



**EAST LINDSEY DISTRICT COUNCIL**

**REPORT OF THOMAS KEMP, Portfolio Holder Finance,**

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**BUDGET SETTING REPORT AND ASSOCIATED FINANCIAL STRATEGIES - 2025/26-2029/30**

## **FOREWORD TO THE BUDGET FROM COUNCILLOR THOMAS KEMP – EXECUTIVE BOARD MEMBER FOR FINANCE**

The 2025/26 budget has been created within the context of unprecedented levels of funding changes in addition to continued 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 circumstances.

The Government has provided a one-year settlement; however, the uncertainty remains 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 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 cost of living crisis by focussing on the provision of financial support to underpin economic recovery for the district and seeking to invest in our places.

Despite the challenges we have continued to work to develop new opportunities, efficiencies, and income streams to support the Council's revenue budget.

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 cost to the Council,

Another key component of the council's 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 and contracts.

The proposed council tax increase for 2025/26 is an annual increase of £4.95 for a band D property.

A series of short and medium term mitigations have been identified to balance the budget.

The Council has maintained a capital resource base commensurate with our capital delivery ambitions and is moving towards use of the minimum revenue provision for financing ongoing asset investment requirements.

The Budget for 2025/26 proposes:

- A Council Tax increase of £4.95 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 grant expenditure
- Significant investment in the place and our people through the Investment Fund that the Council has established.

Our focus is to deliver well the projects we have already committed to through our own Investment Fund, the Towns Fund, Levelling Up Fund and Long Term Towns Funding to support our community and places to thrive in a challenging economic environment.



Councillor Thomas Kemp, Portfolio Holder for Finance

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**1 - Revenue Budget and Medium Term Financial Strategy Summary  
1a – MTFS by Account**

**2 - Consultation Report**

## EXECUTIVE SUMMARY

	2024/25	2025/26
ELDC Precept	£7.867m	£8.262m
Council Tax Increase	3.06%	2.97%
Council Tax Band D	£166.59	£171.54
Government Funding	£1.396m	£1.441m
Retained Business Rates used to support budget	£13.780m	£15.301m
Reserves	£29.180m	£31.546m
Capital Programme (General Fund)	£55.110m	£47.332m

### 1. INTRODUCTION

- 1.1 This Appendix sets out the 2025/26 budget estimates and Medium Term Financial Strategy (MTFS) for the period 2025/26 to 2029/30 for the Council's General Fund. The Medium Term Financial 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 2025/26 to 2029/30.
  - The 2025/26 General Fund Revenue Budget & Financing.
  - The General Fund Reserves Position.
  - The General Fund Capital Programme and Financing.
  - Risks, key issues, sensitivity and monitoring.
- 1.4 The unprecedented challenges faced through recent years have continued into 2025/26, with significant inflationary pressures and changing service demands. The provisional government settlement delivered in mid December for East Lindsey included New Homes Bonus (£635k) and Funding Guarantee (£665k).

**1.5** In 2025/26 savings are mainly required going forward as a result of substantial pressure from the IDB levy and in respect of which we are making representation to government to find a long term solution. 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**

<b>Assumption</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Budgeted inflation <sup>1</sup>	0%	<b>0%</b>	0%	0%	0%	0%
Pay costs increase <sup>2</sup>	3.5%	<b>3.0%</b>	2.5%	2.5%	2.5%	2.5%
Full Time Equivalent Employees	447.65	<b>405.86</b>	405.86	405.86	405.86	405.86
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	£674,000	<b>£700,000</b>	£700,000	£700,000	£700,000	£700,000
Return on cash investments <sup>5</sup>	4.55%	<b>4.10%</b>	3.70%	3.50%	3.50%	3.50%
Return on Property Fund investments <sup>5</sup>	4.00%	<b>4.00%</b>	4.00%	4.00%	4.00%	4.00%
Utility cost rises <sup>6</sup>	0%	<b>0%</b>	0%	0%	0%	0%
Fuel cost rises <sup>7</sup>	0%	<b>0%</b>	0%	0%	0%	0%
Tax base increase <sup>8</sup>	1.82%	<b>1.50%</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 10):

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 renewal.



2. A pay award for 2024/25 was agreed being a lump sum increase of £1,290 for all grades upto SCP 43 and 2.50% for those on grades from SCP 44 to 62. For 2025/26 onwards a 3.0% award has been assumed, reducing to 2.5% from 2026/27 onwards.
3. An annual saving in staff costs (£677k) 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 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. 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 at £700k for 2025/26.
5. These are the estimated returns on cash and the estimated yield on the current budgeted £23.6m in property funds.
6. Utility costs for 2025/26 have been based on actuals for 2024/25 to rebase the budgets where needed to reflect actual spend.
7. Fuel costs have now been rebased to reflect the current fuel costs and actuals from 2024/25.
8. The tax base projections for 2025/26 has provided for a growth of 944 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 19<sup>th</sup> December 2024 the Local Government Finance Settlement 2025/26 was delivered. The papers included a continuation of New Homes Bonus for a final year with consultation due in 2025/26, the removal of services grant and rural services grant plus the introduction of a recovery grant and continuation of the Funding Guarantee.
- 3.3 On 16<sup>th</sup> December 2024 the Government also issued the English Devolution White Paper which will impact on the Council into the medium term and will influence spending plans.
- 3.4 In addition a consultation is now underway with regards to the future funding of local government including a review of the business rates system. There is a desire to move to a multi-year settlement although the detail of this is not yet known.
- 3.5 As a result of these announcements, it makes planning the years from 2026/27 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 took effect from 1 April 2023. A provision has been put aside for any potential appeals based on intelligence from the Council's advisors to 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 2025/26 and provisional figures for 2026/27 to 2029/30.
- 4.4 It is important that members note that any changes to the retention of Business Rates model from 2026/27 presents a significant uncertainty around future funding levels. There is the potential that as part of the ongoing reassessment of Area Needs the Government could significantly change the current baseline levels. As such the amount of retained business rates that the Council is benefiting from could be significantly reduced under any new arrangements.

