



BOSTON BOROUGH COUNCIL

REPORT OF SANDEEP GHOSH, FINANCE PORTFOLIO HOLDER

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BUDGET SETTING REPORT AND ASSOCIATED FINANCIAL STRATEGIES - 2025/26-2029/30

INDEX

CONTENT	PAGE NUMBER
1. Executive Summary	7
2. Introduction	8
3. Budget Assumptions	2
4. Resources	11
5. Spending Plans	19
6. Budget Requirement	21
7. Reserves	23
8. Capital Programme and Treasury	29
9. Consultation	32
10. Efficiency Targets	33
11. South and East Lincolnshire Council's Partnership Plans	33
12. Risk and Sensitivity	36
13. Options	36
14. Recommendations	37
15. Section 25 Statement	

TABLES: -

	PAGE
1. Budget Assumptions	9
2. Business Rates	11
3. Council Tax	12
4. Precepting Authority Band D Charges	14
5. Revenue Support Grant and Other Government Grants	14
6. New Homes Bonus	15
7. Fees, Charges and Rental Income	16
8. Other Income	17
9. All Sources of Income	18
10. Spending Plans	19
11. Budget Requirement	22
12. Reserve Balances	24
13. Specific Movements in Reserves	27
14. Five Year Capital Programme, Funding and Resource Implications	30
15. Treasury Assumptions	32
16. Efficiency Target	33
17. Key Risks	34

Appendices: -

- 1 - Revenue Budget and Medium Term Financial Strategy Summary
Section 25 Statement
 - 1a – MTFS by Account
 - 1b – MTFS by Service Area
- 2 - Capital Programme
- 3 - Capital Strategy
- 4 - Treasury Management Policy Statement and Treasury Management Investment Strategy (including MRP Policy)
- 5 - Fees and Charges 2025/26
- 6 - South and East Lincolnshire Councils Partnership Annual Delivery Plan 2025/26
- 7- Consultation Report

FOREWORD TO THE BUDGET FROM COUNCILLOR SANDEEP GHOSH - FINANCE PORTFOLIO HOLDER

The 2025/26 budget has been created within the context of unprecedented levels of funding changes in addition to continued 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 circumstances.

The Government has provided a one-year settlement; however, the uncertainty remains significant into the medium-term.

Boston Borough Council remains sovereign in terms of its constitution and budget, as do the Councils we partner with, and our BBC priorities are to ensure that the Council remains financially resilient, able to deliver services it has to by law, and to provide support to the district's most vulnerable residents. Secondly, to continue the process of redressing the imbalances created by the cost of living crisis by focussing on the provision of financial support to underpin economic recovery for the district and seeking to invest in our places.

Despite the challenges we have continued to work to develop new opportunities, efficiencies, and income streams to support the Council's revenue budget.

A significant element of the Council's budget is the Drainage Board Levy. Like the Council, the drainage boards are also experiencing increased cost demands. The Council is liaising with the Boards, who are attempting to limit future increases, where possible. This is proving increasingly difficult with significant increases in power costs being experienced. Representations to government have been made and continue to be made due to the substantial cost to the Council,

Another key component of the council's budget is its share of business rates income which has seen changes following the settlement in December. In addition, inflationary pressures have been seen across all areas of the council's budget, particularly pay and contracts.

The proposed council tax increase for 2025/26 is an increase of £7.56 for a band D property.

A series of short and medium term mitigations have been identified to balance the budget.

The Council has maintained a capital resource base commensurate with our capital delivery ambitions and is moving towards use of the minimum revenue provision for financing ongoing asset investment requirements.

The Budget for 2025/26 proposes:

- A Council Tax increase of £7.56 per year (for Band D homes this is equivalent to 0.14p per week).

- To continue with the generation of additional efficiencies, shared services and income from commercial activities guided by our Delivery Plans.
- Increased capital investment in Council assets to help generate new income streams, reduce running costs, and help deliver services more efficiently.
- Significant grant expenditure

Our focus is to deliver well the projects we have already committed to through the Towns Fund, Levelling Up Fund and Long Term Towns Funding to support our community and places to thrive in a challenging economic environment.

Councillor Sandeep Ghosh, Portfolio Holder for Finance



EXECUTIVE SUMMARY: BOSTON BOROUGH COUNCIL

Overview	2024/25	2025/26
Boston Borough Council Precept	£4.387m	£4.538m
Council Tax Increase	3.45%*	3.50%*
Relative Basic Amount (including BTAC)		2.99%
Council Tax Band D	£216.09	£223.65
Government Funding	£1.482m	£1.217m
Retained Business Rates used to support budget	£5.598m	£5.063m
Boston Town Area Committee Special Expense Account	£0.769m	£0.769m
Earmarked Reserves (at 1 April)	£13.030m	£12.186m

*See note at 4.5 - Council Tax

1. INTRODUCTION

- 1.1 This Appendix sets out the 2025/26 budget estimates and Medium-Term Financial Strategy (MTFS) for the period 2025/26 to 2029/30 for the Council's General Fund. The Medium-Term Strategy sets out the current and forecast future costs of the Council and is linked to the Sub-regional Strategy and Partnership Annual Delivery Plan, which sets out the aims and ambitions of the Council.
- 1.2 The MTFS establishes a set of financial policies and principles which aim to provide a sound basis for maintaining the financial integrity of the Council over the medium term.
- 1.3 This Appendix sets out:
- The Council's Medium Term Financial Strategy for the period 2025/26 to 2029/30.
 - The 2025/26 General Fund Revenue Budget & associated Financing.
 - The General Fund Reserves Position.
 - The General Fund Capital Programme and Financing.
 - Risks, key issues, sensitivity, and monitoring.
 - Enhanced s25 Statement as an Addendum.
- 1.4 The provisional government settlement delivered in mid-December for Boston included Revenue Support Grant £482k, New Homes Bonus £174k, Funding Floor £255k and Recovery Grant £306k overall a reduction of £265k.
- 1.5 In 2025/26, a budget is proposed that allows expenditure to be financed through the creation of efficiencies and appropriate funding in order to smooth the impact of the council's ongoing pressures. Savings are required going forward as a result of increased inflationary costs and other cost pressures but particularly in relation to substantial pressure from the IDB levy where the Council has and continues to lead on raising this issue with its partners in the South and East Lincolnshire Partnership. This means that the Council can continue to provide services whilst also supporting its overall objectives. The Council will continue to strive to be as efficient as possible in all its work, building on the SELCP Partnership with its partners whilst ensuring it maximises the income it receives.

2. BUDGET ASSUMPTIONS

Table 1 – Assumptions which influence the five year financial strategy.

