

REPORT TO:	Council
DATE:	29th February 2024
SUBJECT:	Annual Budget Report 2024/25, Medium Term Financial Strategy, Capital Programme and Capital Strategy, Treasury Management Policy/Strategy, and Annual Delivery Plan
PURPOSE:	To approve: The General Fund and HRA budgets for 2024/25 including the use of reserves, Medium Term Financial Strategy, Capital Programme and Strategy, Treasury Management Policy/Strategy, and the Annual Delivery Plan.
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) Lizzie McGrath – Strategic Finance Manager
WARD(S) AFFECTED:	All
EXEMPT REPORT?	<i>No</i>

SUMMARY

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

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

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

RECOMMENDATIONS

That Council approves the following recommendations as considered by Cabinet on 13th February:

- 1. That the Revenue Estimates for the General Fund, HRA and Spalding Special for 2024/25 (Appendices 1, 1a, 1b and 1c) be approved.*
- 2. That the Council Tax for a Band D property in 2024/25 be set at £201.42 (£6.03 per annum increase on 2023/24 levels).*
- 3. That the Spalding Special Expenses for a Band D property be set at £25.83 for 2024/25, (previously £25.47 in 2023/24).*
- 4. The additions to and use of reserves (as detailed at Appendix 1) be approved.*
- 5. That the uplift to the Real Living Wage (Appendix 1, paragraph 4.22) be approved.*
- 6. Council re-affirms its previous decision in respect of long-term empty properties, as set out in paragraph 4.11 of Appendix 1, and makes a determination for the introduction of the premium for substantially furnished with no resident (second homes), to be introduced at the earliest point, 1 April 2025.*
- 7. The Medium Term Financial Strategy (at Appendix 1) be approved.*
- 8. The Capital Programme and Capital Strategy (Appendices 1, 1d and 2) be approved.*
- 9. The Treasury Management Policy 2024/25 (Appendix 3a) and Treasury Management Strategy, including the Minimum Revenue Provision Policy and Annual Investment Strategy 2024/25 (Appendix 3b) be approved.*
- 10. The Fees and Charges Schedule 2024/25 (Appendix 4) be approved, and Council approve the application of annual RPI uplifts for all fees and charges where applicable.*
- 11. The Annual Delivery Plan for 2024/25 (Appendix 5) be approved.*
- 12. That Council notes the results of the Budget Consultation process in Appendix 6.*
- 13. That the alignment of constitutional financial limits across the partnership in Appendix 7 be approved.*

REASONS FOR RECOMMENDATIONS

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

OTHER OPTIONS CONSIDERED

No other options were considered.

1. BACKGROUND

- 1.1** This year's budget has been set within a background of unprecedented inflationary pressures and significant 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 challenges.
- 1.2** 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.
- 1.3** 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.
- 1.4** The report below sets out the basis for final budget and MTFS for the next five years and assumptions used in its development.

2. REPORT

- 2.1** The budget has been through a budget consultation process with the public and members, draft budget proposals were subject to review by the Joint PDP/PMP Committee on 25th January 2024. The Treasury Management Strategy was also presented to Governance and Audit Committee on the 18th of January 2024.

3. KEY BUDGET PRESSURES

- 3.1** 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.

4. COUNCIL TAX AND BUSINESS RATES

- 4.1** The previous Medium Terms Financial Strategy (MTFS) committed to a Council Tax increase in line with the maximum allowed under the recent Local Government Settlement. For 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.
- 4.2** 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%.
- 4.3** The National Non-Domestic Rates Form (NNDR1) production is now particularly important in terms of changes to the business rate yield which heavily influences not just our own budgets, but also the Pool we are part of within Lincolnshire and significantly the County Council. This is an area of focus as we seek to understand the changes within the yield, particularly as a result of economic impacts and changes in Government Policy.
- 4.4** In order to manage and review this important income stream and the changes within it regular review meetings are taking place internally. There have been changes which need further and detailed consideration in terms of growth and appeals.

