

APPENDIX 8

Minutes of a meeting of the **JOINT PERFORMANCE MONITORING PANEL AND POLICY DEVELOPMENT PANEL** held in the Council Chamber, Council Offices, Priory Road, Spalding, on Tuesday, 21 January 2025 at 6.30 pm.

PRESENT

A R Woolf (Chairman)

B Alcock
D Ashby
J Avery
A C Beal
M D Booth
C J T H Brewis

N Chapman
S Chauhan
L J Eldridge
M Geaney
R A Gibson
A Harrison

J L Reynolds
G P Scalese
T Sneath
J Whitbourn
D J Wilkinson

Apologies for absence were received from or on behalf of Councillors P Barnes, M Hasan, S Hutchinson, J Le Sage, M Le Sage and S-A Slade

In Attendance: The Deputy Chief Executive - Corporate Development (S151), the Chief Finance Officer (PSPS), the Portfolio Holder for Finance and the Democratic Services Officer.

5. ELECTION OF CHAIRMAN

Councillor Woolf was elected as Chairman for the duration of the meeting.

6. DECLARATION OF INTERESTS

There were none.

7. BUDGET OVERVIEW 2025/2026 – 2029/2030

Consideration was given to the report of the Deputy Chief Executive -Corporate Development (S151) to scrutinise the draft General Fund and Housing Revenue Account budgets for 2025/26, Medium-Term Financial Strategy/Plan and Capital Programme for 2025/25 to 2029/30.

The Deputy Chief Executive – Corporate Development (S151), the Chief Finance Officer (PSPS) and the Portfolio Holder for Finance attended for this item.

The Deputy Chief Executive – Corporate Development (S151)

Action By

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introduced the report and highlighted the following main points alongside a presentation provided to members at the meeting (and appended to the minutes):

- Key dates of the 2025/26 Budget consultation and approval process;
- Budget progress: including Internal Drainage Boards (IDBs) funding and levies, National Non-Domestic Rates (NNDR1) and Council Tax Base increase;
- Core spending power 2025/26;
- Draft settlement 2025/26;
- Local Government Finance Policy Statement;
- Collection Fund;
- Budget pressures and future risks;
- Improvements built-in and future opportunities;
- Fees and Charges;
- Capital Programme 2025/26 – 2029/30 (subject to review);
- Capital Bids Financing 2025/26 – 2029/30 (subject to review);
- Treasury Management;
- Reserves;
- Efficiencies requirement;
- General Fund Budget position considerations;
- HRA Revenue (subject to review);
- HRA Reserves;
- HRA Capital Programme 2025 – 2030;
- HRA Capital Financing (subject to review);
- HRA budget considerations;
- Consultation response;
- S151's Section 25 Statement: this was a new updated section to the budget report and included as an Addendum at Appendix 1;
- Future matters: looking ahead to issues affecting 2026/27.

Appendix 1 detailed the Draft Budget Setting Report 2025/26 and Section 25 Statement;

The Medium-Term Financial Strategy 2025-2023, at Appendix 1a, was circulated to members at the meeting; and

Appendix 2 detailed the results of the budget consultation process.

The Portfolio Holder for Finance thanked officers for the report and affirmed that:

- Funding for IDBs remained a significant and growing problem for a council the size of South Holland and thereby impacted the funding available for services provided by the Council;

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- A stronger resolution had been, and would continue to be, sought from Government ministers regarding the funding of IDBs; and
- Details were provided within the report which allowed members to scrutinise and shape the budget decisions.

Members considered the report and made the following comments:

- Members noted that the report represented the most challenging budget presented to the committee, and that an even tougher position was anticipated for 2026/27. Members acknowledged the benefit that PSPS had brought to the council in terms of the overall budget position.
- Members thanked the Portfolio Holder for Finance for the work he had undertaken/is undertaking as the Chairman of the Local Government Association Special Interest Group - Internal Drainage Board Levies. Members recognised this work, in seeking a resolution for the IDB issue, as highly significant for the financial health of the council and other local authorities within in the country facing the same issue.
- Members noted that the policy of the current government, to direct funding to urban rather than rural areas, combined with the funding issue for IDBs, had contributed to the financial challenge faced by the local authority.
- Members stressed that funding for IDBs had previously been collected directly by the IDBs, but that the instigation of collection efficiencies had resulted in the cost of IDBs being subsumed within Council Tax bills. Whilst the work of IDBs was essential to the present and future of the area, it was strongly felt that funding for IDBs should be independent of any local authority budget.
- Members referred to the budget assumptions on page 9 of the report and queried the 0% rise in utility costs when costs were due to rise.
 - The Deputy Chief Executive – Corporate Development (S151) responded that water bills had been thoroughly scrutinised leading to the 0% rise. Focus had been applied and success achieved regarding utility service costs and refunds had been obtained in some cases.