Assumption	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Budgeted inflation ¹	0%	0%	0%	0%	0%	0%
Pay costs increase ²	3.5%	3%	2.5%	2.5%	2.5%	2.5%
Number of Full Time Equivalent Employees	227.16	220.40	214.33	213.09	213.09	213.09
Staffing levels ³	96%	96%	96%	96%	96%	96%
Pension contribution rate – current service cost ⁴	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%
Pension contribution cash amount to fund deficit on scheme ⁴	£713,000	£741,000	£741,000	£741,000	£741,000	£741,000
Return on cash investments ⁵	4.55%	4.10%	3.70%	3.50%	3.50%	3.50%
Return on property funds ⁶	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Utility cost rises ⁷	0%	0%	0%	0%	0%	0%
Fuel cost rises ⁸	0%	0%	0%	0%	0%	0%
Tax base ⁹	0.1%	1.5%	1.5%	1.5%	1.5%	1.5%

Notes to Assumptions

These assumptions reflect, where known, future changes which may arise from the implementation of the council's organisational development plans including the South and East Lincolnshire Councils Partnership with South Holland District Council and East Lindsey District Council (see Section 7).

1. Although inflation does affect the price of supplies and services that the Council procures, because services are given cash limited budgets, they have to absorb the cost of inflation within the resources they have – as such the net impact of inflation is reduced to zero within the estimates. The only exceptions are those contracts which have an agreed inflationary arrangement built into them, we expect that contract costs will substantially increase on renewal.
2. An award for 2024/25 has been agreed 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 allowed for moving to 2.5% from 2026/27 onwards.
3. An annual General Fund saving in staff costs (£383k) has been built into the budget (equivalent to 4% of the staff budget) due to anticipated staff vacancies during the year.

4. Based on the Pension Triennial Valuation the pension contribution will be 23.6% 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. A further review will take place which could change the amount from 2027/28 onwards. Any vacant posts are assumed to be within the pension scheme. The pension contribution rate is assumed to stay at 23.6% throughout the life of the MTFs. The lump sum of £741k towards the deficit is confirmed for 2025/26.
5. These are the estimated returns on cash. Average rate achieved to Q3 2024/25 was 5.092%.
6. These are the estimated returns on the Property Fund that the council holds. Average rate achieved to Q3 2024/25 was 3.445%. Asked Sean
7. Utility costs for 25/26 budget assumptions have been based on actuals for 2024/25 to rebase the budgets where needed to reflect actual spend.
8. Vehicle fuel costs reflect current fuel cost forecasts and volumes from 2024/25.
9. The tax base projections for 2025/26 have provided for a reduction of 12 band D equivalent properties. Future growth has been projected at 1.5% (see section 4.6 and Table 3).

3. RESOURCES AND SPENDING PLANS

- 3.1 The following section of the Appendix outlines the resources that will be available to the Council under 6 headings, Business Rates, Council Tax, Revenue Support Grant and other Government Grants, New Homes Bonus, Fees and Charges and Other Income.
- 3.2 On 3rd February 2025 the Final Local Government Finance Settlement for 2025/26 was delivered. The papers included a continuation of New Homes Bonus for a final year with a consultation due in 2025/26, the removal of services grant and rural services delivery grant and the introduction of a Recovery Grant with a continuation of the Funding Guarantee.
- 3.3 On 16th December 2024 the Government also issued the English Devolution White Paper which will impact on the Council into the medium term and will influence spending plans.
- 3.4 In addition, a consultation is now underway with regards to the future funding of local government including a review of the business rates system. There is a desire to move to a multi-year settlement although the detail of this is not yet known.
- 3.5 As a result of these announcements, it makes planning the years from 2026/27 onwards very challenging as many things could change because of these planned reviews and resets. As and when further announcements are made Members will be kept up to date accordingly and the financial impact assessed.

4. DETAILED RESOURCES AND SPENDING PLANS

DETAILED RESOURCES

Business Rates

- 4.1 Under the current arrangements for retained Business Rates, where a Council collects rates above an assessed baseline level set by the Government, a 50% levy is applied that is paid to the Government. In order to avoid this 50% levy a business rates pool was adopted with the County Council and other districts within Lincolnshire.
- 4.2 The Council budgets to expect a number of appeals. A provision has been put aside based on intelligence from the Council's advisors to hopefully cover any effects from this but there still remains a large amount of uncertainty in this area.
- 4.3 Table 2 provides details of the anticipated business rates figures for 2025/26 and provisional figures for 2026/27 through to 2029/30.

Table 2 – Business Rates

Business Rates (Income)/Expenditure	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000
Retained Business Rates	(8,110)	(8,301)	(8,434)	(8,577)	(8,723)	(8,872)
S31 Grants relating to Business Rates	(2,724)	(2,382)	(2,420)	(2,461)	(2,502)	(2,545)
Tariff	5,368	5,471	5,559	5,653	5,749	5,847
Pre- levy income	(5,466)	(5,212)	(5,295)	(5,385)	(5,476)	(5,570)
Renewable Energy (100% retained by Boston BC)	(222)	(245)	(249)	(253)	(258)	(262)
Levy payment to Lincolnshire Pool	312	315	320	326	331	337
Estimated (Surplus)/Deficit Collection Fund	(222)	79	-	-	-	-
Net Retained Business Rates Income	(5,598)	(5,063)	(5,224)	(5,312)	(5,403)	(5,495)

- 4.4 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.

Council Tax

- 4.5 The MTFs assumes a Council Tax increase in line with the maximum allowed under the Local Government Settlement. In the case of BBC for 2025/26 this is a £7.56 (3.50%) per annum increase (for band D properties). See Table 3 below for the estimated changes in the tax base and council tax collected.

Table 3 – Council Tax

		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
a	Council Tax base (Band D equivalents)	20,302	20,291	20,594	20,903	21,217	21,535
b	Council Tax Band D (£.p)	216.09	223.65	231.30	239.04	246.87	254.79
	Annual Increase £	7.20	7.56	7.65	7.74	7.83	7.92
	Annual Increase % (see table 4)	3.45	3.50	3.42	3.35	3.28	3.21
c	Annual Council Tax collected (a x b) £	£4,387,059	£4,538,082	£4,763,392	£4,996,653	£5,237,841	£5,486,903
	Annual Increase in Council Tax collected £	£152,023	£151,023	£225,310	£233,261	£241,188	£249,062
d	In year Surplus / (deficit) on the collection fund £	(£52,514)	(£136,919)	£0	£0	£0	£0
	Gross Council Tax (c + c) £	£4,334,545	£4,401,163	£4,763,392	£4,996,653	£5,237,841	£5,486,903

**Local authorities are permitted to increase council tax by up to 3% or £5, whichever is higher, relating to the relative basic amount. The RBA takes into account the total of the council tax precepts plus Boston Town Area Committee, the table below demonstrates that the annual increase is within the 3% threshold when considering the RBA.*

The increase in the in-year deficit is due to an increase in arrears and an increase in the usage of the Council Tax Support Scheme in the preceding year.

