East Lindsey DISTRICT COUNCIL

Report To:	Overview Committee
Date:	20th January 2026
Subject:	Draft Budget and Medium-Term Financial Strategy (MTFS) 2026/27 to 2030/31
Purpose:	To review this report and provide feedback to Executive Board on 19th February 2026 prior to the finalisation of the budget and MTFS for 2026/27 to 2030/31
Key Decision:	N/A
Portfolio Holder:	Councillor Thomas Kemp, Portfolio Holder Finance
Report Of:	Russell Stone, Director of Finance & Section 151 Officer
Report Author:	Russell Stone, Director of Finance & Section 151 Officer
Ward(s) Affected:	All
Exempt Report:	No

Summary

This report has been prepared to support the Overview Committee in its consideration of the Council's draft budget proposals for 2026/27 to 2030/31 summarising the current position, the process undertaken to reach it, and the next steps towards finalising the budget. The purpose is to provide Members with an overview of the key components of the draft budget, the statutory framework governing the budget-setting process, and the wider financial context within which these proposals have been developed.

Recommendations

It is recommended that the Draft Budget and Medium-Term Financial Strategy for the period 2026/27 to 2030/31 is scrutinised by the Overview Committee and feedback is provided to Executive Board on 19th February 2026.

Reasons for Recommendations

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

Other Options Considered

It is best practice to consult with the Overview Committee as part of the budget setting process.

1 Introduction

1.1 This report has been prepared to support the Committee in its consideration of the Council's draft budget proposals for 2026/27 to 2030/31 summarising the current position, the process undertaken to reach it, and the next steps towards finalising the budget. The purpose is to provide Members with an overview of the key components of the draft budget, the statutory framework governing the budget-setting process, and the wider financial context within which these proposals have been developed.

1.2 The 2026/27 budget has been developed against a backdrop of significant financial pressure and with a sustained period of funding uncertainty now being replaced with the most far-reaching set of changes the Local Government finance system has seen.

1.3 In addition, the combination of economic uncertainty, inflationary pressures and rising demand for Council services is increasing the pressures being felt on Council Services. Despite these challenges the approach adopted seeks to preserve the Council's sound financial position and take a considered approach to mitigating these exceptional circumstances. With the steps taken the draft budgets present a sustainable financial position which continues to focus on delivering services.

2 Provisional Local Government Finance Settlement (LGF) 2026/27

2.1 The Provisional Local Government Finance Settlement for 2026/27 was released on 17th December 2025 with further supporting information following.

2.2 The 2026/27 Settlement includes provisional allocations for 2027/28 and 2028/29 and as such delivers the first multi-year settlement in a decade.

2.3 The settlement reflects changes made through the 2024 Autumn Budget & Spending Review, 2025 Budget and 20 November 2025 Policy Statement which collectively results in an unprecedented level of change to the Local Government Finance system and significant added complexity.

2.4 Amongst other changes, the spending comparisons made by Ministry of Housing, Communities and Local Government (MHCLG) within the settlement have been assessed against values from 2024/25 and not 2025/26. Given the scale of change being experienced, the main areas of change within the settlement are set out below.

3 Summary of main changes within the LGF Settlement (Tables 1 and 2)

3.1 **Fair Funding Assessment** – MHCLG has published the provisional outcome of the Fair Funding Review which sets the new levels of funding for Local Authorities. The settlement suggests that the Fair Funding Assessment amounts also include Simpler Recycling new burdens (primarily food waste), but this is not itemised, and analysis suggests there is little additional funding that could account for this.

3.2 **Funding Floor** – MHCLG has decided to implement a 2-tier system of funding floors. This means that some Local Authorities will receive varying levels of funding protection depending on how far from the newly assessed level of funding they are. East Lindsey will receive 95% protection of income, as the Fair Funding Assessment reduction of more than 15% by 2028/29, is anticipated.

3.3 **Funding Floor Cost** – Nationally the transitional protection amounts (floor payments), are £146.9m, £352.7m and £567.5m for the three years 2026/27 to 2028/29. This means that the transition from current funding to new funding amounts is not achieved over the three-year period and there would remain a high degree of uncertainty beyond 2028/29 for those in receipt of material 2028/29 floor payments. Local Government Reorganisation (LGR) may reduce this burden for 2029/30 if funding amounts were recalculated on new authorities (by diluting eligibility). East Lindsey will receive £1.376m in 2027/28 and £2.932m in 2028/29 before reducing to Nil from 2029/30 onwards.

