



<b>REPORT TO:</b>	Cabinet
<b>DATE:</b>	19th February 2025
<b>SUBJECT:</b>	Annual Budget Report 2025/26, Medium Term Financial Strategy, Capital Programme and Capital Strategy Treasury management Policy/Strategy, and Annual Delivery Plan
<b>PURPOSE:</b>	<i>To approve: The General Fund Budget for 2025/26, 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 for recommendation to Full Council.</i>
<b>KEY DECISION:</b>	N/A
<b>PORTFOLIO HOLDER:</b>	Councillor Sandeep Ghosh – Portfolio Holder for Finance
<b>REPORT OF:</b>	Christine Marshall, Deputy Chief Executive Corporate Development (S151)
<b>REPORT AUTHOR:</b>	Carl Holland – Head of Finance (Client) and Jennifer Mackin (Strategic Finance Manager)
<b>WARD(S) AFFECTED:</b>	All
<b>EXEMPT REPORT?</b>	No

## SUMMARY

Attached to this report is the final detail of the 2025/26 budget, the 5-year Medium Term Financial Strategy (MTFS) from 2025/26 to 2029/30, Capital Programme, Capital Strategy, Treasury Management Policy/Strategy and the Annual Delivery Plan for 2025/26.

The report also includes the recommended level of Council Tax for 2025/26 taking into account 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.

Due to some outstanding information, there may be further changes between Cabinet and Council.

## **RECOMMENDATIONS**

*That the Cabinet approves the following recommendations for onward referral to Full Council on 3<sup>rd</sup> March 2025:*

- 1. That the Revenue Estimates for the General Fund and BTAC for 2025/26 (Appendices 1, 1a and 1b) be approved.*
- 2. That the Council Tax for a Band D property in 2025/26 be set at £223.65 (a £7.56 per annum increase on 2024/25 levels).*
- 3. That the Council tax for a band D property in 2025/26 for BTAC be set at £81.09 (a 72p per annum increase on 2024/25 levels).*
- 4. The additions to and use of reserves (as detailed at Appendix 1) be approved.*
- 5. The Medium Term Financial Strategy (at Appendix 1) be approved.*
- 6. The Capital Programme and Capital Strategy (Appendices 2 and 3) be approved.*
- 7. The Section 25 addendum (Appendix 1) be noted.*
- 8. That the Treasury Management Policy Statement and Treasury Management Strategy Statement including MRP Policy (at Appendix 4a and 4b) be approved.*
- 9. The proposed Fees and Charges Schedule as set out in Appendix 5 be approved.*
- 10. The Annual Delivery Plan for 2025/26 (Appendix 6) be approved.*
- 11. That Cabinet notes the results of the Budget Consultation process at Appendix 7.*

## **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 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 challenges. The attached Budget Report sets out the Council's Revenue and Capital Budgets for 2025/26, the MTFs to 2029/30 and associated financial strategies and Annual Delivery Plan.
- 1.2 The preparation of the budget for 2025/26 has been a detailed process involving officers 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 assumptions used in its development.

- 1.3 The Local Government Settlement announced on 3<sup>rd</sup> February 2025 provided detail of continuing one-off support to Councils including confirmation of allocations of Revenue Support Grant (RSG), New Homes Bonus, Funding Floor, an increased allocation for IDB support and a new Recovery Grant.
- 1.4 An enhanced and revised s25 statement is provided as an Addendum to the Budget report which clearly sets out the risks within the budget and the strategy for dealing with the two most significant factors of the IDB pressure of £913,338 (where we await a government announcement in terms of the financial support following the increase in allocation as part of the settlement from £3m to £5m) and an additional efficiency target which is in place (backed by the Annual Delivery Plan and other initiatives) for the Council as in previous years, which for 2025/26 is £510,000.
- 1.5 In order to support the Council's budget for 2025/26, 50% of the EPR funding £473,000 has been included in the budget and an additional £400,000 support from the funding volatility reserve reflecting a number of pressures including those within the Collection Fund particularly business rates.
- 1.6 A further significant change for the budget is the use of MRP to fund the contribution to the GMLC Capital project in 2026/27. This will alleviate depletion of reserves during a period of financial challenges leaving flexibility to cope with any future challenges that may emerge.