Relative Basic Amount Calculation	2024/25		2025/26		Movement	
	Precept (£)	Band D (£)	Precept (£)	Band D (£)	£	%
BTAC	768,772.00	80.37	769,057.00	81.09	0.72	0.90
BBC	4,387,059.00	216.09	4,538,082.00	223.65	7.56	3.50
Total – RBA	5,155,831.00	253.96	5,307,139.00	261.55	7.59	2.99
Tax Base	No of Properties					
BTAC	9,566		9,484		-82	-0.86
BBC	20,302		20,291		-11	-0.05

BTAC expenses

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
BTAC Expenses	769	769	784	803	826	852

Table 4 – Precepting Authority Band D charges

Authority	Proposed Band D amount. £p	Increase over 2024/25 £p	Increase over 2024/25 %
Lincolnshire County Council *	1,625.85*	47.16	2.99
Police and Crime Commissioner **	318.15*	13.95	4.59
Boston BC	223.65	7.56	3.50
Parishes (average)	68.97	2.60	3.91

*LCC Precept is subject to approval on 23rd February, if there are any changes an updated schedule will be provided.

** PCC Provisional request of the Lincolnshire Police and Crime Panel

Revenue Support Grant (RSG) and Section 31 Grants

4.6 The table below currently builds in the assumption that RSG will continue throughout the MTFs period until such time as we have more information regarding future funding. Other than S31 grants for Business Rates (see table 2) the other main non-specific grants received by the Council relate to the more recent Recovery Grant and Funding Floor.

Table 5 - Revenue Support Grant and other Non-Specific S31 Government Grants

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	454	482	482	482	482	482
Rural Services Delivery Grant	116	0	0	0	0	0
Services Grant	19	0	0	0	0	0
Recovery Grant	0	306	306	306	306	306
Funding Floor/Guarantee	550	255	255	255	255	255
Total Received	1,139	1,043	1,043	1,043	1,043	1,043
Reduction in resource		96				

New Homes Bonus

4.7 New Homes Bonus (NHB) allocations were announced as part of the Local Government Finance Settlement for 2025/26. The government has added a year of additional grant and a consultation is planned on changes to this funding so for future years this has been assumed to have been removed.

Table 6 – New Homes Bonus estimates

	Final 2024/25 £000	Draft 2025/26 £000	Draft 2026/27 £000	Draft 2027/28 £000	Draft 2028/29 £000	Draft 2029/30 £000
New Homes Bonus	343	174	0	0	0	0

Fees and Charges

4.8 The Council is dependent on direct payment for many of its services in the form of various fees, charges and rents. Fees and charges play an important role in the effective delivery of services; they not only raise income but can control access to services, help the council respond to competition, fund investment and guide client behaviour.

4.9 In some cases, the levels of fees are set by the Government and the Council has no control over what is charged. Where the Council has had control, it has not always increased these charges in line with inflation or other market conditions. Given future uncertainty around levels of government grant support and business rates income, it is assumed that the budget will apply RPI increases to all discretionary fees and charges on an annual basis where appropriate.

Table 7 – Fees and charges income budgets

Budget Area	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Building control	201	215	221	228	235	242
Licensing	151	165	167	170	173	175
Land charges	58	54	55	55	56	56
Bereavement	978	995	1,015	1,035	1,056	1,077
Garden Waste	680	737	751	766	781	796
Trade waste	395	398	406	414	423	431
Planning fees	645	661	675	688	702	715
Parking	906	942	961	979	998	1,018
Markets	95	95	95	95	95	95
Other small areas	190	118	124	126	129	149
TOTAL FEE INCOME	4,299	4,381	4,470	4,557	4,646	4,755

Other Income

4.10 The Council also receives other forms of income, as shown in the following table.

Table 8 – Other Income

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Interest on Investments	2,398	2,544	1,716	1,543	1,547	1,542
Housing Benefit Subsidy	12,391	11,845	11,329	10,840	10,374	9,930
Housing Benefit/Universal Credit Overpayments	30	30	30	30	30	30
Council tax and Housing benefit administration grant	183	143	137	132	127	122
Specific Government Grants	419	274	264	196	198	196
Court Income & Council Tax Penalties	265	274	274	274	274	274
Rental income	815	563	565	567	569	571
NNDR admin grant	91	91	93	94	96	98
Capital Grants	0	8,283	1,000	0	0	0
Other Contributions (from external bodies for sharing of services and posts)	6	1,392	961	995	1,022	1,050
Other Income/Grants	22,361	5,239	5,087	5,080	5,280	5,341
Use of Reserves	384	1,378	336	280	155	159
Total Other Income	39,342	32,056	21,792	20,030	19,672	19,311

- Use of Reserve values will change as and when new schemes are approved for inclusion within the programme.
- Decrease in the Housing Benefit Subsidy income is due to a realignment of the budget to reflect current anticipated levels of activity. There is a corresponding decrease in expenditure.
- Assumptions have been made on investment income levels due to a variety of factors.

4.11 Summary

Table 9 – All sources of income

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates	5,598	5,063	5,224	5,312	5,403	5,495
Revenue Support Grant	454	482	482	482	482	482
Services Grant	19	0	0	0	0	0
Rural Services Delivery Grant	116	0	0	0	0	0
New Homes Bonus	343	174	0	0	0	0
Funding Floor/Guarantee	550	255	255	255	255	255
Recovery Grant	0	306	306	306	306	306
Council Tax	4,335	4,401	4,763	4,997	5,238	5,487
EPR Funding*	0	946	0	0	0	0
Funding	11,415	11,627	11,030	11,352	11,684	12,025
Fees, Charges, Rents*	4,299	4,381	4,470	4,557	4,646	4,755
Other Income	39,342	32,056	21,792	20,030	19,672	19,311
Fees, Charges & Other Income	43,641	36,437	26,262	24,587	24,318	24,066

*Extended Producer Responsibility Payments

2025/26 SPENDING PLANS

4.12 Table 10 below shows the estimated Council spending plans for the next 5 years. It shows expenditure analysed by the CIPFA Standard classification. The paragraphs below the table provide explanations for the main variances across the MTFS.

Table 10 – Spending Plans

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£000
Employees	11,258	11,865	11,933	12,175	12,477	12,804
Premises	2,543	2,046	2,039	2,064	2,081	2,111
Transport	2,469	2,174	2,189	2,205	2,222	2,239
Supplies and Services	3,140	3,310	3,023	3,148	3,177	3,194
Third Party Payments	4,884	5,193	4,703	4,707	4,709	4,712
Drainage Board Levies*	2,825	2,927	3,073	3,227	3,388	3,558
Parish Councils' Precepts	579	579	579	579	579	579
Transfer Payments	29,251	20,470	12,701	11,236	10,789	10,360
Direct Revenue Financing of Capital	0	636	155	0	0	0
Interest Payable on Borrowing	111	111	111	224	336	336
Minimum Revenue Provision	129	207	381	600	1,048	1,100
Capital Charges Contra Entry	0	785	690	690	690	690
Contributions to Reserves	60	533	60	18	60	60
Gross Expenditure	57,250	50,887	41,688	40,922	41,608	41,795

*Drainage Board Levies increase of 5% for 2026/27 onwards

4.13 Employee costs have been prepared in accordance with the Council's Pay Policy. Pay generally has been increased by salary increments due to staff, and by an estimated 3% for 2025/26 and 2.5% thereafter. Pension cost estimates have been prepared on the basis of current staff in the pension scheme at October 2024/25, and all vacant posts assumed to be within the pension scheme. There have been some staffing changes which are mainly grant funded as a result of successful bidding to government departments. The employee costs also include the latest results of the Pension Triennial Review.