3.4 **Recovery grant** – The 2025/26 Recovery Grant continues at a national level and certain authorities will receive an increase, adding up to no more than £35 million over three years, to lift up their core spending power by 5%, 6% and 7% respectively in each year of the settlement (this approximates to 5% + 1% + 1% in most cases). East Lindsey will see their Recovery Grant remain flat at £586k per annum, the same as 2025/26.

3.5 **Council Tax** – The Council Tax referendum limit in 2026/27 is the higher of 3% or £5 for shire district councils.

3.6 **Business Rates Reset, Revaluation and Multiplier Reform** – the split of Fair Funding Assessment to Baseline Funding Level and Revenue Support Grant, and the new top-up and tariff amounts, reflects MHCLG's latest analysis on the impact of the business rates revaluation, business rates reset and introduction of new business rates multipliers. As a result of the reset of the Business Rates Retention System from 1 April 2026 as part of the Government's Fair Funding Review, the net Retained Business Rates income has reduced significantly from prior years. This is compensated by an increase in Revenue Support Grant which is shown in Table 1 and Table 2.

Consolidated Grants in Core Spending Power

3.7 Changes from previous years include 4 new consolidated grants, bringing together 16 funding streams over the multi-year Settlement, alongside grants that have been rolled into the Revenue Support Grant. Of these 4 grants, 2 are applicable to East Lindsey District Council – Homelessness, Rough Sleeping & Domestic Abuse Grant and the Crisis & Resilience Fund.

3.8 Homelessness, Rough Sleeping & Domestic Abuse Grant consolidates the Homelessness Prevention Grant, Rough Sleeping Prevention and Recovery Grant, Rough Sleeping Accommodation Programme & the Domestic Abuse grant. This has been incorporated into the core spending power.

3.9 The Crisis & Resilience Fund now includes the Discretionary Housing Fund.

4 Financial implications

4.1 Tables 1 and 2 show how the Settlement impacts the Councils funding position.

4.2 Table 1 seeks to demonstrate the shift to how the settlement assumes funding will change over the settlement period.

4.3 This includes a number of key factors, which includes:

- The transition from the current funding methodology into the new Fair Funding allocation.
- The rate at which it is assumed Council Tax will rise.
- The new consolidated Homelessness, Rough Sleeping and Domestic Abuse grant.
- The Transitional Protection arrangements effective in 2027/28 and 2028/29.
- The value of existing grants which are being 'rolled in' to the funding settlement, and
- The recovery grant, which the Council will continue to receive.

4.4 The table demonstrates a decrease in funding at a Core Spending Power level in 2026/27 that remains relatively flat through to 2028/29; however, it should be noted that this calculation includes assumed increases in Council Tax and Transitional Protection in 2027/28 and 2028/29 that drops out entirely from 2029/30.

4.5 The funding levels also reflects receipt of the 'ringfenced' and consolidated Homelessness grant.

4.6 Given the Council has, and continues to experience high levels of inflation, the reduction in grant funding means that spending power will diminish over time and the settlement presents a real-terms cut to funding.

4.7 The assumed increase in Council Tax is based on nationally applied assumptions and Table 2 sets out this calculation.

Table 1 - Core Spending Power Breakdown

Core Spending Power	2024-25	2025-26	Change		2026-27	Change		2027-28	Change		2028-29
	£ millions	£ millions	£ millions	%	£ millions	£ millions	%	£ millions	£ millions	%	£ millions
Legacy Funding Assessment	18.613	17.971	-17.971	-100.00%							
Fair Funding Allocation			16.798		16.798	-1.891	-11.30%	14.907	-1.984	-13.30%	12.922
Council tax requirement	7.867	8.262	0.39	4.70%	8.653	0.409	4.70%	9.062	0.428	4.70%	9.489
Homelessness, Rough Sleeping and Domestic Abuse	1.022	1.115	0.008	0.70%	1.123	0.039	3.40%	1.162	0.034	2.90%	1.195
Total Transitional Protections						1.376		1.376	1.557	113.20%	2.932
Grants rolled in to Revenue Support Grant	0.375	0.476	-0.476	-100.00%							
Recovery Grant		0.586			0.586			0.586			0.586
Core Spending Power total	**27.876**	**28.41**	**-1.25**	**-4.40%**	**27.16**	**-0.068**	**-0.30%**	**27.092**	**0.034**	**0.10%**	**27.126**
Core Spending Power year-on-year change (£ millions)		0.5			-1.2			-0.1			0.0
Core Spending Power year-on-year change (%)		1.9%			-4.4%			-0.3%			-0.1%