Table 2 – Business Rates

	2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000	Draft 2027/28 £'000	Draft 2028/29 £'000	Draft 2029/30 £'000
Net Rates	(13,571)	(13,801)	(14,022)	(14,260)	(14,503)	(14,749)
Transitional Relief1	(1,304)	(1,326)	(1,348)	(1,370)	(1,394)	(1,417)
<b>Retained Business Rates</b>	<b>(14,875)</b>	<b>(15,128)</b>	<b>(15,370)</b>	<b>(15,631)</b>	<b>(15,897)</b>	<b>(16,167)</b>
Renewables - Standard	(867)	(524)	(533)	(542)	(551)	(560)
<b>Total Renewables</b>	<b>(867)</b>	<b>(524)</b>	<b>(533)</b>	<b>(542)</b>	<b>(551)</b>	<b>(560)</b>
Tariff	8,087	8,171	8,302	8,443	8,587	8,733
<b>Net Retained Business Rates Income</b>	<b>(7,655)</b>	<b>(7,480)</b>	<b>(7,600)</b>	<b>(7,729)</b>	<b>(7,861)</b>	<b>(7,994)</b>
S 31 Grants relating to Business Rates	(8,908)	(9,007)	(9,151)	(9,334)	(9,495)	(9,685)
<b>Pre-levy income</b>	<b>(16,563)</b>	<b>(16,487)</b>	<b>(16,751)</b>	<b>(17,064)</b>	<b>(17,356)</b>	<b>(17,679)</b>
Levy payment to Lincolnshire Pool	1,113	1,186	1,205	1,223	1,244	1,263
<b>Business rates used to support the budget</b>	<b>(15,450)</b>	<b>(15,301)</b>	<b>(15,546)</b>	<b>(15,840)</b>	<b>(16,111)</b>	<b>(16,416)</b>
Estimated (Surplus)/Deficit on Collection Fund	(154)	249	-	-	-	-
Renewables - Additional	(4,086)	(4,429)	(4,500)	(4,576)	(4,654)	(4,733)
<b>Total NNDR 1 Income</b>	<b>(19,690)</b>	<b>(19,480)</b>	<b>(20,045)</b>	<b>(20,417)</b>	<b>(20,766)</b>	<b>(21,150)</b>
<b>Net Gain to ELDC from Pooling</b>	<b>(1,670)</b>	<b>(1,780)</b>	<b>(1,808)</b>	<b>(1,835)</b>	<b>(1,866)</b>	<b>(1,894)</b>

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 economic impacts. 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 2025/26 this is a £4.95 (2.97%) 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

		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
a	Council Tax Base (band D equivalents)	47,222	48,166	48,888	49,622	50,366	51,122
b	Council Tax band D (£.p)	166.59	171.54	176.49	181.44	186.39	191.34
	Annual Increase £	4.95	4.95	4.95	4.95	4.95	4.95
	Annual Increase %	3.06%	2.97%	2.89%	2.80%	2.73%	2.66%
c	Annual Council Tax collected(a x b) £	<b>(7,866,713)</b>	<b>(8,262,396)</b>	<b>(8,628,243)</b>	<b>(9,003,234)</b>	<b>(9,387,719)</b>	<b>(9,781,492)</b>
	Annual Increase in Council Tax collected £	(370,335)	(395,683)	(365,847)	(374,991)	(384,485)	(393,773)
d	Surplus on the Collection Fund £	(133,836)	(83,779)	-	-	-	-
	<b>Gross Council tax (c + d) £</b>	<b>(8,000,549)</b>	<b>(8,346,175)</b>	<b>(8,628,243)</b>	<b>(9,003,234)</b>	<b>(9,387,719)</b>	<b>(9,781,492)</b>

4.7 The tax base for 2025/26 has been increased by 2% 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 2025/26 %
Lincolnshire County Council	Tbc		
Police and Crime Commissioner	Tbc		
East Lindsey DC	Tbc		
Parishes (average)	Tbc		

## Revenue Support Grant and Other Government Grants

4.8 The table below currently builds in the assumption that RSG will continue throughout the MTF5 period until such time as we have more information regarding the outcome of the 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 Funding Guarantee and new Recovery Grant.

Table 5 - Revenue Support Grant and other Non-Specific S31 Government Grants

	2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000	Draft 2027/28 £'000	Draft 2028/29 £'000	Draft 2029/30 £'000
Revenue Support Grant	(1,396)	(1,441)	(1,441)	(1,441)	(1,441)	(1,441)
Rural Services Delivery Grant	(902)	-	-	-	-	-
Services Grant	(43)	-	-	-	-	-
Funding Guarantee	(998)	(665)	(665)	(665)	(665)	(665)
Recovery Grant		(586)	(586)	(586)	(586)	(586)
<b>Total Received</b>	<b>(3,339)</b>	<b>(2,692)</b>	<b>(2,692)</b>	<b>(2,692)</b>	<b>(2,692)</b>	<b>(2,692)</b>
Annual Change in Resource £		647	-	-	-	-

## New Homes Bonus

4.9 New Homes Bonus (NHB) allocations were announced as part of the Local Government Finance Settlement for 2025/26. The government has added a final year of additional grant and a consultation is planned on its replacement.

