

REPORT TO:	Joint Performance Monitoring Panel and Performance Development Panel
DATE:	25th January 2024
SUBJECT:	Budget Overview 2024/25 – 2028/29
PURPOSE:	To scrutinise the draft General Fund and Housing Revenue Account revenue and capital budgets for 2024/25
KEY DECISION:	<i>N/A</i>
PORTFOLIO HOLDER:	Councillor Paul Redgate
REPORT OF:	Christine Marshall, Deputy Chief Executive Corporate Development
REPORT AUTHOR:	Colleen Warren – Head of Finance (Client)
WARD(S) AFFECTED:	All
EXEMPT REPORT?	<i>No</i>

SUMMARY

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

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

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

The Joint Panel are asked to scrutinise the attached draft budget and to provide comment and feedback to Cabinet.

RECOMMENDATIONS

It is recommended:-

1. *The Draft Budget and Medium Term Financial Strategy for the period 2024/25 – 2028/29 is scrutinised by Joint Performance Monitoring Panel and Performance Development Panel and feedback is provided to Cabinet on 13th February 2024 when they consider these documents as part of the budget report.*

REASONS FOR RECOMMENDATIONS

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

OTHER OPTIONS CONSIDERED

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

1. BACKGROUND

- 1.1 The attached Budget Report and Financial Policies set out the Council's Revenue and Capital Budgets for 2024/25, the MTFS to 2028/29 and associated financial strategies.
- 1.2 The preparation of the budget for 2024/25 has been a detailed process involving officer review and the attached appendices reflect the latest known position.
- 1.3 The draft Local Government Settlement announced on 18th December 2024 provided additional detail of continuing and additional one-off support to councils including confirmation of allocations of Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG), New Homes Bonus and Minimum Funding guarantee.
- 1.4 The report below sets out the basis for draft budget and MTFS for the next five years and assumptions used in its development.

2. KEY BUDGET PRESSURES

2.1 Identified below are the major changes and key pressures that are being included within the proposed budget:

- The pay award for 2023/24 was agreed November 2023. For 2024/25 a 3.5% increase has been assumed, with this moving to 3% for 2025/26 and then 2.5% from 2026/27 onwards.
- Pension contributions will be 23.8% in 2024/25 with an additional lump sum amount payable towards the deficit on the pension scheme. This rate is applied only to those staff in the local government pension scheme. The pension contribution rate is assumed to stay at 23.8% throughout the life of the MTFS.
- The return on cash investment reflects current Bank of England base rates and the forecasts provided by our external treasury advisors.

- Electricity and gas costs have been based on 2023/24 actuals and current contract prices. Vehicle fuel costs have been based on 2023/24 actuals and current fuel prices.
- Increased Internal Drainage Board levy.
- Increased contract and service costs are similarly a feature of the budget, albeit officers and members are working closely to seek to manage these implications and impacts, these include such items as: increased demand for homelessness support and its associated subsidy implications, external audit fees and the PSPS contract increase.

3. COUNCIL TAX AND BUSINESS RATES

- 3.1. 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 SHDC, in 2024/25 this is a £6.03 (3.09%) per annum increase (for band D properties). This will generate additional income of £268k and the increase is reflected through the life of the MTFS.
- 3.2. The tax base projections for 2024/25 indicate growth of 435 band D equivalent properties (1.5%). Future growth has been projected at 1.5%.
- 3.3. The National Non-Domestic Rates Form (NNDR1) production is now particularly important in terms of changes to the business rate yield which heavily influences not just our own budgets, but also the Pool we are part of within Lincolnshire and significantly the County Council. This is an area of focus as we seek to understand the changes within the yield, particularly as a result of economic impacts and changes in Government Policy.
- 3.4. In order to manage and review this important income stream and the changes within it regular review meetings are taking place internally. There have been changes which need further and detailed consideration in terms of growth and appeals.

4. LOCAL GOVERNMENT SETTLEMENT

- 4.1. The provisional local government settlement delivered on 18th December 2023 has provided the following support:

Local Government Settlement Information	South Holland District Council		
	2023/24 Settlement	2024/25 Settlement	Difference 23/24-24/25
	£'000	£'000	£'000
Revenue Support Grant	(424)	(452)	(28)
Rural Services Delivery grant	(187)	(187)	0
Service Grant	(135)	(21)	114
Sub Total	(746)	(660)	86
Funding Guarantee (3%)	-260	-716	(456)
Sub Total	(1,006)	(1,376)	(370)
New Home Bonus	(918)	(547)	371
Total Funding	(1,924)	(1,923)	1

4.2. The 2024/25 local government finance settlement is for one year only. The main points are set out below:

- The Funding Guarantee replaces the Lower Tier Services Grant. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3% before any decisions about organisational efficiencies, use of reserves or council tax levels are taken.
- Revenue Support Grant has been increased in line with what would have been the increase to the multiplier; there have also been existing grants worth rolled into the RSG amounts.
- Local Government Funding Reform – as per the published Policy Statement, the Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years.

5. INTERNAL DRAINAGE BOARDS

5.1. Internal Drainage Board (IDB) levy figures have been estimated and are substantial increases on previous years due to the extensive use of power and fuel for the activities that these organisations undertake, along with other pressures. The 2024/25 cost is £3.4m and the increases ranging from 8% to 20%.