Table 2 - Council Tax Analysis

Council Tax	£ millions	Band D Equivalent	£	%		
Council Tax Requirement 2025/26	8.262				A	
2025/26 Council Tax Base for tax setting purposes		48,166.00			B	
2025/26 Band D			£171.54		**C**	**= A / B**
Assumed increase (3%, 5%, or £5 equivalent)			£5.15	3.00%	D	
CSP assumed 2026/27 Band D			£176.69		**E**	**= C x (1+D) OR C + D, as applicable)**
CSP Council Tax	8.653				F	
CSP assumed Council Tax Base		48,971.80			G	= F / E
CSP assumed increase in Council Tax Base for 2026/27		805.8		**1.70%**	**H**	**= G - B**
Council Tax Base October 2025		49,844.60			I	No adjustment for collection rate is included on CTB form
2025/26 Budgeted Collection Rate				98.29%	J	Preceptors shown as average of billing authorities'
Estimated Council Tax Base		48,992.20			K	= I x J
Estimated change in Council Tax Base (CTR 2025/26 to now)		**826.2**		**1.70%**		**= K - B**
Amount CTB Above / (Below) CSP Assumed Council Tax Base	**0.004**	**20.4**			**M**	**= L - H**

5 Budget 2026/27 and MTFS

Journey to Date

5.1 May – July 2025 - Budget process started with Budget Managers asked to undertake a forward look into the next financial year 2026/27 and estimate the revenue pressures and saving opportunities that would need to be considered for addition to the MTFS.

5.2 August 2025 - Star Chamber Meetings - A comprehensive review of both pressures and cost reductions were brought to the Star Chamber panels and collated for further SLT review. The review focused on assessing the structure, scale and purpose of budgets within service areas to evaluate benefits and resource use. It examined whether services are statutory or discretionary and their alignment to local priorities. The process identified emerging budget pressures, new opportunities, and evaluated how savings from service reviews contribute to the overall targets.

5.3 September onwards – Services reviewed and refined pressures and efficiency savings' proposals to be incorporated into the 2026/27 Budget and MTFS.

Items included within 2026/27 Budget and MTFS (Tables 5 and 6)

5.4 Pressures and Efficiencies as outlined in Tables 3 and 4.

5.5 **Pension Triennial Review -** As a result of the latest pension triennial review received in November 2025 covering 2026/27 to 2028/29, the primary rate has decreased from 23.8% to 18.4% resulting in a saving of (£774k) for 2026/27. Savings in future years are as follows: 2027/28 (£784k), 2028/29 (£764k), 2029/30 (£787k) and 2030/31 (£813k) and secondary contribution rates of £700k have reduced to £105k in 2026/27 with minor fluctuations in future years.

5.6 **Business Rates Renewable Energy –** Following the reform of Business Rates as outlined in paragraph 3.6 East Lindsey have been informed that they will retain those Renewable Energy business rates that have previously been received going forward. In 2026/27 the draft budget includes £6.111m for Business Rate linked to Renewable Energy.

5.7 **Internal Drainage Board Funding** - is assumed to continue throughout the MTFS at the 2025/26 level of £1.164m.

5.8 **Inflation -** 3.7% inflation has been built into the 2026/27 budget and 2.0% built in from 2027/28 to 2030/31.

5.9 **Fees and Charges** - 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 uncertainty around levels of government grant support and business rates income, it is proposed that the budget should apply 5% increases to all discretionary fees and charges on an annual basis where appropriate. Where income pressures have been identified, uplifts have not been applied.

5.10 **Pay Award -** Throughout the MTFS a 3.0% pay award has been assumed.

5.11 **Salary Efficiency -** A vacancy factor equivalent to 4% of the staffing budget has been included in each year. This equates to £700k in 2026/27.

5.12 **New Leisure Facility Contract –**effective from mid-year 2027/28 – indicative savings are assumed as follows: 2027/28 (£33k), 2028/29 (£940k), 2029/30 (£345k) and 2030/31 (£116k).

5.13 **Future Tax Base -** Estimated 1.5% annual growth in tax base.

5.14 The following information is required/being worked on to finalise the 2026/27 Budget and MTFS.

- NNDR 1 outstanding, due 31 January 2026 and associated assumptions.
- Final LGF Settlement information.
- Capital programme and reserves position.
- Revenue implications of capital projects.
- Impact of Food Waste and future funding opportunities.
- Finalisation of investment income and interest on borrowing.
- Fees and charges final review.
- PSPS Contract Price and Transformation Plan.