## **2. REPORT**

- 2.1 A budget consultation process with the public has been undertaken and the results are attached at Appendix 6. The budget proposals were subject to review by the Audit and Governance Committee on 27<sup>th</sup> January 2025 and Corporate and Community Committee on 23<sup>rd</sup> January 2025. The draft Treasury Management Strategy was also presented to Governance and Audit Committee on that date.

## **3. KEY BUDGET PRESSURES**

- 3.1 Identified below are the major changes and key pressures that are being included within the proposed budget:
  - A reduction in Government Support through the settlement.
  - A pay award for 2024/25 (£1,925 per pay point) was agreed in October 2024 being a rise of up to 5.58% for the lowest paid through to 2.82% for those on the highest bands. For 2025/26 a 3% increase has been assumed with this moving to 2.5% for 2026/27 onwards.
  - Pension contributions will be 23.8% in 2025/26 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 the level of cash balances and current Bank of England base rates alongside the forecasts provided by our external treasury advisors.

- Electricity and gas costs have been based on 2024/25 actuals and current contract prices.
- Vehicle fuel costs have been based on 2024/25 actuals and current fuel prices.
- Increased Internal Drainage Board levy is a hugely significant feature within the budget.
- 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 items such 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 Term Financial Strategy (MTFS) committed to a Council Tax increase in line with the maximum allowed under the recent Local Government Settlement. For Boston Borough Council in 2025/26 this is a £7.56 (3.50%) per annum increase (for band D properties), and including the BTAC amount of £0.72 (0.90%) is an overall increase of 2.99%.
- 4.2 The tax base projections for 2025/26 indicate a reduction of 11 band D equivalent properties reflecting the slow down in the housing market, the approved change in the CTSS scheme and increasing demand for Council Tax Support. 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 which are due to be announced in the short term so this income stream has a significantly higher level of risk.
- 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 also been some significant changes which need further and detailed consideration in terms of growth and appeals.

#### 5. LOCAL GOVERNMENT SETTLEMENT

- 5.1 The final local government settlement delivered on 3<sup>rd</sup> February 2025 has provided the following support, being a reduction of £265,000 from the previous year and therefore is creating pressure for the 2025/26 budget:

<b>Boston</b>	<b>Budget 24/25</b>	<b>Budget 25/26 Settlement 03.02.24</b>	<b>Movement from 24/25 to 25/26</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Revenue Support Grant	454	482	(28)
Rural Services delivery Grant	116	0	116
Services Grant	19	0	19
Funding Guarantee/Funding Floor	550	255	295
New Homes Bonus	343	174	169
Recovery Grant	0	306	(306)
<b>Total</b>	<b>1,482</b>	<b>1,217</b>	<b>265</b>

5.2 The 2025/26 local government finance settlement is for one year only. The main points are set out below:

- Discontinued Grants: Services Grant, Rural Services Delivery Grant
- New Funding: Recovery Grant being a significant shift away from using measures relating to rurality to those relating to deprivation.
- New Homes Bonus continues for one more year – proposals expect to consult ending the scheme in its current format.
- The long awaited “reset” of accumulated business rate growth is promised allowing government to reallocate some or all of locally accumulated growth using revised and up to date relative needs formulas. These plans will be set out in early 2025 with a technical consultation.
- A focus on evidence based policy – using the best available economic and statistical techniques along with the latest reliable data.
- A plan for a multi-year settlement looking forward.
- The introduction as intended of Extended Producer Responsibility payments which for 2025/26 have been guaranteed. This funding may be needed to support the revenue account depending upon any final funding arrangements for IDB’s.

It would however be prudent to assume that future grant levels will further reduce and this will need to be factored into the forecasts looking forward.

## 6 INTERNAL DRAINAGE BOARDS

6.1 The budget continues to have substantial embedded pressures from previous year increases mainly due to power costs and other inflationary pressures being felt by IDB’s. The Council is liaising with the local Internal Drainage Boards who have been trying to limit future increases. Representations have been and continue to be made to government due to the substantial and unaffordable impact on the Councils budget.

6.2 The table below illustrates this point clearly with the impact from 21/22 to 25/26 now totalling £913,338 as an annual and recurring impact and no funding other than the one-off grant allocations of £431,000 in 2024/25 and £318,890 in 2023/24.