Table 6 - New Homes Bonus

	2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000	Draft 2027/28 £'000	Draft 2028/29 £'000	Draft 2029/30 £'000
New Homes Bonus	434	635	-	-	-	-

## Fees and Charges

- 4.10 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.
- 4.11 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. Given future uncertainties it is assumed that the budget should apply RPI increases to all discretionary fees and charges on an annual basis.

Table 7 - Fees, Charges and Rental Income

<b>Budget Area</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>2029/30 £'000</b>
Building Control Fees	(445)	(467)	(487)	(506)	(527)	(549)
Planning Fees (including pre-planning advice)	(1,374)	(1,374)	(1,430)	(1,489)	(1,550)	(1,613)
Car Parking Income	(3,221)	(3,389)	(3,527)	(3,671)	(3,821)	(3,978)
Market Stall Fees	(100)	(100)	(104)	(108)	(113)	(117)
Kingfisher Caravan Park	(1,086)	(1,186)	(1,234)	(1,285)	(1,337)	(1,392)
Waste Services	(1,728)	(1,796)	(1,870)	(1,947)	(2,027)	(2,110)
Commercial property rental income	(2,484)	(2,438)	(2,538)	(2,642)	(2,750)	(2,862)
Sales, Fees and other Direct Income	(4,452)	(4,327)	(4,367)	(4,408)	(4,451)	(4,495)
<b>TOTAL</b>	<b>(14,889)</b>	<b>(15,077)</b>	<b>(15,557)</b>	<b>(16,056)</b>	<b>(16,576)</b>	<b>(17,117)</b>

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

## Other Income

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

Table 8 - Other Income

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Interest on Investments*	(3,779)	<b>(3,236)</b>	(3,257)	(3,313)	(3,468)	(3,737)
Housing Benefit Subsidy and Rent Rebates Subsidy.	(26,403)	<b>(25,698)</b>	(25,698)	(25,698)	(25,698)	(25,698)
Housing Benefit/Universal Credit Overpayments	(270)	<b>(270)</b>	(270)	(270)	(270)	(270)
Council Tax and Housing Benefit Administration Grant	(395)	<b>(412)</b>	(412)	(412)	(412)	(412)
Specific Government Grants , UKSPF, NSAP, Levelling Up and RSAP)	(64)	-	-	-	-	-
Court Income & Council Tax Penalties	(392)	<b>(387)</b>	(387)	(387)	(387)	(387)
Local Authority Grants including Disabled Facility Grants	(1,990)	<b>(1,178)</b>	(1,178)	(1,178)	(1,178)	(1,178)
Other Government Grants (incl. Register of Electors, Discretionary Housing Payments, Flexible Homelessness grant, Homelessness Reduction new burdens grant and Towns Fund)	(4,554)	<b>(3,574)</b>	(3,574)	(3,574)	(3,574)	(3,574)
Other Grants and contributions	(2,717)	<b>(2,448)</b>	(2,452)	(2,456)	(2,461)	(2,466)
Use of Reserves	(9,084)	<b>(2,851)</b>	(1,068)	(515)	(200)	(200)
<b>TOTAL</b>	<b>(49,648)</b>	<b>(40,052)</b>	<b>(38,294)</b>	<b>(37,802)</b>	<b>(37,646)</b>	<b>(37,920)</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 the capital 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 grant funding.

## Summary

Table 9 – All sources of income

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Business Rates (Table 2)	(19,690)	(19,481)	(20,045)	(20,416)	(20,766)	(21,150)
Revenue Support Grant (Table 5)	(1,396)	(1,441)	(1,441)	(1,441)	(1,441)	(1,441)
Services Grant (Table 5)	(43)	-	-	-	-	-
Recovery Grant (Table 5)	-	(586)	(586)	(586)	(586)	(586)
Funding Guarantee (Table 5)	(998)	(665)	(665)	(665)	(665)	(665)
Rural Services Delivery Grant (Table 5)	(902)	-	-	-	-	-
New Homes Bonus (Table 6)	(434)	(635)	-	-	-	-
Council Tax (Table 3)	(8,001)	(8,346)	(8,628)	(9,003)	(9,388)	(9,781)
<b>Funding subtotal</b>	<b>(31,464)</b>	<b>(31,154)</b>	<b>(31,366)</b>	<b>(32,111)</b>	<b>(32,845)</b>	<b>(33,623)</b>
Fees, Charges, Rents (Table 7)	(14,889)	(15,077)	(15,557)	(16,056)	(16,576)	(17,117)
Other Income (Table 8)	(49,648)	(40,052)	(38,294)	(37,802)	(37,646)	(37,920)
<b>Fees, Charges &amp; Other Income subtotal</b>	<b>(64,537)</b>	<b>(55,129)</b>	<b>(53,850)</b>	<b>(53,858)</b>	<b>(54,222)</b>	<b>(55,037)</b>
<b>Gross Budgeted Income</b>	<b>(96,001)</b>	<b>(86,282)</b>	<b>(85,216)</b>	<b>(85,969)</b>	<b>(87,067)</b>	<b>(88,660)</b>

## 2024/25 SPENDING PLANS

- 4.13 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.

