Report To:	Cabinet
Date:	17 February 2026
Subject:	Annual Budget Report 2026/27, Medium Term Financial Strategy, Capital Programme and Capital Strategy Treasury management Policy/Strategy, and Annual Delivery Plan
Purpose:	To approve and refer to Council on 26 February 2026 for consideration and approval: The General Fund Budget for 2026/27, including the use of reserves, Medium Term Financial Strategy, Capital Programme and Strategy, Treasury management Policy/Strategy and the Annual Delivery Plan including the approval of Council Tax levels.
Key Decision:	N/A
Portfolio Holder:	Councillor Paul Redgate, Portfolio Holder for Finance
Report Of:	Russell Stone, Director of Finance and Section 151 Officer
Report Author:	Russell Stone, Director of Finance & Section 151 Officer Ramesh Prashar – Interim Finance Consultant
Ward(s) Affected:	All
Exempt Report:	No

Summary

Attached to this report is the 2026/27 draft budgets for the General Fund and Housing Revenue Account (HRA), the 5-year Medium Term Financial Strategy (MTFS) from 2026/27 to 2030/31, Capital Programme & Strategy, Treasury Management Policy/Strategy and the Annual Delivery Plan for 2026/27.

The report also includes the recommended level of Council Tax for 2026/27, including the IDB levy (TBC).

The draft budget includes efficiencies that have been identified to support the short and Medium-Term Financial Strategy (MTFS).The draft budget includes efficiencies that have been identified to support the short and medium-term financial strategy (MTFS).

Recommendations

It is recommended that Cabinet approve the Draft Budget 2026/27 including all appendices and it be forwarded to Council on 26th February 2026 for consideration and approval with the following specific recommendations:

1. The Medium-Term Financial Strategy (at Appendix 1) be approved.

2. That it be noted that the Council Tax Base for South Holland District Council of 31,567 and 9,746 for Spalding Special Expenses (Band D equivalent) has been set for 2026/27 and on the 23 December 2025 by the Director of Finance & Section 151 Officer under officer delegation in line with the Constitution.

3. That the Revenue Estimates for the General Fund, HRA and Spalding Special Expense for 2026/27 (Appendices 1, 1a, 1b and 1c) be approved.

4. The additions to and use of reserves (as detailed at Appendix 1) be approved.

5. The Capital Programmes and Capital Strategy (Appendices 2a, 2b and 3) be approved.

6. That the Treasury Management Policy Statement Treasury Management Strategy Statement MRP Policy and Annual Investment Strategy and Treasury Management Practices (Appendix 4a, 4b and 4c) be approved.

7. The Fees and Charges Schedule 2026/27 (Appendix 5) be approved.

8. That it be noted that on 28th January 2026 Council approved the housing rent increase for 2026/27.

9. That the report of the Section 151 Officer, under Section 25 of the Local Government Act 2003 on the robustness of the estimates made for the purposes of the budget calculations and adequacy of proposed financial reserves be noted (Paragraph 11).

10. That the Council Tax for a Band D property in 2026/27 be set at £214.92 (£6.39 per annum increase on 2025/26 levels) for South Holland District Council and £23.40 (£0.27 per annum increase on 2025/26 levels) for Spalding Special Expenses.

11. The Annual Delivery Plan for 2026/27 (Appendix 6) be approved.

It is recommended that Cabinet:

12. Delegate the further amendment of this document (where needed to ensure financial integrity and reconciliation) in preparation for Council on 26th February to the Director of Finance & Section 151 Officer in consultation with the Portfolio Holder for Finance.

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 The Local Government Finance Act 1972 requires the Council to set a balanced, risk assessed budget each year and to approve the setting of Council Tax by 11 March in each year.