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- Members queried the reduced forecast for car park income when parking fees had risen.
 - The Deputy Chief Executive – Corporate Development (S151) responded that she had requested further information on this area to inform the budget process going forward.

- Members referred to the key budget pressures at point 3.1 of the report and queried the differential between the increased cost of National Insurance against the grant to offset the increase.
 - The Deputy Chief Executive – Corporate Development (S151) responded that:
 - The grant had been based on old data which was lower than the existing salary bill;
 - The full cost of the HRA salary bill had not been considered; and
 - SHDC had provided a response to the central budget consultation, along with other S151s in the country, that the grant needed to cover 100% of the costs.

- Members referred to the pension triennial review due to take place in 2026 and, due to ongoing financial pressures, queried the current funding situation. The annual top-up was a significant sum.
 - The Deputy Chief Executive – Corporate Development (S151) responded that an improved position was anticipated. The requirement for the fund to balance over a specific period had resulted in the need for catch-up payments to be made, however negative impacts upon the financial markets during the Covid and Ukraine war periods had since recovered and had resulted in significant improvements in pension fund balances.

- Members requested details of which council services had 'broken even' financially.
 - The Deputy Chief Executive – Corporate Development (S151) confirmed that:
 - Some funds within the Building Control and Licensing services had a legal requirement to break even over a specified period. Service reviews and technical calculations had taken place to support this requirement; and

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- The situation regarding other services would be reported to members after the meeting.
- Members asked for clarification regarding 'capitalisation of salaries'.
 - The Deputy Chief Executive – Corporate Development (S151) responded that in cases where a project manager wholly worked on a large capital project, such as the leisure project, their salary could be capitalised against the project.
- Members queried whether borrowing for the Housing Revenue Account (HRA) would be from internal sources.
 - The Deputy Chief Executive – Corporate Development (S151) responded that the borrowing was to be externally sourced, and that the borrowing cost had been accounted for within the budget.
- Members welcomed the pragmatic approach to be taken on the replacement of kitchens and bathrooms within the council's housing stock.
- Members asked whether devolution would save money for the district and in this regard, queried the increase in employee related expenditure for 2027/28.
 - The Deputy Chief Executive – Corporate Development (S151) responded that:
 - The timeline of devolution was currently unknown however decisions regarding the undertaking of long-term projects, such as the development of the Local Plan, would need to be balanced against statutory obligations and the potential benefit to the authority. The budget had been set assuming current ways of working however relevant financial planning would be able to take place when a devolution timeline was known and a full budget re-set may be undertaken at that point; and
 - Recruitment challenges during uncertain periods typically led to salary budgets not being fully utilised.
 - The Portfolio Holder for Finance added that:
 - Whilst the document detailed the council's Medium-Term Financial Strategy and was based on the current position/ways of

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working, the detail for 2027/28, 2028/2029 and 2029/30 depended on the outcome of the devolution process.

- Members asked whether Parish Council precepts would be capped over the next 2 or 3 years.
 - The Deputy Chief Executive – Corporate Development (S151) responded that a previous representation to central government had not indicated any changes to the current position. Parish Councils were free to increase precepts as they wished.
- Members asked whether the district was compelled to pay the increased IDB levies and whether the charges could be capped.
 - The Deputy Chief Executive – Corporate Development (S151) responded that the district did not have a choice in the matter, the levies needed to be paid by the district and a cap could not be applied.
- Members referred to the devolution issue and queried the financial health of neighbouring authorities. No comments could be made on this matter.
- Members referred to the business rate reset and queried the anticipated impact on the council and businesses. An explanation for the reset was requested.
 - The Deputy Chief Executive – Corporate Development (S151) responded that:
 - Businesses would not be affected by the reset however the collective income received by the council, and which supported the revenue account, would be impacted;
 - The aim of central government was to reset the growth that councils had received in business rate income since the current system was introduced in 2013/14;
 - Whilst the reset would be highly impactful on authority areas where a high level of growth had been experienced, the growth in South Holland had been modest;
 - It was anticipated that incremental reductions would take place over a fixed settlement period;
 - SHDC currently received 100 per cent of