Table 10 – Spending Plans

Description	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Employees	20,481	<b>20,777</b>	21,386	21,974	22,545	23,106
Premises	3,885	<b>3,530</b>	3,530	3,530	3,530	3,530
Transport	1,567	<b>1,262</b>	1,262	1,262	1,262	1,262
Supplies & Services	6,812	<b>6,927</b>	6,927	6,927	6,927	6,927
Drainage Board Levies	5,311	<b>5,630</b>	5,911	6,207	6,517	6,843
Transfer Payments	31,789	<b>30,046</b>	30,016	29,988	29,960	29,957
Capital Charges	8,334	<b>2,773</b>	1,310	683	1,479	1,483
Third Party Payments	11,356	<b>12,526</b>	12,945	13,284	13,745	14,187
Interest on Borrowing	3	<b>10</b>	10	10	10	10
Contributions To Reserves	7,833	<b>5,217</b>	4,716	4,716	4,716	4,716
<b>Gross Expenditure</b>	<b>97,371</b>	<b>88,698</b>	<b>88,013</b>	<b>88,581</b>	<b>90,691</b>	<b>92,021</b>

- 4.15 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 3.0% increase in 2025/26 2.5% thereafter. Pension cost estimates have been prepared on the basis of current staff in the pension scheme at October 2024/25, 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 Pension Triennial Review.
- 4.16 All utilities budgets are now reflective of the actual volumes in 2024/25 and adjusted for new contract prices.
- 4.17 Transport costs are set using current fuel prices and usage.
- 4.18 Supplies and Services budgets have increased slightly due to agreed increases in council contracts in relation to RPI, additional project costs offset by grant.



4.19 Internal Drainage Board (IDB) increases are set out in the table below. 2025/26 increases have been built in with increases from the drainage boards averaging 43.8%. 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.

<b>Internal Drainage Board</b>	2021/22 (Actual) £	2022/23 (Actual) £	2023/24 (Actual) £	2024/25 (Actual) £	<b>2025/26 Budget £</b>	Increase over 2021/22 £/%
Lindsey Marsh Drainage Board	3,057,100	3,148,320	4,091,378	4,228,287	4,481,984	46.61%
The Witham Third District Internal Drainage Board	359,042	382,480	446,085	551,152	584,221	62.72%
Witham Fourth Internal Drainage Board	390,589	410,100	443,015	531,647	563,546	44.28%
<b>Total</b>	<b>3,806,731</b>	<b>3,940,900</b>	<b>4,980,478</b>	<b>5,311,086</b>	<b>5,629,751</b>	

4.20 Transfer Payments – Linked to Capital Programme activity primarily Towns Fund.

4.21 Capital Charges – Changes in capital charges relate to revisions to the capital programme between years which do not affect the General Fund bottom line as they funded from reserves.

4.22 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 as set out in Table 11 below
- 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

	2024/25 £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
Fees, Charges & Other Income (table 9)	(64,537)	(55,129)	(53,850)	(53,858)	(54,222)	(55,037)
Gross Expenditure (table 10)	97,371	88,698	88,013	88,581	90,691	92,021
Parish Precepts	3,739	3,804	3,880	3,958	4,037	4,118
Efficiency Target – IDB (table 16)	(1,370)	(1,823)	(2,105)	(2,400)	(2,710)	(3,036)
Efficiency Target (table 16)	-	(592)	(693)	(211)	(913)	(324)
<b>Net Budget</b>	<b>35,203</b>	<b>34,958</b>	<b>35,246</b>	<b>36,069</b>	<b>36,882</b>	<b>37,741</b>
Funded By						
Retained Business rates (table 2)	(19,536)	(19,730)	(20,045)	(20,416)	(20,766)	(21,150)
Business Rates Collection Fund (table 2)	(154)	249	-	-	-	-
Revenue Support Grant (table 5)	(1,396)	(1,441)	(1,441)	(1,441)	(1,441)	(1,441)
Specific Grants (table 5)	(1,943)	(1,251)	(1,251)	(1,251)	(1,251)	(1,251)
New Homes Bonus (table 6)	(434)	(635)	-	-	-	-
Parish Precepts	(3,739)	(3,804)	(3,880)	(3,958)	(4,037)	(4,118)
ELDC Council tax (table 3)	(7,867)	(8,262)	(8,628)	(9,003)	(9,388)	(9,781)
Council Tax Collection Fund Surplus (table 3)	(134)	(84)	-	-	-	-
<b>Total Funding</b>	<b>(35,203)</b>	<b>(34,958)</b>	<b>(35,246)</b>	<b>(36,069)</b>	<b>(36,882)</b>	<b>(37,741)</b>

- 5.3 Based on current assumptions the Council has an efficiency target for 2025/26 in respect of the IDB issues and continued liaison with Government on this matter continues, in addition a further efficiency target is also now in place.

## OTHER BUDGET ISSUES

- 5.4 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**

- 6.1 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**

- 6.2 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, when taken in the context of the other reserves that the Council holds for budget risk management.