1.2 This year's budget has been set within a background of unprecedented inflationary pressures and significant changes in resident, customer and business needs as well as proposed significant changes to funding arrangements. Despite these challenges the Council's financial position means that it is able to take a considered approach to mitigating these exceptional pressures. The attached Budget Report sets out the Council's Revenue and Capital Budgets for 2026/27, the Council Tax increases proposed, the MTFS to 2030/31, associated financial strategies and Annual Delivery Plan.

1.3 The preparation of the budget for 2026/27 has been a robust process involving review and the attached appendices reflect the latest known position. The report below sets out the basis for the final budget and MTFS for the next five years and the assumptions used in its development.

1.4 The Provisional Local Government Settlement announced on 17 December 2025 included provisional allocations for 2027/28 and 2028/29 allocations. The settlement reflects changes made through the 2024 Autumn Budget & Spending Review, 2025 Budget and 20 November Policy Statement which collectively results in an unprecedented level of change to the Local Government Finance system and significant added complexity.

1.5 The budget proposals have been subject to review by the Joint PDP/PMP Committee on 13 January 2026 with the minutes attached at Appendix 7. A budget consultation process with the public has also been undertaken. The draft Treasury Management Statement and Strategy including MRP policy was also presented to Governance and Audit Committee on the 29 January 2026.

2 KEY BUDGET ASSUMPTIONS

2.1 Identified below are the key assumptions included within the proposed budget:

- The changes from the Local Government Finance settlement have been incorporated.

- Inflation increases have been reviewed throughout the MTFS and are included at appropriate levels. Ongoing inflationary pressures and wider economic uncertainty continue to make the forecasting of future expenditure increasingly volatile.

- For the pay award 2026/27 to 2030/31, a 3.0% increase has been assumed.

- Based on the 2025/26 Pension Triennial Valuation, the pension contribution will be 18.3% in 2026/27. This rate applies only to those staff in the local government pension scheme. Any vacant posts are assumed to be within the pension scheme. The pension contribution rate is assumed to remain at 18.3% throughout the MTFS.

- The return on cash investment reflects the level of cash balances and current Bank of England base rates alongside the forecasts provided by our external treasury advisors.

- A 5% increase has been assumed for the IDB Levy which increases it from £3.57m in 2025/26 to £3.749 in 2026/27 (£179k increase).

3. COUNCIL TAX AND BUSINESS RATES

3.1 District Councils are permitted to increase Council Tax by up to 3% or £5, whichever is higher, relating to the Relative Basic Amount (RBA). The RBA takes into account the total of the Council precepts plus Spalding Special Expenses.

3.2 The MTFS assumes a Council Tax increase in line with the maximum allowed under the Local Government Finance Settlement. In the case of SHDC for 2026/27 this is a £6.39 (3.06%) per annum increase (for band D properties). The increase is reflected through the MTFS. The table below demonstrates that the annual increase is within the 3% threshold when considering the RBA.

Relative Basic Amount Calculation	2025/26		2026/27		Movement	
	Precept £	Band D £	Precept £	Band D £	£	%
SSEA	223,459	23.13	228,056	23.40	£0.27	1.17%
SHDC	6,441,491	208.53	6,784,380	214.92	£6.39	3.06%
TOTAL - RBA	6,664,950	215.76	7,012,436	222.14	6.38	2.96%

Tax Base	No of Properties		No of Properties		Changes in Properties	%
SSEA	9,661		9,746		85	0.88%
SHDC	30,890		31,567		677	2.19%

3.3 The tax base projections for 2026/27 have provided for a growth of 677 band D equivalent properties. Future growth has been projected at 1.5%.

3.4 A revaluation exercise for Business Rates will take effect from 1 April 2026, with 5 new multipliers replacing the current 2 multipliers. A provision has been put aside for potential appeals based on intelligence from the Council's advisors to cover the effects from this, but there still remains a large amount of uncertainty in this area.

3.5 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.