5. LOCAL GOVERNMENT SETTLEMENT

- 5.1** The local government settlement delivered on 5th February 2024 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)	(453)	(29)
Rural Services Delivery grant	(187)	(216)	(29)
Service Grant	(135)	(23)	112
Sub Total	(746)	(692)	54
Funding Guarantee (4%)	(260)	(805)	(545)
Sub Total	(1,006)	(1,497)	(491)
New Home Bonus	(918)	(547)	371
Total Funding	(1,924)	(2,044)	(120)

- 5.2** The 2024/25 local government finance settlement is for one year only. The main points are set out below:
- The Funding Guarantee replaces the Lower Tier Services Grant. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 4% before any decisions about organisational efficiencies, use of reserves or council tax levels are taken.

- Revenue Support Grant has been increased in line with what would have been the increase to the multiplier;
- Local Government Funding Reform – as per the published Policy Statement, the Review of Relative Needs and Resources (‘Fair Funding Review’) and a reset of Business Rates growth will not be implemented in the next two years.

6. INTERNAL DRAINAGE BOARDS

- 6.1** The budget includes substantial increases on previous years due to the extensive use of power and fuel for the activities that these organisations undertake, along with other pressures.
- 6.2** 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.
- 6.3** The table below illustrates this point clearly. IDB levy will consume nearly all of the Council’s proposed increase for 2024/25 which should be used to finance and support services and that also require additional efficiencies/funding to be identified.

Council	Total Council Tax Received 2024/25	Total IDB levy 2024/25	IDB increase 2024/25	Council Tax 2024/25 Increase (£6.03)	Increase from 2021/22 to 2024/25
South Holland District Council	£6.143m	£3.413m	£245k	£268k	£789k (30%)

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

7. CAPITAL PROGRAMME 2024/25-2028/29 AND TREASURY MANAGEMENT/INVESTMENT STRATEGIES

- 7.1** The General Fund capital programme is included in Appendix 1.
- 7.2** The Councils Capital Strategy is attached at Appendix 2 and focuses on the core principles of capital investment. The Council has been in detailed discussion with government officers regarding this position over the past year regarding proposed regulation changes.

7.3 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.

7.4 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. In addition this Capital Programme now allows for slippage from 2023/24, as set out in Appendix 1d.

7.5 Also attached is the Council's Treasury Management Policy 2024/25 (Appendix 3a) and Treasury Management Strategy, including Minimum Revenue Provision Policy and Annual Investment Strategy 2024/25 (Appendix 3b).

8. RESERVES

8.1 General Fund Specific Reserves are used predominantly to fund the Capital Programme. This figure will change as a result of the outturn for 2023/24. A detailed breakdown of Reserve movements for both the Housing Revenue Account and General Fund are included in Appendix 1 to this report.

9. BALANCING THE BUDGET AND OTHER PROPOSED CHANGES

9.1 In terms of balancing the budget the following areas have been considered as part of the budget setting process with regards to the inclusion of the efficiency target of £186,000 excluding the IDB related pressure £646,000. In respect of this the IDB pressure, Government have announced a further tranche of one-off funding but we have yet to hear what any South Holland allocation will be.

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

9.2 Detailed efficiency and transformation plans have been put together for Members consideration. A Working Group has been approved to provide oversight and steer to support this process and the delivery of the finance required to ensure the budget remains balanced. The membership of the Working Group will be the Leader, Portfolio Holder for Finance and such other Members as the Leader nominates.

9.3 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, as set out in Appendix 7.

10. HOUSING REVENUE ACCOUNT

10.1 The final Housing Revenue Account (HRA) budget shows a forecast surplus of £0.669m. This reflects:

- Rent increases are set at CPI + 1%, equal to 7.7% for 2024/25.
- 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).
- An assumed rent loss of 1% for void properties, 1.5% for bad debts, and a rent loss from selling 10 homes per annum under Right to buy.
- A review of charges where appropriate.
- Staff pay, contract price increases and inflation continue to be key budget pressures for HRA with more detail of those pressures set out in section 8.2 of Appendix 1.

