 2025/26</b>
East Lindsey District Council	£8.262m	£5.630m	£319k	£396k	£1.823m (48%)

**6.3** The Council has been in detailed discussion with government officials regarding this difficult 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. The Special Interest Group we have lead in setting up to lobby Government on this matter. Meetings with MHCLG/DEFRA continue to take place and we await a response on this key and critical issue for the Councils budget.

## **7. CAPITAL PROGRAMME**

- 7.1** The capital programme is 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 5<sup>th</sup> March 2025 for approval.
- 7.2** The five year General Fund Capital Programme includes provision for Investment and Growth linked to the Councils Strategic objectives, mainly funded through grant funding from the Towns Fund, Levelling Up Funds, Sustainable Warmth and Disabled Facilities Grants. The main areas of investment are:
- Disabled Facilities Grant
  - Sustainable Warmth
  - Neighbourhoods Vehicles Replacement
  - Local Authority Housing Fund
- 7.3** 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 2024/25.

## **8. RESERVES**

- 8.1** General Fund Specific Reserves have been used historically to support the Capital Programme. This figure will change as a result of the outturn for 2024/25. A detailed breakdown of Reserve movements are included in Appendix 1 to this report. The newer and significant Corporate Priorities (Investment) Reserve is being directed towards areas of priority for the Council as consulted upon as part of last years budget setting process and following further detailed reports to Executive Board during the year.

## **9. BALANCING THE BUDGET AND OTHER PROPOSED CHANGES**

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

### **Short Term**

- Service Reviews planned.
- 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 and alternative service delivery.
- Reviews of fees and charges considering inflationary increases in costs, where appropriate.
- Reviewing all assets to maximise income and efficiency of use.

## **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.
- Delivering and supporting economic growth

**9.2** Detailed efficiency and transformation plans are being put together for members consideration and the Finance PFH oversees this process.

## **10. ADDITIONAL CONSIDERATIONS**

### **10.1 Consultation**

A summary of the consultation results, which ended on 6<sup>th</sup> January 2025, can be seen in Appendix 2.

### **10.2 Section 25 Statement by s151**

Previously the section 25 statement was embedded as part of the budget documentation. This has now been enhanced into an additional addendum to the budget for members consideration and this is attached at Appendix 1.

## **11. CONCLUSION**

**11.1.** Members of the Audit & Governance Committee are asked to review the attached budget/consultation and provide feedback to the Executive Board and Full Council prior to the finalisation of the budget and MTFs for 2025/26 to 2029/30.

## **EXPECTED BENEFITS TO THE PARTNERSHIP**

This report enables East Lindsey District Council to Approve its Budget and Council Tax for 2025/26.

## **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 budget that is being set.*

## **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**

*Contained within the 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 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

**DEFRA** – Department for Environment, Food & Rural Affairs

**DLUHC** – Department for Levelling Up, Housing and Communities

**MTFS** - Medium Term Financial Strategy

**SELCP** - South and East Lincolnshire Councils Partnership

**APPENDICES**

Appendix 1 – Draft Budget Setting Report 2025/26 and section 25 Statement

Appendix 2 – ELDC Budget Consultation Report 25-26

**BACKGROUND PAPERS**

*None*

**CHRONOLOGICAL HISTORY OF THIS REPORT**

*Overview Committee – 28<sup>th</sup> January 2025*

**REPORT APPROVAL**

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