## Specific Reserves

Table 12 – Reserve Balances

Reserve	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	Forecast Balances at 31st March 2030
	£'000	£'000	£'000	£'000	£'000	£'000
Investments Volatility Reserve	1,009	1,009	1,009	1,009	1,009	1,009
Economic Growth Reserve	2,808	877	777	677	577	477
Business Rates Volatility Reserve	5,795	5,795	5,795	5,795	5,795	5,795
Property Fund Reserve	175	175	175	175	175	175
Housing Reserve	2,088	2,283	1,638	1,638	1,638	1,638
Repairs and Maintenance Reserve	160	64	10	54	168	282
Carbon Reduction Reserve	704	505	505	505	505	505
Insurance Reserve	807	747	687	627	567	507
Capital Reserve	1,154	813	813	813	813	813
Service Transformation Reserve	671	722	787	607	672	737
Legal and Appeals Reserve	701	701	701	701	701	701
Technology Reserve	435	503	571	639	707	775
Corporate Priorities (Investment) Reserve*	11,858	16,232	20,606	25,035	29,464	33,893
Wellbeing Reserve	334	640	640	640	640	640
Climate Change Reserve	481	481	481	481	481	481
<b>Specific Reserves Total</b>	<b>29,180</b>	<b>31,546</b>	<b>35,194</b>	<b>39,395</b>	<b>43,911</b>	<b>48,427</b>
General Fund	1,822	1,822	1,822	1,822	1,822	1,822
<b>Total</b>	<b>31,002</b>	<b>33,368</b>	<b>37,016</b>	<b>41,217</b>	<b>45,733</b>	<b>50,249</b>

\* £10m commitment regards ELIP on 'Corporate Priorities (Investment) Reserve' not factored in to balances currently awaiting further detail on the scheme.

## Movement In Specific Reserves

- 6.3 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 – Movement in Specific Reserves

Contribution To Reserves	2025/26 £'000	Contribution From Reserves	2025/26 £'000
<u>Housing Reserve</u>			
Good Homes Alliance	(195)		
<u>Repair &amp; Replacement Reserve</u>		<u>Repair &amp; Replacement Reserve</u>	
Replacement and Refurbishment - Vehicles Payback	(154)	Fleet Maintenance	250
		<u>Insurance Reserve</u>	60
		<u>Capital Reserve</u>	
		Capital Programme	341
		<u>Economic Growth</u>	
		Capital Programme	1,931
<u>Service Transformation Reserve</u>		<u>Service Transformation Reserve</u>	
Elections contribution	(65)	S113 Recharge	14
<u>Technology Reserve</u>	(68)		
<u>Wellbeing Reserve</u>			
Year 8 Surplus - New Wellbeing Contract	(306)	<u>Carbon Reduction Reserve</u>	
		HUG2 & LEAD	166

<u>Corporate Priorities Reserve</u>	
Hereditament	(4,429)
<b>Contribution To Reserves Total</b>	<b>(5,217)</b>

Ecologist	26
Lightfoot Telematics	9
<u>Corporate Priorities Reserve</u>	
Investment Fund Manager	55
<b>Contribution From Reserves</b>	<b>2,851</b>
<b>Net Contribution (To)/From Reserves</b>	<b>(2,366)</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 (includes slippage from 24/25 schemes):

Scheme	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Total £'000
Capitalised Planned Enhancements	265	370	190	293	-	1,118
Car Park Resurfacing	250	250	250	250	250	1,250
Disabled Facilities Grants	2,517	2,517	2,517	2,517	2,517	12,585
Community Housing Fund	-	645	-	-	-	645
3G Football Pitch	160	-	-	-	-	160
IT Investment	202	429	769	100	100	1,600
Neighbourhoods Vehicles	69	225	5,117	-	-	5,411
Sustainable Warmth	6,268	-	-	-	-	6,268
CDF – Phase 2	117	-	-	-	-	117
CDF – Pier Transformation	149	-	-	-	-	149
Environmental Health	40	40	40	40	40	200
Local Authority Housing Fund	2,899	-	-	-	-	2,899
Solar PV for Horncastle Hub	341	-	-	-	-	341
Uniform	325	-	-	-	-	325
Affordable Housing Commuted Sum	1,000	-	-	-	-	1,000
<b>Total Projects (Excl Towns Funds, UKSPF &amp; LUF)</b>	<b>14,602</b>	<b>4,476</b>	<b>8,883</b>	<b>3,200</b>	<b>2,907</b>	<b>34,068</b>
Towns Fund – Skegness Town Centre Transformation	122	-	-	-	-	122
Towns Fund – Skegness Learning Campus	3,506	-	-	-	-	3,506
Towns Fund – Mablethorpe Campus for Future Living	267	-	-	-	-	267
<b>Total Towns Fund</b>	<b>3,895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,895</b>
LUF: Spilsby Sessions House	3,699	415	-	-	-	4,114
LUF: Alford Manor House	1,396	157	-	-	-	1,553
LUF: Alford Windmill	677	76	-	-	-	753
<b>Total LUF</b>	<b>5,772</b>	<b>648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,420</b>
<b>Total Approved</b>	<b>24,269</b>	<b>5,124</b>	<b>8,883</b>	<b>3,200</b>	<b>2,907</b>	<b>44,383</b>