- 4.14 The Council applied 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 South Holland District Council and East Lindsey District Council employees. The budget assumes the continued implementation of a pay supplement to enhance pay to a minimum of £12.60 per hour for all employees of the Council paid on the National Joint Council (NJC) pay rate.
- 4.15 All utilities budgets are now reflective of the actual volumes in 2024/25 and adjusted for the new contract prices.
- 4.16 Transport costs have decreased from 2024/25 levels due to realignment of budgets to actual spend of fleet maintenance recharges and fuel, as well as a review of the vehicle washing contract.
- 4.17 Supplies and Services budgets have increased mainly due to realignment of building maintenance recharges and also the transfer of GMLC leisure costs to Parkwood leisure.
- 4.18 Third party payments - These budgets reflect payments to Public Sector Partnership Services and other outside bodies.
- 4.19 Transfer Payments – There is a large decrease from 2024/25 levels due to less project grant funding being received.
- 4.20 Capital Charges – Changes in capital charges relate to revisions to the capital programme between years which do not affect the General Fund bottom line as they are funded from reserves.
- 4.21 Internal Drainage Board (IDB) increases are set out in the table below. Post 2025/26 increases have been estimated at 5% per annum. 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.

	2021/22 Actual £	2022/23 Actuals £	2023/24 Actuals £	2024/25 Actuals £	2025/26 Budget £	Increase from 2021/22 to 2025/26 £/%	Increase from 2024/25 to 2025/26 £
Witham Fourth Internal Drainage Board	1,108,050	1,196,693	1,256,520	1,507,824	1,547,276	£439,226/ 40%	£39,452/2.62%
Welland and Deepings Internal Drainage Board	61,851	66,799	77,962	83,348	85,478	£23,627/ 38%	£2,130/2.56%
Black Sluice Internal Drainage Board	842,838	885,757	1,139,128	1,232,588	1,293,006	£450,168/ 53%	£60,418/4.90%
South Holland Drainage Board	973	1,051	1,130	1,220	1,290	£317/ 33%	£70/5.74%
TOTAL LEVY	2,013,712	2,150,300	2,474,740	2,824,980	2,927,050	£913,338 / 45%	£102,070 / 3.61%

5. BUDGET REQUIREMENT

4.1 The budget requirement is formed by comparing resource prediction and spending plans as set out in Table 11 below.

4.2 Appendices 1a and 1b bring together the budgeted expenditure and income and show the overall MTFs position analysed by income and expenditure type, service area and by portfolio budgets.

Table 11 – Budget Requirement

	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
	£'000	£'000	£'000	£'000	£'000	£000
Fees, Charges & Other Income (table 9) *	(43,641)	(36,437)	(26,262)	(24,587)	(24,318)	(24,066)
Gross Expenditure (table 10)	57,250	50,887	41,688	40,922	41,608	41,795
Efficiency Target IDB	(674)	(913)	(1,059)	(1,213)	(1,375)	(1,544)
Efficiency Target	(172)	(511)	(1,921)	(2,337)	(2,775)	(2,678)
Net Budget	12,762	13,206	12,445	12,785	13,140	13,507
<u>Funded By</u>						
Retained Business rates	(5,598)	(5,063)	(5,224)	(5,312)	(5,403)	(5,495)
Revenue Support Grant	(454)	(482)	(482)	(482)	(482)	(482)
Service Grant	(19)	0	0	0	0	0
Rural Services Delivery Grant	(116)	0	0	0	0	0
FundingFloor, Funding Guarantee	(550)	(255)	(255)	(255)	(255)	(255)
Recovery Grant	0	(306)	(306)	(306)	(306)	(306)
New Homes Bonus	(343)	(174)	0	0	0	0
BTAC	(769)	(769)	(784)	(803)	(826)	(852)
Parish Precepts	(579)	(630)	(630)	(630)	(630)	(630)
Council Tax	(4,335)	(4,401)	(4,763)	(4,997)	(5,238)	(5,487)
EPR Funding	0	(946)	0	0	0	0
Total Funding	(12,762)	(13,206)	(12,445)	(12,785)	(13,140)	(13,507)

The Council has a significant efficiency target for 2025/26 in respect of which plans are already underway to address in addition to the continued liaison with the Government on the IDB issue.

4.3 Boston Area Town Committee

Boston Town Area Committee (BTAC) special expenses are a separate charge to the residents of Boston for services provided in their town and are charged as a supplement to the main council tax. The BTAC budget for 2025/26 is estimated at £769,058 (2024/25 - £768,772). The detailed estimate was reported on 30th January 2025 to the Boston Town Area Committee.

Other Budget Matters

5.5 In order to meet the Council's Equalities obligations, equality impact assessments will be carried out when the nature of proposed changes to services and the potential mitigation (if any) is clear, so that the implications of decision are fully understood as they affect specific groups and communities. These have been, and will continue to be, regularly undertaken and considered as part of the decision making process.

6. RESERVES

In order to comply with the requirements of the Local Government Act 2003, the Authority must undertake a review of the level of reserves as part of annual budget preparation. A review of the reserves has been undertaken to make sure that they have a defined purpose, identified and approved values for additions to and usage of each reserve, and that they are set at an appropriate value which identifies the current and future requirements and risks the Council might face. This has included an assessment of risk registers, pressures upon services, inflation and interest rates and any underwriting arrangements. The proposed budget has been developed on the basis of not requiring any long-term support from reserves for the revenue budget.

6.1 General reserves

The General Fund balance is estimated to stand at £2.0m for the next five years, which the Council's Section 151 Officer believes to be prudent for the Council at this time, when taken in the context of the other reserves that the Council has.

6.2 Specific Reserves

Specific reserves are set up to provide funds for known future commitments or provide resources for unexpected events. Given the risks and uncertainties facing both the local and national economy the Council is committed to retaining robust levels of reserves, whilst ensuring resources are available to enable efficient service delivery.

Table 12 – Reserve Balances

Reserves	Balance 31.03.2025	Balance 31.03.2026	Balance 31.03.2027	Balance 31.03.2028	Balance 31.03.2029	Balance 31.03.2030
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Funding Reserve	(6,278)	(5,642)	(5,487)	(5,487)	(5,487)	(5,487)
Transformation Reserve	(498)	(428)	(413)	(260)	(277)	(294)
Repairs and Renewals Reserve	(630)	(633)	(636)	(639)	(642)	(645)
ICT Reserve	(18)	(18)	(18)	(18)	(18)	(18)
Housing Reserve	(1,368)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)
Controlling Migration Reserve	(14)	(14)	(14)	(14)	(14)	(14)
Insurance Reserve	(197)	(197)	(197)	(197)	(197)	(197)
Property Fund Returns Risk Mitigation Reserve	(1,116)	(1,061)	(1,003)	(941)	(875)	(805)
Funding Volatility Reserve	(2,017)	(1,617)	(1,617)	(1,617)	(1,617)	(1,617)
Contingency Reserve	(272)	(170)	(170)	(170)	(170)	(170)
Climate Change Reserve	(73)	(73)	(73)	(73)	(73)	(73)
Planning Reserve	(325)	(275)	(225)	(175)	(125)	(75)
S106 & Commuted Sums Reserve	(128)	(128)	(128)	(128)	(128)	(128)
Property Fund Reserve	(96)	(96)	(96)	(96)	(96)	(96)
Extended Producer Responsibility Reserve		(473)	(473)	(473)	(473)	(473)
Total Specific Reserves	(13,030)	(12,186)	(11,911)	(11,649)	(11,553)	(11,453)
General Reserve	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
BTAC Reserve	(204)	(204)	(204)	(204)	(204)	(204)
Total Reserves	(15,234)	(14,390)	(14,115)	(13,853)	(13,757)	(13,657)

Capital Reserve

This reserve consists of past and annual revenue contributions. It may be used to finance the capital programme depending on future plans.