5.2. The Council is liaising with the local Internal Drainage Boards who have been trying to limit future increases, where possible, but proving impossible with the pressures from power costs being experienced, particularly standing charges, in addition to pay, pension and contract inflation. Representations have been and continue to be made to government due to the substantial loss of income to the Council. This embedded levy can no longer be afforded having a significant impact, every year that passes, on the ability of the Council to finance the services it is providing and putting it at a disadvantage to the majority of Councils in England, with only a handful of councils impacted upon in this way.

5.3. The table below illustrates this point clearly. IDB levy will consume all the Council's proposed increase for 2024/25 which should be used to finance and support services but also require additional efficiencies/funding to be identified.

Council	Total Council Tax Received per year 2024/25	Total IDB levy per year 2024/25	Increase 2024/25	Council Tax 2024/25 Increase £6.03	Increase from 2021/22 to 2024/25
South Holland District Council	£6.143m	£3.447m	£279k	£268k	£823k (31%)

5.4. The Council has been in detailed discussion with government officers regards this position over the past year. We are also aware that the IDBs have made extensive representations to DEFRA and via ADA of this significant issue and a Special Interest Group has been set up to lobby Government on this matter. Meetings with DLUHC have now taken place and will continue and we await a response on this key issue.

6. CAPITAL PROGRAMME

6.1. The capital programme included in Appendix 1, is subject to final additions and other announcements that may be received by the time of publication. A final version of the programme will be presented to Council on 29th February 2024 for approval.

6.2. 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 Levelling Up Funds, Disabled Facilities Grants, and UKSPF. The main areas of continued investment are:

- South Holland Health and Wellbeing Hub
- Disabled Facilities Grant
- IT Systems
- Asset Improvements
- To support Grant Funding bids.

6.3 Due to the nature of some capital projects, it can be common for large scale project timing to change over the medium term. This budget provides the best estimates of deliverability available at the time of production and the programme will be flexed over time as reported in quarterly reports to Cabinet and Council.

7. RESERVES

7.1. General Fund Specific Reserves are budgeted to reduce by £286k in 2024/25, this is predominantly due to fund the Capital Programme which has seen slippage on some of the larger schemes. This figure will be adjusted once the outturn for 2023/24 is known.

8. BALANCING THE BUDGET AND OTHER PROPOSED CHANGES

8.1. 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.
- Alternative service delivery.
- Reviews of fees and charges in light of 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

8.2. Detailed efficiency and transformation plans are being put together for members consideration and it is proposed that a Working Group be established to provide oversight and steer to support this process and the delivery of the finance required to ensure the budget remains balanced.

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

8.4. It is also proposed due to continued significant inflationary pressures, to include an annual RPI uplift for all fees and charges, where applicable.

9. HOUSING REVENUE ACCOUNT

9.1. Rent increases are set at CPI + 1%, equal to 7.7% for 2024/25. The Council is expected to have 3,739 HRA dwellings and 50 Shared Ownership properties (31.95 equivalent properties) at 1st April 2024 with an average weekly rent of £87.01 (on a 52-week basis). The budget includes an assumed rent loss of 1% for void properties, 1.5% for bad debts, and a rent loss from selling 25 homes per annum under Right to buy.

9.2. Staff pay and inflation continue to be key budget pressures for HRA.

9.3. The General HRA Reserve is budgeted to reduce by £4.5m in 2024/25, this is predominantly due to funding new acquisitions. Total HRA reserves balance expected to be £18.5m by the end of 2024/25, this figure will be adjusted once the outturn for 2023/24 is known.

9.4. The HRA five year capital programme included in Appendix 1, the main areas of continued investment are:

- Decent Homes
- Affordable Homes
- Major adaptations

10. CONCLUSION

10.1. Members of the Joint Panel are asked to review the attached budget and financial policies and provide feedback to Cabinet prior to the finalisation of the budget and MTFs for 2024/25 to 2028/29.

EXPECTED BENEFITS TO THE PARTNERSHIP

This report enables South Holland District Council to consult on its budget the level of Council Tax for 2024/25.

IMPLICATIONS

SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP

This budget support the SELCP partnership arrangements

CORPORATE PRIORITIES

This budget has been built in line with corporate priorities.

STAFFING

The Equality Act requires SHDC 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 draft budget proposals.

REPUTATION

None

CONTRACTS

None

CRIME AND DISORDER

None

EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

New Equality Impact Assessments will be developed and published wherever these are required and will be made available during the management and decision-making of the Programme.

HEALTH AND WELL BEING

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

ACRONYMS

ADA – Association of Drainage Authorities

IDB – Internal Drainage Board

DEFRA - Department for Environment, Food & Rural Affairs

DLUHC - Department for Levelling Up, Housing and Communities

APPENDICES

Appendix A - Cabinet Budget Setting Report 2024/25 – 2028/29

BACKGROUND PAPERS

None

CHRONOLOGICAL HISTORY OF THIS REPORT

Cabinet 17th January 2024.

REPORT APPROVAL

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