Scheme	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Total £'000
<b>New Bids</b>						
Air Quality Monitoring	10	-	-	-	-	10
Portable CCTV	7	-	-	-	-	7
Broadway & Colonnade Car Park	1,500	-	-	-	-	1,500
IT Investment	-	-	-	123	511	634
Surf Rakes	164	-	-	-	-	164
Neighbourhoods Vehicles	85	(120)	(101)	470	-	334
Capitalised Planned Enhancements	-	-	-	-	300	300
<b>Total New Bids</b>	<b>1,766</b>	<b>(120)</b>	<b>(101)</b>	<b>593</b>	<b>811</b>	<b>2,949</b>

<b>Total Draft Capital Programme</b>	<b>26,035</b>	<b>5,004</b>	<b>8,782</b>	<b>3,793</b>	<b>3,718</b>	<b>47,332</b>
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<b>Funded by:</b>						
Internal Borrowing	(2,400)	(886)	(6,055)	(1,136)	(1,061)	(11,538)
External Grants	(20,111)	(3,165)	(2,517)	(2,517)	(2,517)	(30,827)
Capital Reserve	(341)	-	-	-	-	(341)
Capital Receipts	(252)	-	-	-	-	(252)
S106s	(1,000)	-	-	-	-	(1,000)
Other Reserve	(1,931)	(953)	(210)	(140)	(140)	(3,374)
<b>Total Funding</b>	<b>(26,035)</b>	<b>(5,004)</b>	<b>(8,782)</b>	<b>(3,793)</b>	<b>(3,718)</b>	<b>(47,332)</b>

<b>Other Reserve Breakdown</b>						
Housing	-	(645)	-	-	-	(645)
Repair & Replacement	-	(208)	(110)	(40)	(40)	(398)
Economic Growth	(1,931)	(100)	(100)	(100)	(100)	(2,331)
	<b>(1,931)</b>	<b>(953)</b>	<b>(210)</b>	<b>(140)</b>	<b>(140)</b>	<b>(3,374)</b>

7.2 The Capital Strategy and Asset Management plan 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 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>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Average Investment Balances	£60.3m	<b>£52.2m</b>	£56.7m	£59.2m	£63.3m	£70.5m
Investment assumptions - cash investments return	4.55%	<b>4.10%</b>	3.70%	3.50%	3.50%	3.50%
Investment assumptions – property fund return (revenue return only)	4.00%	<b>4.00%</b>	4.00%	4.00%	4.00%	4.00%
External Borrowing	-	-	-	-	-	-
Average Borrowing Rate		-	-	-	-	-

7.4 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.

## 8 CONSULTATION

8.1 Under the Gunning Principles, the following points are the golden rules of consultation:

- Proposals must contain enough information for the respondent to provide intelligent consideration.
- Must give adequate time for a response.
- Responses must be conscientiously taken into account.

8.2 Using these principles, the budget consultation process for the 2025/26 budget comprised a number of elements. It was published on the Council's website for consultation by all stakeholders, including the local business community.

8.3 Following the budget consultation process, comments received through the Member forums, preceptors and the public exercise will be taken into account in preparing and recommending the proposed budget for Executive Board review and formal Council approval on 20<sup>th</sup> February and 5<sup>th</sup> March 2025 respectively.

## 9. EFFICIENCY TARGETS

9.1 The projected budgets recognise an increasingly challenging and uncertain position through the five year period of our financial strategy. The current financial environment requires 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. The Councils new partnership and the outsourced services within its TECKAL company PSPS Ltd provide significant opportunity to drive savings, efficiencies, transformation and improvement across the 3 Councils.

9.2 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

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Budget Savings Requirement	-	592	693	211	913
IDB Savings Requirement	1,370	1,823	2,105	2,400	2,710
<b>Total</b>	<b>1,370</b>	<b>2,415</b>	<b>2,797</b>	<b>2,612</b>	<b>3,624</b>

9.3 The ongoing delivery of savings is recognised as a key challenge to the Council that will require both political and cultural direction to ensure it is met.

## **10. SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP PLANS**

10.1 As we think of 2025/26, there is great uncertainty with the central funding which could be allocated. 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.

10.2 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.

10.3 As we look forward into 2025/26, the Executive Board will be promoting projects which aim to support our rural hinterland, drive economic growth and 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 2025/26 include deployment of the Investment reserve around the themes below and as reported to the Executive Board on 2024/25:-

- 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

## 11. RISK AND SENSITIVITY

11.1 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 25/26 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

## 12. OPTIONS

12.1 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

## 13. RECOMMENDATIONS

13.1 Reason for recommendations - To comply with the budgetary and policy framework.

13.2 Recommendation – To scrutinise the draft budget and report back to Executive Board

## Addendum - Section 25 Report of S151 Officer

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### “Robustness” of Budgets

#### 1.0 Background

- 1.1 Under Section 25 of the Local Government Act 2003, the S151 Officer must report as to the robustness of the estimates included within the budget and highlight the risks associated with its deliverability and sustainability and the adequacy of reserves. This Addendum should be read in conjunction with the assumptions and plans outlined in the Budget Appendix attached, as this statement provides critical context for budget discussions.
- The framework within which the Council’s budget setting process operates and within which the financial plan was developed is governed by legislation which provides regulatory safeguards for the Council:

**Section 25 of the Local Government Act 2003 requires the authority’s Chief Financial Officer to report on the robustness of the estimates and the adequacy of reserves** allowed for in the budget proposals in the financial plan report, so Members are informed and can consider this when they make their budget decisions.