Transformation Reserve

The purpose of this reserve is so the council can invest in service transformation for the future.

Repairs & Renewals Reserve

These reserves come from annual contributions from service areas to deal with the maintenance and replacement of facilities, vehicles and equipment.

ICT Reserve

This reserve comes from annual contributions from service areas to deal with the planned maintenance and replacement of software and hardware

Housing Reserve

Funded by grants this is used to support the capital acquisitions and strategic housing solutions.

Controlling Migration Reserve

This reserve is for use to support community engagement activities.

Insurance Reserve

The reserve is held to deal with any loss, low value claims and other excess on other policies. It can also be used to finance risk management initiatives.

Property Funds Returns Mitigation Reserve

This mitigation reserve holds year-end balances on operational surpluses/deficits and is used to mitigate impacts of the funds as required.

Funding Volatility Reserve

This reserve holds the year end balances of any accounting adjustments necessary for the Council's Collection Fund or other volatile components in the Councils Revenue Account including in-year deficits should they occur.

Contingency Reserve

This reserve is held for member priorities and was previously related to Covid arrangements..

Climate Change Reserve

For implementation of smaller schemes, help fund preparation for larger capital scheme funding bids and also fund feasibility reports.

Planning Reserve

Various sums are received for Planning related work, large planning windfalls may similarly be placed here.s. The Council's policy is to draw sums from here to support the work of the planning service as required e.g the creation of the local plan.

S106 and Commuted sums reserve

Funds assigned under section 106 legal agreement to the Council from property developer planning agreements.

Property Fund Reserve

Used to mitigate the impact on the Councils Revenue Account as a result of surplus and deficit returns on property funds against budgeted amounts should they occur.

Extended Producer Responsibilities Funding

This grant is to contribute towards the costs of disposing of waste already in the system so available for general use as those costs are already being financed.

Table 13 – Contribution to/from Reserves 2025/26

	2025/26 £'000
Contribution to Reserves	
<u>Transformation Reserve</u>	
District Council Elections 25.26 contribution	(42)
<u>Repairs and Renewals Reserve</u>	
Riverside Ind Est-25% income	(18)
<u>Extended Producer Responsibility Reserve</u>	
Extended Producer Responsibility Funding	(473)
Contribution to Reserves total	(533)
Contribution from Reserves	
<u>Capital Funding Reserve</u>	
Capital Programme 25.26	636
<u>Transformation Reserve</u>	
Server Room Relocation	9
Accessing Town Deal Capacity Fund	12
Technology Forge Migration	25
Temporary roles for 2 years to oversee food waste	25
Tender Work	20
Interim Waste Manager	2
Shared S113 Officer – Environmental Services Project Coordinator	7
HR Transformation 25/26	12
<u>Housing Reserve</u>	
Housing Options Advisor (Proforma B 002)	7
<u>Repairs & Renewals Reserve</u>	
CCTV Repairs and Renewals	15

Property Funds Returns Risk Mitigation Reserve	
Property Funds	55
Planning Reserve	
Local Plan works slippage from 24/25	50
Contingency Reserve	
Lead Safety Officer	8
Fly Tipping Liaison Officer	14
BBC Christmas Event	50
Councillor Grant Scheme	30
Funding Volatility Reserve	400
Contribution from Reserves total	1,377
Net contribution (to)/from Reserves	844

CAPITAL PROGRAMME AND TREASURY MANAGEMENT

- 7.1 The Capital Strategy and Asset Management Strategy will generate potential future capital investment requirements. Specific schemes and values will only be included in the recommended programme when the need and likely costs have been further established in detailed business cases, and the Council has ensured that it has sufficient capital and revenue resources to implement such schemes.
- 7.2 The Council has limited capital resources and must look to new ways of financing its capital expenditure. It must also seek to reduce the running costs of its assets and maximise capital receipts.
- 7.3 The Council's proposed 5 year Capital Programme and its 5 year capital resource projections are shown in the table below reflecting the latest estimates of slippage from 2025/26 as set out in Appendix 2.

	New Projects/Additions						
1	Boston Crematorium	-	-	525	-	-	525
2	Capital Enhancements	250	200	-	-	-	450
3	Depot Purchase	150	-	-	-	-	150
4	Food Waste	784	-	-	-	-	784
	New Projects/Additions Total	1,184	200	525	-	-	1,909
	Grand Total	33,306	8,459	3,863	1,310	885	47,823
	Funded By:						
	Internal Borrowing	(1,163)	(5,003)	(3,078)	(525)	(100)	(9,869)
	External Grants	(30,298)	(3,256)	(785)	(785)	(785)	(35,909)
	Capital Reserve	(771)	(200)	-	-	-	(971)
	S106	(1,074)	-	-	-	-	(1,074)
	Grand Total	(33,306)	(8,459)	(3,863)	(1,310)	(885)	(47,823)

Note: The Council holds sufficient S106 funds in accordance with CIPFA guidance on the balance sheet as a liability.

Treasury Management

- 7.4 The Council is required to calculate a prudent provision of Minimum Revenue Provision (MRP) on its unfinanced capital expenditure which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of Capital Financing Requirement (CFR) from its calculation.

Appendix 5.7 at the back of Appendix 3b Treasury Management Strategy, MRP Policy Statement and Annual Investment Strategy 2025/26 provides a copy of a report that went to Audit and Governance Committee on 27 January 2025 providing detailed information on the implications of this change to the Council.

7.5 The Treasury Management Strategy Statement pulls together the decisions of capital investment and our cash flow and revenue budgets.

Table 15 – Treasury Assumptions

Treasury Assumptions	2025/26	2026/27	2027/28	2028/29	2029/30
Average Investment Balances	£39.2m	£23.2m	£18.4m	£18.5m	£18.4m
Investment assumptions – cash investments return	4.10%	3.70%	3.50%	3.50%	3.50%
Investment assumptions – property fund return (revenue return only)	4.00%	4.00%	4.00%	4.00%	4.00%
External Borrowing	£1m	£1m	£4m	£7m	£7m
Average Borrowing Rate	11.125%	11.125%	5.594%	4.804%	4.804%

7.6 These assumptions include:

- The Council's available cash balances and investment returns will be influenced by the future development of the Council's Asset Management Plan and all decisions made regarding the use of the Council's Reserves for capital and revenue purposes.