10.2 The HRA General Reserve is budgeted to reduce by £5.8m in 2024/25, this is predominantly due to funding new acquisitions. It is expected to be £12.7m by the end of 2024/25, with Major Repairs Reserve of £3.4m and Insurance Reserve of £200k, these estimates will be adjusted once the outturn for 2023/24 is known.

10.3 The HRA five year capital programme included in Appendix 1 paragraph 10, the main areas of continued investment are:

- Decent Homes
- Affordable Homes
- Major adaptations.

11. ADDITIONAL CONSIDERATIONS

11.1 Real Living Wage Pay Supplement

From April 2022 the Council agreed to apply a supplement to the lowest paid officers to enhance their hourly rate to the same level as the Real Living Wage rate, as set by the Living Wage Foundation. This supplement is also applied to Boston Borough Council and East Lindsey District Council employees. The budget assumes the continued implementation of a pay supplement to enhance pay to a minimum of £12.00 per hour for all employees of the Council paid on the National Joint Council (NJC) pay rate. The cost to the Council of implementing this is a cost of £2,000 for 2024/25. £12 is now considered to be the sum more closely aligned to the true cost of living than the National Living Wage and therefore it is proposed Full Council approve this change.

Council Tax Premiums

The levelling Up and Regeneration Act 2023 enabled authorities to charge a premium up to 100% for unoccupied and unfurnished properties for 1 year and charge a premium up to 100% on properties occupied periodically (second homes). At the end of November 2023, South Holland had 135 properties which had been empty for more than two years and subject to a premium charge. It is proposed that Full Council re-affirms its previous decision in respect of long-term empty properties, detailed in Appendix 1 paragraph 4.11, and makes a determination for the introduction of the premium for substantially furnished with no resident (second homes), to be introduced at the earliest time, 1 April 2025.

11.2 Fees and Charges

Appendix 4 sets out the Councils proposal for Fees and Charges for 2024/25. The document also compares the proposed fees and charges against those levied in 2023/24.

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

11.3 Annual Delivery Plan

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

11.4 Consultation

A summary of the consultation results, which end on 2nd February 2024, can be seen in Appendix 6.

11.5 Scrutiny

The minutes to the Joint Scrutiny Meeting on 25th January 2024 are attached to the Council agenda. The following matters were raised:

- Concerns regarding the on-going impact of the IDB levy on the Councils resources and services;
- The need to explore the best borrowing and investment opportunities to reduce pressure on revenue budgets;
- The need to make savings and review charges now to improve budget position in subsequent years.

12. CONCLUSION

That the final revenue and capital budgets the MTFs, HRA and associated strategies be approved by Full Council.

EXPECTED BENEFITS TO THE PARTNERSHIP

This report enables South Holland District Council to Approve its Budget and 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 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

HRA – Housing Revenue Account

MTFS - Medium Term Financial Strategy

SELCP - South and East Lincolnshire Councils Partnership

APPENDICES

Appendix 1 - Budget Setting Report 2024/25

Appendix 1a - MTFS by Account

Appendix 1b - MTFS by Service Area

Appendix 1c – HRA MTFS

Appendix 1d – Capital Programme

Appendix 2 - Capital Strategy

Appendix 3a – Treasury Management Policy

Appendix 3b – Treasury Management Investment Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy

Appendix 4 - Fees and Charges 2024/25

Appendix 5 – SELCP Annual Delivery Plan 2024/25

Appendix 6 – Results of the Budget Consultation process

Appendix 7 - Proposed Constitutional Amendment

BACKGROUND PAPERS

None

CHRONOLOGICAL HISTORY OF THIS REPORT

Cabinet – 17 January 2024

Joint PMP/PDP – 25 January 2024

Cabinet – 13 February 2024

REPORT APPROVAL

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