**Section 114 of the Local Government Finance Act 1988** highlights the Chief Financial Officer’s responsibility to report to the external auditor and members if it appears to them that an unbalanced budget is likely to be set for the year. Further, the CFO shall make a report under Section 114 if it appears that the expenditure incurred during a financial year is likely to exceed the resources available to meet that expenditure; or if any unlawful expenditure is planned/takes place.

**Local Government Finance Act 1992** identifies the requirement to set a balanced budget.

**Section 151 of the Local Government Act 1972 - Financial Administration** requires that authorities should appoint a Section 151 Officer to have responsibility for the proper administration of its financial affairs.

**The Accounts and Audit Regulations 2015 – Regulation 4** requires that the accounting records and control systems include measures to ensure that risk is appropriately managed.

**The CIPFA Financial Management Code 2019** - includes the following standard which should be complied with: “The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves”.

**The requirements of the Prudential Code must also be complied with** (a separate report on prudential Indicators is included elsewhere in this suite of Medium-Term Financial Strategy (MTFS) reports).

**Section 106 of the Local Government Finance Act 1992** makes it a criminal offence for any Member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears, and will not be voting on the decision for that reason. The Member concerned must then abstain from voting.

### **The Local Authorities (Standing Orders) (England) (Amendment)**

**Regulations 2014** provide that the Council's procedures must provide for the minutes to record how each Councillor voted (including any abstentions) when determining the Council's budget and the level of Council Tax to be levied.

- 1.2 CIPFA guidance on Local Authority Reserves and Balances also requires that a statement reporting on the annual review of earmarked reserves should be made to Council, at the same time as the budget. The statement should list the various earmarked reserves, the purpose for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balance. MHCLG had announced that they want to review the way reserves are presented. The council's development of reporting for use of reserves and reserves held, will need to have consideration of MHCLG requirements when these are confirmed.

### **Robustness of Estimates – Overview**

- 1.3 Local authorities have been operating within an extended period of financial constraints over the last 10 years with significant cuts in grants from Government since 2013/14 and restrictions on the level of council tax increases that could be applied. It is becoming increasingly evident that councils are experiencing significant financial difficulties.
- 1.4 The Medium-Term Financial Strategy highlights the continued significant uncertainty on the council's projected financial position going forward. The council has received confirmation of grant allocations from the finance settlement for 2025/26 but there is no indication of the level of grant that can be expected from 2026/27. The new Government has given a clear indication that finance reforms are imminent and are expected to start consulting on their proposals in the next few months.
- 1.5 The impact of the economic climate of recent high inflation and high interest costs has had a significant impact on the council's budget. Whilst inflation has fallen, there is still uncertainty in the market which is keeping interest rates high for an extended period of time although these are expected to reduce in 2025/26.



- 1.6 Taking these factors into consideration, the projections for the council's financial position beyond 2025/26 is still subject to a high degree of uncertainty and therefore, the estimates reflect a number of assumptions on the financial position over the Medium Term to assist with financial planning for the longer term. As with any assumptions or projections of budgets over a five-year period, some will have a level of risk against them, and the Financial Plan 2025/26 to 2029/30 is no exception.
- 1.7 The Local Government Finance Policy Statement announced on 28 November 2024 set out the Governments intentions for the local government finance settlement for 2025/26. This was shortly followed by the provisional funding settlement on 18 December 2024. These both served to provide some early certainty in respect of the funding settlement for 2025/2026 with a view that it would 'ensure stability and maintain balance on council tax'.
- 1.8 The financial strategy assumes that Revenue Grants will continue to reduce into the medium term in light of the Governments planned restructuring of Grant towards areas of most need.
- 1.9 The funding reforms will also include the Business Rates Retention Scheme but detailed arrangements for the implementation of a new scheme are still unknown at this time and any re-set of the baseline will mean that the Council does not retain all the growth that has been achieved and is currently included in the Plan. The continuation of 100% retention of rates from renewable energy is also factored into the plan which may also change as part of the reset. The council has benefitted from increased business rates income due to the increase in the business rates multiplier and this has been reflected in the projected figures. However, no additional growth is included in future years due to the level of uncertainty and risk around business rates funding but also because of increased uncertainty from the impacts of the economy and the impact on the Council's ability to sustain levels of income from growth in a market where businesses and individuals are themselves experiencing the effects in increased costs.
- 1.10 In the previous two Financial Strategies due to the IDB pressure a savings orientated transformation plan approach has been adopted whilst we have awaited government awards for financial support in this regard. If government does not increase its support for this pressure it may be that Council needs to look at other options for funding this impact although this could only be a short term plan. The council has been prudent in building up a level of reserves in previous years.
- 1.11 Whilst the Council has made very positive progress with its plans for 2024/25 an even more robust approach will be required in 2025/26.
- 1.12 The safety net of the level of working balances provides for a degree of comfort and robustness and in the opinion of the S151 Officer the level of General Fund balances held over the period are above minimum levels and adequate for the purposes of the Council for the period up to 2026/2027. From 2026/2027 there is a significant budget gap that needs to be addressed. As noted in the strategy, there are a number of operational and financial risks facing the Council that could possibly impact on the level of General Fund balances held which result in balances depleting earlier than anticipated.

1.13 The main risks facing the Council are as follows:

**Operational Risks** – There will always be an element of risk in the robustness of estimates where many services are demand led. This level of risk is especially heightened during this period of uncertainty in the economy. This is particularly the case where large or volatile budgets exist – mainly the income driven budgets e.g. planning, building control, rents and car parking fees.