4 LOCAL GOVERNMENT SETTLEMENT

4.1 The local government final settlement delivered on 17th December 2025 has provided the following support.

Local Government Final Settlement	Settlement 2025/26 £'000	Provisional Settlement 2026/27 £'000	Difference £'000
Revenue Support Grant	(491)	(5,038)	(4,547)
Funding Floor Guarantee	(295)	(102)	193
Recovery Grant	(231)	(231)	0
New Homes Bonus	(697)	0	697
Legacy Grants now rolled into RSG	(236)	0	236
Business Rates	(4,208)	(3,547)	751
S31 Grants relating to Business Rates	(2,765)	0	2,765
Total	**(8,923)**	**(8,828)**	**95**

4.2 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.

4.3 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 South Holland District Council – Homelessness, Rough Sleeping & Domestic Abuse Grant and the Crisis & Resilience Fund.

4.4 The 2026/27 Local Government Finance Settlement includes provisional allocations for 2027/28 and 2028/29.

4.5 Amongst other changes, the spending comparisons made by MHCLG within the settlement have been assessed against values from 2024/25 and not 2025/26.

4.6 Given the scale of change being experienced, the main areas of change within the settlement are set out below.

- **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.

- **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. South Holland will receive 95% protection of income, as the Fair Funding Assessment reduction of more than 15% is anticipated by 2028/29. The transitional protection amounts are payable, where relevant, over three years to 2028/29; therefore, there remains a high degree of uncertainty beyond 2028/29. South Holland will receive £0.299m in 2027/28 and £0.521m in 2028/29, then reduce to Nil from 2029/30 onwards.

- **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.

5 INTERNAL DRAINAGE BOARDS

5.1 Internal Drainage Board (IDB) increases are set out in the table below. Post 2026/27 increases have been estimated at 5% per annum, pending confirmation from the IDBs, which is expected early February. 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.

Internal Drainage Board	2021/22 (Actual) £	2025/26 (Actual) £	2026/27 Budget £	Increase over 2026/27 £	Increase over 2026/27 %	Increase over 2021/22 £	Increase over 2021/22 %
Black Sluice Internal Drainage Board	134,532	243,669	255,853	12,183	5%	121,321	90%
King's Lynn Drainage Board	24,682	31,016	32,567	1,551	5%	7,885	32%
North Level District Internal Drainage Board	153,421	211,772	222,361	10,589	5%	68,940	45%
South Holland Drainage Board	1,382,392	1,852,050	1,944,653	92,603	5%	562,261	41%
Welland and Deepings Internal Drainage Board	928,864	1,232,058	1,293,661	61,603	5%	364,797	39%
TOTAL LEVY	**2,623,891**	**3,570,565**	**3,749,094**	**178,528**	5%	**1,125,202**	43%

6 CAPITAL PROGRAMME

6.1 The Capital Programmes and Capital Strategy are included at Appendices 2a, 2b and 3.

6.2 The five year General Fund Capital Programme includes provision for Investment and Growth linked to the Councils Strategic objectives. The main areas of continued investment are:

- South Holland and Wellbeing Hub.
- Disabled Facilities Grant.
- Investment in IT.
- Waste Review.

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 with approvals sought in line with the Council's financial procedure rules.

7 RESERVES

7.1 A detailed breakdown of Reserve movements for both the Housing Revenue Account and General Fund and are included in Appendix 1 to this report.

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.
- Income opportunities including reviews of fees and charges.
- Reviewing all assets to maximise income and efficiency of use.

Medium Term

- Work with PSPS in terms of its transformation plans for the future.
- Driving transformational change using the SELCP sub-regional partnership as a driver for innovation and efficiency.
- Delivering and supporting economic growth.