6 CONCLUSION AND RECOMMENDATION

6.1 This has been a challenging year for the Council and the LGF Settlement has not been brilliant for Local Government as a whole.

6.2 However, for East Lindsey District Council the 2026/27 Budget process was started early and a lot of progress has been made towards developing the draft budget.

6.3 Members of the Committee are asked to review this report and provide feedback to the Executive Board on the 19th February 2026 prior to the finalisation of the Budget and MTFS for 2026/27 to 2030/31.

Table 3- Pressures incorporated in the 2026/27 Budget and MTFS

	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Pressures Included					
Corporate	104	115	112	124	128
Communities & Housing	8	8	8	9	9
Finance	2	8	2	9	2
General Fund Assets	160	70	0	0	0
Governance	33	40	46	53	53
Leisure & Local Services	86	83	0	0	0
Neighbourhoods	486	138	140	141	143
Planning & Strategic Infrastructure	281	44	38	38	38
Regulatory	10	10	10	10	10
Total	**1,170**	**516**	**356**	**384**	**384**

Table 4 – Savings incorporated in the 2026/27 Budget and MTFS

	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Savings Included					
Corporate	(76)	(59)	(59)	(59)	(59)
Communities & Housing Services	(93)	(110)	(115)	(118)	(120)
Finance	(99)	(99)	(100)	(101)	(101)
General Fund Assets	(211)	(217)	(222)	(228)	(233)
Neighbourhoods	(521)	(531)	(543)	(553)	(559)
Planning & Strategic Infrastructure	(100)	(103)	(105)	(108)	(110)
Regulatory	(136)	(67)	(70)	(73)	(76)
Culture & Regeneration	(4)	(4)	(4)	(4)	(4)
Total	**(1,240)**	**(1,190)**	**(1,218)**	**(1,244)**	**(1,262)**

Table 5 – Medium Term Financial Strategy 2026 – 2031 By Account

Area	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Expenditure	21,853	22,051	22,388	21,957	22,698	23,497
Premises Related Expenditure	3,770	3,623	3,568	3,506	3,529	3,552
Transport Related Expenditure	1,268	1,651	1,344	1,352	1,364	1,377
Supplies & Services	7,900	7,403	7,279	7,137	7,213	7,272
Drainage Board Levies	5,391	5,661	5,944	6,241	6,553	6,881
Third Party Payments	12,635	13,203	13,548	13,128	13,233	13,124
Transfer Payments	30,631	22,614	18,215	14,783	12,119	10,056
Depreciation and Impairment Losses	(834)	(834)	(834)	(834)	(834)	(834)
Income	(63,663)	(56,760)	(48,941)	(43,581)	(42,014)	(39,411)
Investment Income	(2,348)	(1,555)	(1,057)	(950)	(961)	(999)
Efficiencies Required	(2,296)	4,453	3,998	3,336	679	1,186
COUNCIL SUB-TOTAL	**14,307**	**21,510**	**25,452**	**26,075**	**23,579**	**25,701**
Direct Revenue Financing of Capital Expenditure	5,929	985	217	95	40	40
Capital Charges Contra Entry	11,598	10,639	6,446	3,959	4,061	2,531
Minimum Revenue Provision	396	626	1,476	1,845	1,988	2,102
Voluntary Revenue Provision	(396)	(626)	(1,450)	0	0	0
Statutory Override	200	0	0	0	0	0
Interest on borrowing	10	10	10	10	10	10
Contributions to/(from) Reserves	(431)	(504)	50	324	379	379
NET COST OF SERVICES	**31,613**	**32,640**	**32,201**	**32,308**	**30,057**	**30,763**
Financing						
Net Retained Business rates	(13,673)	(12,018)	(12,258)	(12,503)	(12,753)	(13,008)
Section 31 Grant	(7,795)	0	0	0	0	0
less Pooling Levy returned to LCC	1,355	0	0	0	0	0
NNDR share of Collection Fund (Surplus)/Deficit	173	(281)	0	0	0	0
Revenue Support Grant	(1,441)	(10,892)	(8,865)	(6,759)	(6,759)	(6,759)
New Homes Bonus Grant	(635)	0	0	0	0	0
Specific Grants	(1,251)	(586)	(1,962)	(3,518)	(586)	(586)
Share of C Tax Collection Fund (Surplus)/Deficit	(84)	(139)	0	0	0	0
Council Tax	(8,262)	(8,724)	(9,116)	(9,528)	(9,959)	(10,410)
FUNDING	**(31,613)**	**(32,640)**	**(32,201)**	**(32,308)**	**(30,057)**	**(30,763)**
TAX BASE	**48,166**	**49,379**	**50,120**	**50,871**	**51,635**	**52,409**
EAST LINDSEY BAND D COUNCIL TAX	**172**	**177**	**182**	**187**	**193**	**199**
Total Council Tax	**8,262**	**8,724**	**9,116**	**9,528**	**9,959**	**10,410**