Past experience shows that the risk from these service areas, whilst significant in financial terms, can be dealt with through good budget management which quickly identifies any potential issues and enables prompt corrective action to be taken and where necessary the use of balances. However, since the pandemic and the following economic impact, there has been a notable change in the demand for some services and there is a degree of uncertainty on whether they will return to previous levels or continue at the current heightened levels. Additionally, the cost of living impacting households and businesses will continue to impact the demand for services. The performance against budgets is included in regular monitoring reports to management and members and in the event that action is necessary, approval can be gained quickly.

**General Economic Risks** – Assumptions on inflation made within the budget are detailed in the report. Where inflation factors rise above the assumed levels there will be an impact on the budget. The risk can be reduced through strong budget monitoring of spend and corrective action being taken. In the event that costs cannot be contained then the working balances come into effect.

Provision was previously included to increase budgets for gas and electricity, reflecting changes to unit costs emerging during 2023. However, these costs are now coming down and the forecast have been amended for this. Utility costs are affected by global supply and delivery levels and there remains a volatility risk that these could change over the medium-term financial plan. Predictions for these supplies will continue to be obtained and the anticipated impact reported in monitoring reports to management and members.

There is a risk to the budget from further changes in interest rates, especially in the current economic climate. The bank rate has seen significant increases since December 2021 from 0.10% to the current rate of 4.75% following the decisions made by the Bank of England Monetary Policy Committee in their objective to control inflation. This has a direct influence on the interest paid on the Council's investments. The risk is reduced through good debt management practices and monitoring of the markets and budget position. Interest rates in the Financial Strategy reflect the forecast bank rate which is anticipated to continue to reduce during 2024/2025 and thereafter.

**Capital Schemes, Partnerships and Contracts** – The Council will always be subject to general financial risks inherent within large capital schemes, major outsourcing arrangements and partnership arrangements. More recently, the impact of inflation, NI increases and the current economic climate has had an impact on a number of the projections for some of the major projects causing volatility and uncertainty in any projections over the short term period. Whilst these risks can be

reduced through the existence of good governance arrangements, active participation in the schemes and sound project management, it is critical that the projects are frequently reassessed from a financial perspective and the monitoring of the risks remains constant so that actions can be considered at the earliest opportunity. The monitoring and performance of major projects is reported through existing mechanisms.

**Business Continuity** – In terms of risk management there are a number of issues that present a risk to the Council all of which are included in the Corporate Risk Register. Several the most highly rated risks are concerned with finance – the impact of the IDB levy on the Councils finances and future sustainability, reductions in government grant, inflation impacting on economic activity, increasing costs of capital projects and variation to service demand with an impact on income and increases to delivery costs for services to the vulnerable. The implementation of the new Business Rates Retention Scheme and the Fair Funding Review impacts the certainty with which the Council can plan and implement its longer term aims, such as economic growth. All these risks have been considered and are being proactively managed where possible.

**Business Rates Growth** – There is no assumption for increased growth in the financial strategy as this currently presents a significant level of risk. Alongside this, there is a risk that an element of the growth will be removed as part of the baseline re-set with the implementation of the new Business Rates Retention Scheme arrangements which have currently been delayed by Government. There is also concern that some of the business rates generated from renewable energy will also be withdrawn under the new scheme. These are currently retained at 100% so presents considerable risk if any or all of this is removed. With any new financial reforms is the assumption that there will be some dampening mechanism to soften the impact of any significant funding reductions but until further announcements are made on the detail and timing of the implementation of a reset, it remains a significant risk. These risks will continue to be monitored and reported to management and members as information on new arrangements for the scheme emerge.

**Legislation** – There are always risks associated with changes in legislation. For example, changes to VAT rules or environmental legislation could have significant impact on the Financial Plan of the Council. There is little that can be done to mitigate legal risks other than to continue to be aware of the potential changes and act accordingly.

## 9.5 Delivering the MTFS

The MTFS requires a number of key actions to be implemented in order to achieve a stable and sustainable financial position for the Council. These include:

- Continued robust lobbying regarding the IDB financial pressure which is uncontrollable and unaffordable
- implementing savings plans
- identifying further efficiencies or savings that are sustainable in nature
- reviewing contracts for best value
- delivering income generation projects

- considering how services can be delivered more efficiently
- ensuring a commercial approach is taken where applicable
- increasing revenues by encouraging more businesses into the district
- increasing revenues by continuing to support and encourage housing development

These will need to be managed against a backdrop of the local government finance reforms. To ensure delivery, officers at the Council are advised to ensure that:

- Teams are suitably resourced to deliver the Council's corporate objectives - particularly projects or initiatives that the financial plan is dependent on delivery that resources are at the right level and with the right skills.
- Officers continue to review service delivery which balance service improvement with reducing costs and being more efficient.
- Sufficient funding is set aside to support delivering the Council's corporate objectives – particularly those projects or initiatives that the financial plan is dependent on delivery and especially those with an invest to save basis, with clear criteria and expectations of return.
- Processes, procedures and practices are continually updated to reflect the Council approach to secure value for money or secure efficiencies/savings where applicable.

Members are advised to ensure that:

- progress against efficiency plans are regularly monitored by Executive Board and Portfolio Holders.
- members take future decisions that support the aim of maintaining a financially stable and sustainable Council as set out in the MTFS, including clear funding source where applicable.
- business cases for investment projects should be rigorously reviewed to ensure they deliver value for money to the Council.