8. CONSULTATION

8.1 Under the Gunning Principles, the following points are the golden rules of consultation:

- Proposals must contain enough information for the respondent to provide intelligent consideration.
- Must give adequate time for a response.
- Responses must be conscientiously taken into account.

8.2 Using these principles, the budget consultation process for the 2025/26 budget comprised a number of elements. A budget consultation exercise was undertaken and in addition to this the Council consulted through a number of Member forums: Audit and Governance and Corporate and Community Committee.

8.4 Following the budget consultation process, comments received through the Member meetings and consultation exercise were taken into account in preparing and recommending the proposed budget for Cabinet review and formal Council approval on 19th February 2025 and 3rd March 2025 respectively.

9. EFFICIENCY TARGETS

- 9.1 The projected budgets recognise an increasingly challenging and uncertain position through the five year period of our financial strategy. The current financial environment requires a significant transformation in the way public services are both paid for and provided, with an emphasis on business and housing growth to both improve economic development and maximise funding to the Council to help offset ongoing reductions in overall resources. The Councils partnership and the outsourced services within its TECKAL company PSPS Ltd provide significant opportunity to drive savings, efficiencies, transformation, and improvement across the 3 Councils.
- 9.2 Based upon current budget assumptions the value of efficiency savings required to set a balanced budget for the next five years are as follows:

Table 16 – Efficiency Targets

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Budget Efficiency Requirement (£'000) – annual	510	1,921	2,337	2,775	2,678
IDB Funding Requirement (£'000)	913	1,059	1,213	1,375	1,544
Total	1,423	2,980	3,550	4,150	4,222

- 9.3 The ongoing delivery of a significant level of efficiencies and savings is recognised as a key challenge to the Council that will require both political and cultural direction to ensure it is met.

10. SOUTH AND EAST LINCOLNSHIRE COUNCILS' PARTNERSHIP PLANS

- 10.1 As we think of 2025/26 there is great uncertainty with the central funding which could be allocated to Boston. This is driven by several financial matters which remain unresolved such as the implications of the Fairer Funding Review, Business Rates baseline reset and a review of the Business Rates retention scheme. It should therefore be noted the Councils assumptions on future budget gaps whilst prudent could well be understated. The Council is taking a positive response to this uncertainty by seeking to influence those matters raised above through both engagement and lobbying to ensure a fair deal is delivered for rural communities.

As we look forward into 2025/26 Cabinet will be promoting projects which aim to drive commercial opportunities, place the customer at the centre of everything we do and achieve as much as is possible through greater collaboration through the South and East Lincolnshire Councils Partnership. Some of these key projects to be developed during 2025/26 include.

- Realising efficiencies working together with East Lindsey District Council and South Holland District Council through the South and East Lincolnshire Councils Partnership
- Investment in infrastructure and facilities through the Towns Fund, LUF, LTTF, NPO and UKSPF
- A Council service modernisation programme through investment with PSPS and also in ICT
- Building the case for investment in infrastructure
- Empowering communities in the way services are provided
- Commercialisation of services
- Addressing Deprivation in the area
- Tackling Climate Change through the Green Homes Initiative
- Delivering the Boston Town Centre Strategy and Action Plan

11. RISK AND SENSITIVITY

11.1 The following table shows the key risks and how we intend to treat them through our risk management practices. This table was reviewed in detail by the A and G Committee on the 27th January 2025.

11.2 Table 17 – Key Risks

Risk	Likelihood	Impact	Mitigating Action
Fairer Funding, Business Rate reset/changes, Impact on Rural Councils	High	High	To lobby as required
IDB Levy	High	High	Special Interest Group lobby established, MPs being engaged and on going liaison with ADA, MHCLG and Ministers.
Interest Rates Changing	High	High	Ongoing proactive management of opportunities in the market and staircasing of loans to maximise longer term lock and premium rates in the LA market.

Growth plans may require borrowing at some point in the future	Medium	Medium	Substantial external funding has been leveraged to the benefit of the Town and this is now fully incorporated into the Councils budgets.
Increased demand for Homelessness Support Services – relating to Homelessness Reduction Act	High	High	Monitor service demand and impact on costs. Optimise use of grant funding and closely monitor changes in service requirements. Work with commissioners and suppliers to minimise benefit subsidy implications.
Lack of clarity for funding levels beyond 24/25 and spending review	High	High	Prudent budget set to provide best estimate. Transitional arrangements have been applied in similar previous changes imposed on funding arrangements. Promptly review new information as it becomes available.
Volatility and Fluctuation in business rates	High	High	Regular monitoring of business rates, debt levels, recovery action and impact of changes in government support.
Pension fund deficit	Medium	Medium	Review Pension fund data and use specialists as required to support this process.
Additional bad debts as a result of economic circumstances	High	High	The Council has pro-active debt management and pre-pay fee policies. Supporting business through economic development team support.
Increased maintenance costs of ageing physical assets	High	High	£450,000 has been allocated from the Capital Reserve in 2025/26 to 2026/27 to support required works for assets.
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions kept up to date with most recent projections. Inflationary pressures have now mainly come under control.
Court Income	High	Medium	Court income projections are in line with budget. The budget has not been increased due to concerns over collectability of this income.
PSPS may be unable to deliver an effective service within the agreed contract price.	Low	Medium	Reviewing Service Level Agreements, activity levels and service priorities, development of Transformation Programme has been undertaken.
Fee Income volatility	High	High	Early monitoring of deviations and reporting through to Cabinet. Controlling costs where service demand is reducing.
Contract Cost volatility	High	High	To seek to pre-purchase were necessary, contract management to ensure that projects are maintained within revenue and capital budget affordability levels.

Lack of funding to partners causing displacement of service demand	High	High	Engagement and realism
Inadequate capital resources to finance future desired plans	High	Medium	The Council has been very successful in achieving significant capital funding.
Central Government policy changes	High	High	Engagement in consultation and policy creation
Reductions in NHB impacting on future plans	High	High	Once a consultation is launched reviewing the proposals and lobbying as required.
VAT – partial exemption	High	High	Close forecasting VAT partial exemption position
Failure to deliver the required transformation programme	High	High	Effective programme and project management
Reduction in Investment Values	Medium	High	Regular Monitoring is reported of investment valuations to Audit and Governance Committee and the Finance PFH. A specific reserve is allocated.
Central Government policy changes	High	High	Engagement in consultation and policy creation
Increased demand for services in general	High	High	To have in place a robust management framework to understand and respond appropriately to increased demand

12. OPTIONS

12.1 There are no alternative budget options presented, however if Council does not accept the proposed budget, then any changes to income or expenditure which will produce a revised balanced budget must be presented and approved at the Council meeting.

13. RECOMMENDATIONS

13.1 Reason for recommendation - To comply with the budgetary and policy framework.

13.2 Recommendations – That Cabinet recommends to Full Council to approve:

- the General Fund budget 2025/26 including the setting of Council Tax;
- The Councils Capital Programme;
- Other associated strategies, policies and plans as set out in the covering report and associated Appendices.