Table 6 – Medium Term Financial Strategy 2026 – 2031 By Service

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Area	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Communities & Housing Services	763	2,238	1,944	1,695	1,781	1,868
Corporate	591	569	593	559	597	623
Culture & Regeneration	(1,837)	(3,850)	(930)	(618)	(685)	878
Finance	7,607	8,931	10,012	10,745	11,446	11,716
General Fund Assets	1,245	162	(228)	(663)	(997)	(1,348)
Governance	1,851	1,653	1,947	1,657	1,693	1,714
Leisure & Local Services	2,548	2,682	2,454	1,404	1,060	949
Neighbourhoods	6,924	5,535	6,534	6,675	6,775	6,859
Planning & Strategic Infrastructure	1,999	1,682	1,531	1,437	1,443	1,447
Regulatory	(2,828)	(186)	(44)	2,225	2,152	2,159
Strategic Growth & Development	(2,260)	(2,359)	(2,359)	(2,377)	(2,364)	(2,351)
Efficiencies Required	(2,296)	4,453	3,998	3,336	678	1,187
COUNCIL SUB-TOTAL	**14,307**	**21,510**	**25,452**	**26,075**	**23,579**	**25,701**
Direct Revenue Financing of Capital Expenditure	5,929	985	217	95	40	40
Capital Charges Contra Entry	11,598	10,639	6,446	3,959	4,061	2,531
Minimum Revenue Provision	396	626	1,476	1,845	1,988	2,102
Voluntary Revenue Provision	(396)	(626)	(1,450)	0	0	0
Statutory Override	200	0	0	0	0	0
Interest on borrowing	10	10	10	10	10	10
Contributions to Reserves	7,581	782	763	666	666	666
Contributions From Reserves	(8,012)	(1,286)	(713)	(342)	(287)	(287)
NET COST OF SERVICES	**31,613**	**32,640**	**32,201**	**32,308**	**30,057**	**30,763**
Financing						
Net Retained Business rates	(13,673)	(12,018)	(12,258)	(12,503)	(12,753)	(13,008)
Section 31 Grant	(7,795)	0	0	0	0	0
less Pooling Levy returned to LCC	1,355	0	0	0	0	0
NNDR share of Collection Fund (Deficit)/Surplus	173	(281)	0	0	0	0
Revenue Support Grant	(1,441)	(10,892)	(8,865)	(6,759)	(6,759)	(6,759)
New Homes Bonus Grant	(635)	0	0	0	0	0
Specific Grants	(1,251)	(586)	(1,960)	(3,518)	(587)	(586)
Share of C Tax Collection Fund (Deficit)/Surplus	(84)	(139)	0	0	0	0
Council Tax	(8,262)	(8,724)	(9,117)	(9,528)	(9,958)	(10,410)
FUNDING	**(31,613)**	**(32,640)**	**(32,200)**	**(32,308)**	**(30,057)**	**(30,763)**
TAX BASE	**48,166**	**49,379**	**50,120**	**50,871**	**51,635**	**52,409**
EAST LINDSEY BAND D COUNCIL TAX	**172**	**177**	**182**	**187**	**193**	**199**
Total Council Tax	**8,262**	**8,724**	**9,116**	**9,528**	**9,959**	**10,410**

Implications

South and East Lincolnshire Councils Partnership (SELCP)

This budget supports 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.

Workforce Capacity Implications

Contained within the budget that is being set.

Constitutional and Legal Implications

The draft budget 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 Wellbeing

None.

Climate Change and Environment Impact Assessment

None

Acronyms

MTFS – Medium Term Financial Strategy
LGF – Provisional Local Government Financial Settlement
MHCLG – Ministry of Housing, Communities and Local Government

Appendices

None

Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

Chronological History of this Report

None

Report Approval	
Report author:	Russell Stone Director of Finance and Section 151 Officer Russell.Stone@sholland.gov.uk
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