9 HOUSING REVENUE ACCOUNT

9.1 The final Housing Revenue Account (HRA) budget shows a forecast surplus of £1.279m in 2026/27. This reflects:

- Rent increases are set at CPI + 1%, equal to 4.8% for 2026/27 - £689k.
- An assumed rent loss of 1% for void properties, £100k for bad debts, and a rent loss from selling 5 homes per annum under Right to buy.
- Charges for sewage are increased in line with the annual increase applied by Anglian Water. Sheltered Housing and Community Centre Service charges has remained the same as current rates expect to generate minor surplus.
- Repair and Maintenance budgets (£206k) savings have been achieved through a proactive review of agency staffing, which has now been transitioned in-house.
- Supervision and Management – Savings in this area are primarily driven by higher levels of capitalised salaries - £196k.

9.2 The estimated budget surplus of £1.279m 2026/27 will be transferred to the HRA reserves for future investment.

9.3 The HRA five year capital programme is included in Appendix 2b, the main areas of continued investment are:

- Decent Homes Investment
- Green Homes investments supported by significant grant
- Kitchen, Door and Window Replacements
- Fire Remedial Works
- Major adaptations.

10 ADDITIONAL CONSIDERATIONS

10.1 **Real Living Wage Pay Supplement -** Since 2022, the Council has chosen to apply a pay supplement specifically to support its lowest-paid employees and assist them in meeting the cost of living. This supplement, reviewed each April, ensures their earnings align with the real Living Wage as set by the Living Wage Foundation. The Living Wage Foundation announced a new rate of £13.45 per hour in October 2025. The Council's lowest-paid employees are currently earning £12.65 per hour in line with NJC pay scales. Applying the Real Living Wage supplement with effect from 1 April 2026 will impact the 13 lowest paid employees (and 15 additional casual workers) and after the budgeted 3% increase for 2026/27 the supplement enhancement amounts to an additional £10,166. The NJC pay award is often not implemented until later in the year, when implemented if the NJC hourly rate is above the Real Living Wage rate, the supplement will no longer be applicable.'

10.2 **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 2026/27, drawing on the previously approved Partnership Work Programme, as well as wider opportunities that have since been identified.

11 ***Section 25 - Report of the Section 151 Officer as to the Robustness of the Estimates Made for the Purposes of the Budget Calculations and the Adequacy of the Proposed Financial Reserves.***

11.1 *Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently the Director of Finance and Section 151 Officer) is required to report to Council on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves. The Council must have regard to this report, which is set out below, when making decisions in respect of the Budget.*

11.2 *In expressing the opinion, the Section 151 Officer has considered the financial management and control frameworks that are in place, the budget assumptions, the financial risks facing the council and the level of reserves.*

11.3 *Section 25 of the Local Government Act 2003 concentrates primarily on the uncertainties within the forthcoming budget year, however longer-term uncertainties and increasing pressures on the Council's finances also inform consideration of the adequacy of the level of reserves for the medium term.*

Financial Controls

11.4 *The Section 151 Officer has responsibility for ensuring that an effective system of internal control is maintained to provide an assessment of the current position across the whole Council's finances and identifying areas for improvement where appropriate.*

11.5 *The Code of Practice for Financial Management (the FM Code) was introduced by CIPFA in November 2019. The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972.*

Medium Term Financial Planning

11.6 *The Council has completed successfully a medium-term financial planning process for both the Revenue Budget and Capital Programme. In doing so, it has set down a Medium-Term Financial Strategy (MTFS) over 5 years and has successfully forecast the estimated budget position for 2026/27 and the years following.*

11.7 *In forming the MTFS and the associated suite of reports appended to the Draft Budget 2026/27 the Council has demonstrated a significant capability to frame and form both strategic and operational initiatives to manage the strategic position.*

Council Tax

11.8 *A further key component in balancing the Budget has been the recommendation for the agreement by Council of an increase in Council Tax It is of the utmost importance that this stream of funding is agreed in order to (a) protect the strategic wellbeing of the Council in future years and (b) to suppress the need for additional savings in those years.*

Reserves

11.9 *The Section 151 Officer considers that level of Reserves is currently sufficient, in respect of any ongoing risks and challenges set out in the MTFS.*