Addendum - Section 25 Report of S151 Officer

“Robustness” of Budgets

1.0 Background

1.1 Under Section 25 of the Local Government Act 2003, the S151 Officer must report as to the robustness of the estimates included within the budget and highlight the risks associated with its deliverability and sustainability and the adequacy of reserves. This Addendum should be read in conjunction with the assumptions and plans outlined in the Budget Appendix attached, as this statement provides critical context for budget discussions.

The framework within which the Council’s budget setting process operates and within which the financial plan was developed is governed by legislation which provides regulatory safeguards for the Council:

Section 25 of the Local Government Act 2003 requires the authority’s Chief Financial Officer to report on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals in the financial plan report, so Members are informed and can consider this when they make their budget decisions.

Section 114 of the Local Government Finance Act 1988 highlights the Chief Financial Officer’s responsibility to report to the external auditor and members if it appears to them that an unbalanced budget is likely to be set for the year. Further, the CFO shall make a report under Section 114 if it appears that the expenditure incurred during a financial year is likely to exceed the resources available to meet that expenditure; or if any unlawful expenditure is planned/takes place.

Local Government Finance Act 1992 identifies the requirement to set a balanced budget.

Section 151 of the Local Government Act 1972 - Financial Administration requires that authorities should appoint a Section 151 Officer to have responsibility for the proper administration of its financial affairs.

The Accounts and Audit Regulations 2015 – Regulation 4 requires that the accounting records and control systems include measures to ensure that risk is appropriately managed.

The CIPFA Financial Management Code 2019 - includes the following standard which should be complied with: “The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves”.

The requirements of the Prudential Code must also be complied with (a separate report on prudential Indicators is included elsewhere in this suite of Medium-Term Financial Strategy (MTFS) reports).

Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of

the meeting that he or she is in arrears, and will not be voting on the decision for that reason. The Member concerned must then abstain from voting.

The Local Authorities (Standing Orders) (England) (Amendment)

Regulations 2014 provide that the Council's procedures must provide for the minutes to record how each Councillor voted (including any abstentions) when determining the Council's budget and the level of Council Tax to be levied.

- 1.2 CIPFA guidance on Local Authority Reserves and Balances also requires that a statement reporting on the annual review of earmarked reserves should be made to Council, at the same time as the budget. The statement should list the various earmarked reserves, the purpose for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balance.

Robustness of Estimates – Overview

- 1.3 Local authorities have been operating within an extended period of financial constraints over the last 10 years with significant cuts in grants from Government since 2013/14 and restrictions on the level of council tax increases that could be applied. It is becoming increasingly evident that councils are experiencing significant financial difficulties.
- 1.4 The Medium-Term Financial Strategy highlights the continued significant uncertainty on the council's projected financial position going forward. The council has received confirmation of grant allocations from the finance settlement for 2025/26 but there is no indication of the level of grant that can be expected from 2026/27. The new Government has given a clear indication that finance reforms are imminent and are expected to start consulting on their proposals in the next few months.
- 1.5 The impact of the economic climate of recent high inflation and higher investment income levels has had a significant impact on the council's budget. Whilst inflation has fallen, there is still uncertainty in the market which is keeping interest rates high for an extended period of time although these are expected to reduce in 2025/26.
- 1.6 Taking these factors into consideration, the projections for the council's financial position beyond 2025/26 is still subject to a high degree of uncertainty and therefore, the estimates reflect a number of assumptions on the financial position over the Medium Term to assist with financial planning for the longer term. As with any assumptions or projections of budgets over a five-year period, some will have a level of risk against them, and the Financial Strategy and Plans 2025/26 to 2029/30 are no exception.
- 1.7 The Local Government Finance Policy Statement announced on 28 November 2024 set out the Governments intentions for the local government finance settlement for 2025/26. This was shortly followed by the provisional funding settlement on 18 December 2024. These both served to provide some early certainty in respect of the funding settlement for 2025/2026 with a view that it would 'ensure stability and maintain balance on council tax'.
- 1.8 The financial strategy assumes that the main Revenue Grants will continue to reduce into the medium term, whilst we await more detail on the Governments planned restructuring of Grant towards areas of most need. The Council has lost Rural Services Delivery Grant and Services Grant however has benefited from the Recovery Grant so future adjustments may or may not

benefit the Council. A new significant funding source for 2025/26 is the Extended Producer Responsibility Grant.

- 1.9 The proposed funding reforms also include the review of the Business Rates Retention Scheme. Detailed arrangements for the review and implementation of a new scheme are still unknown at this time and any re-set of the baseline could mean that the Council does not retain all the growth that has been achieved and is currently included in the Plan. The continuation of 100% retention of rates from renewable energy is also factored into the plan which may also change as part of the reset. The council has benefitted from increased business rates income due to the increase in the business rates multiplier and this has been reflected in the projected figures. However, no additional growth is included in future years due to the level of uncertainty and risk around business rates funding but also because of increased uncertainty from the impacts of the economy and the impact on the Council's ability to sustain levels of income from growth in a market where businesses and individuals are themselves experiencing the effects in increased costs.
- 1.10 In the previous two Financial Strategies mainly due to the embedded Internal Drainage Board levy increase pressure, a savings orientated service review and transformation plan approach has been adopted to balancing the budget, whilst we have awaited government awards for financial support. These grant support payments have been forthcoming for 2023/24, 2024/25 and are within the Draft Provisional Statement for 2025/26 albeit still at £3m which has not reflected the increases over the period 21/22 to 25/26 from £6m to circa £14-15m nationally. We continue to lead the way and lobby heavily on this issue which is significantly and adversely impacting on the Councils budgets. If government does not increase its support for this pressure it may be that Council needs to look at other options for funding this impact although this could only be a short term plan, with a view to more significant and radical savings requirements into the future to fund these rising costs. The council has been prudent in building up a level of reserves in previous years and the use of the Extended Producer Responsibility payments to offset any unfunded IDB pressure will be a necessity plus potentially the use of reserves.
- 1.11 Whilst the Council has made very positive progress with its plans for 2024/25 an even more robust approach will be required in 2025/26 and saving, efficiency, service review and transformation plans will need to be closely monitored and RAG rated in reporting to ensure progress continues to be positive.
- 1.12 The safety net of the level of reserves which could if necessary be re-prioritised, provides for a degree of comfort and robustness and in the opinion of the S151 Officer are adequate for the purposes of the Council for the period up to 2026/2027. From 2026/2027 the risks associated with the budget significantly change and many different factors are in transition. As noted in the strategy, there are a number of operational and financial risks facing the Council that could possibly impact on the level of Reserves held, which may result in balances depleting earlier than anticipated depending particularly on the outcome of the government position regarding support for the Internal Drainage Board Levy increases.
- 1.13 The main risks facing the Council are as follows:

Internal Drainage Board Levy funding and increases – The most significant financial challenge for the Council is in respect of the Internal Drainage Board levy increases. Representations continue to be made at any possible point to seek to increase the grant

funding that is now in its third year to a level closer to the pressure that exists in the Councils budget.