Council	Total Council Tax Received per year 2025/26	Total IDB levy per year 2025/26	Estimated Increase 2025/26	Council Tax 2025/26 Increase	Increase from 2021/22 to 2025/26
Boston Borough Council	£4.538m	£2.927m	£102k	£151k	£913k (45%)

6.3 The Council has been in detailed discussion with government officials regarding this difficult position over the few past years. We are also aware that the IDBs have made extensive representations to DEFRA and via ADA of this significant issue. The Special Interest Group we have led in setting up to lobby Government on this matter with our partners and meetings with MHCLG continue to take place and we await a response on this key and critical issue for the Councils budget

## 7 CAPITAL PROGRAMME

7.1 The Capital Programme and Capital Strategy are included in Appendices 1,2 and 3.

7.2 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, Waste Services Investment, IT investment and Disabled Facilities Grants. The main areas of continued investment are:

- GMLC
- Disabled Facilities Grant
- Waste Vehicles and Caddies
- IT Systems
- To support Grant Funding bids.

7.3 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. In addition this Capital Programme now allows for slippage from 2024/25.

## 8 RESERVES

8.1 General Fund Specific Reserves have been historically used predominantly to fund the Capital Programme this is not sustainable and internal borrowing/MRP is now being used. This figure will change as a result of the outturn for 2024/25. A detailed breakdown of Reserve movements 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:

### 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 are being put together for members consideration and the Leader and Finance PFH oversee this process.

## **10 ADDITIONAL CONSIDERATIONS**

### **10.1 Fees and Charges**

Appendix 4 sets out the Councils proposal for Fees and Charges for 2025/26. The document also compares the proposed fees and charges against those levied in 2024/25. It is proposed due to continued significant inflationary pressures, to include an annual RPI uplift for all fees and charges, where 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 2025/26, drawing on the previously approved Partnership Work Programme, as well as wider opportunities that have since been identified.

### **10.3 Consultation**

A summary of the consultation results, which ended on 6th January 2025, can be seen in Appendix 6.

### **10.4 Section 25 Statement by s151**

Previously the section 25 statement was embedded as part of the budget documentation. This has now been enhanced into an additional addendum to the budget for members consideration and this is attached at Appendix 1.

## **11 CONCLUSION**

Cabinet is recommended to approve this report for onward approval by Full Council as part of the formal annual budget setting process.

## **EXPECTED BENEFITS TO THE PARTNERSHIP**

This report enables Boston Borough Council to approve its Budget and Council Tax for 2025/26.

## **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 ELDC 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 report.

### **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 and Rural Affairs**

**DLUCH – Department for Levelling Up, Housing and Communities**

**LUF – Levelling Up Funding**

**MTFS – Medium Term Financial Strategy**

**NNDR – National Non Domestic Rates**

**NOP – National Portfolio Organisation**

**UKSPF – UK Shared Prosperity Fund**

## **APPENDICES**

Appendix 1 – Draft Budget Setting Report 2025/26 and Section 25 Statement

Appendix 1a – Medium Term Financial Strategy 2025 to 2030 (By Account)

Appendix 1b – Medium Term Financial Strategy 2025 to 2030 (By Service)

Appendix 2 – Capital Programme

Appendix 3 – Capital Strategy

Appendix 4a – Treasury Management Policy Statement

Appendix 4b – Investment Strategy

Appendix 5 – Fees and Charges 2025/26

Appendix 6 – South and East Lincolnshire Councils Partnership Annual Delivery Plan 2025/26

Appendix 7 – Results of the Budget Consultation process

## **BACKGROUND PAPERS**

None

## **CHRONOLOGICAL HISTORY OF THIS REPORT**

Cabinet - 19<sup>th</sup> February 2025

A and G Committee – 27<sup>th</sup> January 2025

Corporate and Community Committee – 23<sup>rd</sup> January 2025

#### REPORT APPROVAL

Report author:	Carl Holland (Head of Finance – Client) and Jennifer Mackin (Strategic Finance Manager)
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Approved for publication:	Councillor Sandeep Ghosh, Portfolio Holder for Finance

#### CHECKLIST - DELETE BEFORE SUBMISSION TO DEMOCRATIC SERVICES

S151 Officer consulted on financial implications:	Yes
Monitoring Officer consulted on legal and constitutional implications:	No
Portfolio Holder consulted:	Yes
Ward Member consulted:	NA