Budget Assumptions and background

11.10 *The Section 151 Officer is satisfied that the Draft Budget 2026/27 has been based on the best available information and has used reasonable assumptions and approaches that are commonly used across the Local Government sector.*

11.11 *In addition, a number of key processes have been set in place and the Section 151 Officer is generally satisfied that:*

i. *Existing and future expenditure pressures have been suitably estimated using suitable techniques and by reference to evidence and relevant professional advice and informed opinion.*

ii. *The senior members of the Finance Team and/or the Section 151 Officer have provided advice to Directorates, the Senior Leadership Team and Members throughout the process.*

On Amendments to the Draft Budget 2026/27

11.12 *Should Amendments to the Budget be set before Council that impair the prospect that the Budget and Council Tax for 2026/27 can be set lawfully by (a) implying an imbalance or other aspect which the Section 151 Officer determines as resulting in a loss or (b) deems to be otherwise unlawful, Council will not be able to set a lawful Budget as is required by statute. Under these circumstances, should they arise, Council would (a) need to re-consider the adjustment that has resulted in the position reached or (b) present alternative proposals that in the view of the Statutory Officer (s) deal with the observed impediment.*

12. CONCLUSION

12.1 Cabinet is recommended to approve this Budget Report containing Revenue and Capital Plans, Council Tax levels and associated strategies/policies and refer it to Council on 26 February 2026 for consideration and approval.

13 EXPECTED BENEFITS TO THE PARTNERSHIP

13.1 This report enables South Holland District Council to Approve its Revenue, Capital Budget and Council Tax for 2026/27 whilst considering the longer-term outlook.

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 with persons or representative bodies who are subject to non-domestic rates 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

SSE	Spalding Special Expenses
CDS	Credit Default Swaps
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
DHLUC	Department for Levelling Up, Housing and Communities

DMADF	UK Debt Management Agency Deposit Facility
ECL	Expected Credit Loss
EPR	Extended Producers Responsibility
GPOC	General Power of Competence
HRA	Housing Revenue Account
IDB	Internal Drainage Board
IFRS	International Financial Reporting Standards
IMP	Investment Management Practices
LGR	Local Government Reorganisation
MHCLG	Ministry of Housing, Communities and Local Government
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
PSPSL	Public Sector Partnership Services LTD
PWLB	Public Works Loan Board
RBA	Relative Basic Amount
REFCUS	Revenue Expenditure Funded from Capital under Statute
SELCP	South and East Lincolnshire Councils Partnership
SONIA	Sterling Overnight Index Average
TMP	Treasury Management Practices
UKSPF	UK Shared Prosperity Fund
VRP	Voluntary Revenue Provision

Appendices

Appendix 1 – Draft Budget Setting Report 2026-27.

Appendix 1a – Medium Term Financial Strategy 2026 to 2031 (By Account).

Appendix 1b – Medium Term Financial Strategy 2026 to 2031 (By Service).

Appendix 1c- HRA Medium Term Financial Strategy 2026 to 2031 (By Account)

Appendix 2a – Capital Programme 2026-27 to 2030-31.

Appendix 2b - HRA Capital Programme 2026.27 - 2030.31

Appendix 3 – Capital Strategy 2026-27.

Appendix 4a – Treasury Management Policy Statement 2026-27.

Appendix 4b – Treasury Management Strategy, MRP Policy and AIS 2026-27.

Appendix 4c – Treasury Management & Investment Management (Non-Treasury) Principles and Practices 2026-27.

Appendix 5 – Fees and Charges 2026-27.

Appendix 6 – South and East Lincolnshire Councils Partnership Annual Delivery Plan 2026/27

Appendix 7 – Minutes Joint PMP PDP Budget Scrutiny 13 Jan 2026

Background Papers
None

Chronological History Of This Report

Joint PMP/PDP – 13 January 2026

Report Approval

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