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- income from renewables, such as Planning Applications, and it was currently unknown whether this aspect was to be included within the reset paper; and
 - A central government consultation on the principles of the reset were underway and it was too soon to anticipate any specific impact on SHDC.
- Members requested clarification of the Lincolnshire pool in respect of non-domestic rates.
 - The Deputy Chief Executive – Corporate Development (S151) responded that:
 - The council sat within the Lincolnshire business rate pool which shared its benefits across the authorities;
 - Different pooling methods were operated by some counties which included the distribution of income via bids and/or other means; and
 - Devolution and the business rate reset may result in the production of a stronger steer regarding pooling methods and the distribution of proceeds.
 - The Chief Finance Officer (PSPS) added that the government assigned a 'baseline' minimum level of business rate income to be maintained by councils. Whilst 50% of growth above the baseline would be paid to central government, the pool enabled around half of the levy to be retained and redistributed to the local area.
- Members queried whether a budget had been set to cover the work involved for the devolution process.
 - The Deputy Chief Executive – Corporate Development (S151) responded that whilst a budget had not been allocated for devolution activities, the council would need to look at options as the budget progressed, which potentially included the withdrawing of reserves.
- Members asked whether and how they could assist the council to increase its income.
 - The Deputy Chief Executive – Corporate Development (S151) responded that:
 - A multi-year plan had been developed which included a saving efficiency and

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- transformation plan;
 - Savings opportunities were discussed with the Portfolio Holder for Finance and the Cabinet; and
 - Income opportunities were being explored, such as an aim to benefit council revenue from the new leisure centre. Other opportunities were to be discussed with Cabinet with scrutiny engagement as part of the process.
- Members referred to page 40 of the agenda regarding the '5 year Capital Programme, funding and resource implications' and noted that a total value had not been included for 'Industrial Units' and 'Uniform System' (a Planning IT system).
 - The Deputy Chief Executive – Corporate Development (S151) responded that the figures should have been totalled and would be checked.
- Members queried whether any changes were imminent which may affect the scrutiny of papers at the upcoming SHDC Governance and Audit Committee.
 - The Deputy Chief Executive – Corporate Development (S151) responded that:
 - Any announcement by central government to adjust the £3 million IDB funding was not expected imminently, and, as previously, may await the final budget statements in mid-February;
 - A national IDB pressure of £15 million prevailed and the council, with the District Council Network (DCN), had lobbied for £10 million which would provide significant assistance for affected authorities;
 - Should extra support not be offered by central government, the current Deputy Chief Executive – Corporate Development (S151) would brief the new Section 151 Officer on her views regarding how the pressures might be managed in 2025/26.
- The Deputy Chief Executive – Corporate Development (S151) concluded with a summary that:
 - The presented budget had been the one of the most challenging she had experienced. The challenges had resulted from the incremental impact of the IDB

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levies which had been almost fully funded prior to 2013/14 but were now needing to be covered almost entirely by the council. Whilst the council had been successful in attracting £3 million funding to assist with IDB costs, the amount received was insufficient and needed to increase.

- The Chairman concluded the item by stating that:
 - Members were thankful to the Deputy Chief Executive – Corporate Development (S151), the Portfolio Holder for Finance and the Chief Finance Officer (PSPS) for the work involved in the production of the budget; and
 - Whilst there was acknowledgement of the challenging nature of the budget, the district had benefitted from several successful grant funding opportunities which had a positive impact on the district.

AGREED:

That after consideration of the Draft Budget and Medium-Term Financial Strategy and Plan for the period 2025/26 – 2029/30, the comments of the Joint Performance Monitoring Panel and Policy Development Panel be noted and provided to Cabinet at its meeting on 18 February 2025.

8. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

There were none.

(The meeting ended at 7.44 pm)

(End of minutes)