Business Rates Reset – There is no assumption for increased growth in the financial strategy as this currently presents a significant level of risk. Alongside this, there is a risk that an element of the growth will be removed as part of the baseline re-set with the implementation of the new Business Rates Retention Scheme arrangements. There is also concern that some of the business rates generated from renewable energy will also be withdrawn under the new scheme. These are currently retained at 100% so presents considerable risk if any or all of this is removed. With any new financial reforms is the assumption that there will be some dampening mechanism to soften the impact of any significant funding reductions but until further announcements are made on the detail and timing of the implementation of a reset, it remains a significant risk. These risks will continue to be monitored and reported to management and members as information on new arrangements for the scheme emerge. The pooling gain similarly supporting the baseline position may also be subject to changes again impacting on Council budgets.

Future Funding – The government has announced a fundamental review of funding to take place in 2025/26 with a view to future multi-year settlements. These proposed changes have also resulted in the creation of a recovery grant in 2025/26 with a clear direction of travel to support authorities with high levels of need and low ability to raise finance to support those pressures. These changes have already impacted on the Councils budgets in terms of the withdrawal of Rural Services Delivery Grant and Services Grant. Additional targeted funding has been received around certain high pressure areas such as Homelessness and Rough Sleeping. The position around Long Terms Towns Funding and UK Shared Prosperity Funding is also starting to crystallise as more details become available. The other new and significant factor is the introduction of Employer Responsibility Payments which reflect the cost of dealing with waste that is currently in the system. The National Insurance cost has not been fully funded and an improved approach is being considered by government on this and adjustments have taken place as part of the final settlement are a positive move forwards. The costs to our contractors which will be passed on however will not be met and budgets will need to accommodate this additional pressure. Changes to the waste system due to be implemented in 2026/27 also represent financial risk if not fully funded and in light of rural delivery being more expensive could be substantial.

Operational Risks – There will always be an element of risk in the robustness of estimates where many services are demand led. This level of risk is especially heightened during this period of uncertainty in the economy. This is particularly the case where large or volatile budgets exist – mainly the income driven budgets e.g. planning, building control, rents and car parking fees.

Past experience shows that the risk from these service areas, whilst significant in financial terms, can be dealt with through good budget management which quickly identifies any potential issues and enables prompt corrective action to be taken and where necessary with the use of balances. However, since the pandemic and the following economic impact, there has been a notable change in the demand for some services and there is a degree of uncertainty on whether they will return to previous levels.. Additionally, the cost of living impacting households and businesses will continue to impact on the demand for services and indeed debt levels/management. The performance against budgets is included in regular monitoring reports to management and members and in the event that action is necessary, approval can be gained quickly.

General Economic Risks – Assumptions on inflation made within the budget are detailed in the report. Where inflation factors rise above the assumed levels there will be an impact on the budget. The risk can be reduced through strong budget monitoring of spend and corrective action being taken. In the event that costs cannot be contained then the working balances and reserves come into effect.

Provision was previously included to increase budgets for gas and electricity, reflecting changes to unit costs emerging during 2023. However, these costs are now coming down and the forecast have been amended for this. Utility costs are affected by global supply and delivery levels and there remains a volatility risk that these could change over the medium-term financial plan. Predictions for these supplies will continue to be obtained and the anticipated impact reported in monitoring reports to management and members.

There is a risk to the budget from further changes in interest rates, especially in the current economic climate. The bank rate has seen significant increases since December 2021 from 0.10% to the current rate of 4.75% following the decisions made by the Bank of England Monetary Policy Committee in their objective to control inflation. This has a direct influence on the interest paid on the Council's investments. The risk is reduced through good financial management practices and monitoring of the markets and budget position. Interest rates in the Financial Strategy reflect the forecast bank rate which is anticipated to continue to reduce during 2025/26 and thereafter.

Capital Schemes, Partnerships and Contracts – The Council will always be subject to general financial risks inherent within large capital schemes, major outsourcing arrangements and partnership arrangements. More recently, the impact of inflation, NI increases and the current economic climate has had an impact on a number of the projections for some of the major projects causing volatility and uncertainty in any projections over the short term period. Whilst these risks can be reduced through the existence of good governance arrangements, active participation in the schemes and sound project management, it is critical that the projects are frequently reassessed from a financial perspective and the monitoring of the risks remains constant so that actions can be considered at the earliest opportunity. The monitoring and performance of major projects is reported through existing mechanisms. The Councils external contracts continue to be closely monitored to ensure they continue to provide value for money and to ensure that contract inflation is mitigated as far as practicably possible.

Business Continuity – In terms of risk management there are a number of issues that present a risk to the Council. The most highly rated risks are concerned with finance – the impact of the IDB levy on the Councils finances and future sustainability, reductions in government grant, inflation impacting on economic activity, increasing costs of capital projects and variation to service demand with an impact on income and increases to delivery costs for services to the vulnerable. The implementation of the new Business Rates Retention Scheme and the Fair Funding Review impacts the certainty with which the Council can plan and implement its longer term aims, such as economic growth. All these risks have been considered and are being proactively managed where possible.

Local Government Re-organisation

The impacts of the governments white paper need to be carefully considered and managed in light of the information and timelines associated with this.

Legislation/Statutory/Accounting Guidance – There are always risks associated with such changes, for example, changes to Statutory Overrides, Minimum Revenue Provision, VAT

rules or environmental legislation could have significant impact on the Financial Plan of the Council. There is little that can be done to mitigate these risks other than to continue to be aware of the potential changes and inform and act accordingly.

9.5 Delivering the MTFS

The MTFS requires a number of key actions to be implemented in order to achieve a stable and sustainable financial position for the Council. These include:

- Continued robust lobbying regarding the IDB financial pressure which is uncontrollable and unaffordable
- implementing savings, efficiency, sharing and transformation plans
- identifying further efficiencies or savings that are sustainable in nature
- reviewing contracts for best value
- delivering income generation projects
- considering how services can be delivered more efficiently
- ensuring a commercial approach is taken where applicable
- increasing revenues by encouraging more businesses into the district
- increasing revenues by continuing to support and encourage housing development

These will need to be managed against a backdrop of the local government finance reforms.

To ensure delivery, officers at the Council are advised to ensure that:

- Teams are suitably resourced to deliver the Council's objectives - particularly projects or initiatives that the financial plan is dependent on delivery that resources are at the right level and with the right skills.
- Officers continue to review service delivery which balance service improvement with reducing costs and being more efficient.
- Grant funding opportunities are maximised.
- Sufficient funding is set aside to support delivering the Council's objectives – particularly those projects or initiatives that the financial plan is dependent on delivery and especially those with an invest to save basis, with clear criteria and expectations of return.
- Processes, procedures and practices are continually updated to reflect the Council approach to secure value for money or secure efficiencies/savings where applicable.

Members are advised to ensure that:

- progress against efficiency plans are regularly monitored by the Executive and Portfolio Holders.
- members take future decisions that support the aim of maintaining a financially stable and sustainable Council as set out in the MTFS, including clear funding source where applicable.
- business cases for investment projects should be rigorously reviewed to ensure they deliver value for money to the Council.