



## Update to the Council Budget 2024/25 report to the Executive 06 February 2024

### 1. Summary

- 1.1 As noted within the summary section of the “Council Budget 2024/25” report to the Executive on 6 February 2024, further amendments were expected to be tabled at the meeting due to the timing of report publication.
- 1.2 Several updates have been made to the funding base, to reflect the following:
- Income from the council tax base being lower by £1.137m, which marginally increases through compounding in later years,
  - Income from the council tax collection fund being £0.507m higher than originally planned in 2024/25 only,
  - Income from the business rates tax base being lower by £0.302m, which marginally reduces in later years due to updated indexation,
  - Income from the business rates collection fund being £0.163m higher than originally planned in 2024/25,
- 1.3 The supporting information for council tax and business rates can be seen in the appendix to this briefing. Together, income from local taxation is £0.769m lower in 2024/25, with the underlying reduction in later years being more than £1.3m per annum. The impact to the 2024/25 budget is shown below:

Table A – Summary Revenue Budget 2024/25

SUMMARY REVENUE BUDGET	2024/25 Previous Budget (£)	2024/25 Updates to Proposal (£)	2024/25 Revised Budget (£)
<b>EXPENDITURE</b>			
Net Base Budget	604,257,273	-	604,257,273
Cost Pressures (including inflation)	64,977,883	-	64,977,883
Savings & Additional Income	(23,451,688)	-	(23,451,688)
Other Movements (e.g. service grant funding)	543,384	-	543,384
Budget Requirement (pre use of reserves)	646,326,852	-	646,326,852
<b>RESERVE ADJUSTMENTS</b>			
Transfer to (+) / from (-) Earmarked Reserves	194,732	(769,104)	(574,372)
Transfer to/from General Reserves	-	-	-
<b>BUDGET REQUIREMENT</b>	<b>646,521,583</b>	<b>(769,104)</b>	<b>645,752,480</b>
<b>FUNDING</b>			
County Precept	(388,900,657)	630,647	(388,270,010)
Business Rates	(152,808,676)	138,456	(152,670,220)
Non-Specific Government Grants	(37,963,806)	-	(37,963,806)
Social Care Grants	(66,848,444)	-	(66,848,444)
<b>Total Funding</b>	<b>(646,521,583)</b>	<b>769,104</b>	<b>(645,752,479)</b>

- 1.4 The Government announcement of additional funding referenced within the published report (see report para 1.14) is expected to be in the region of £8.7m but is subject to confirmation in the final settlement.
- 1.5 As a result of the changes set out in 1.2, the medium term financial impact has been updated and can be seen in the below table, expressed for each council tax increase scenario being considered:

Table B – Council tax increase scenario's

COUNCIL TAX	2024/25 Budget (£)	2025/26 Budget (£)	2026/27 Budget (£)	2027/28 Budget (£)
<b>Option A</b>				
Band D Council Tax (%)	2.99%	2.99%	2.99%	2.99%
Band D Council Tax (band D £)	1,548.63	1,594.89	1,642.59	1,691.73
County Precept	(378,908,289)	(396,080,275)	(414,045,145)	(432,828,266)
Use of Reserves	7,929,249	14,880,278	14,260,165	16,816,315
<b>Option B</b>				
Band D Council Tax (%)	3.99%	2.99%	2.99%	2.99%
Band D Council Tax (band D £)	1,563.66	1,610.37	1,658.52	1,708.11
County Precept	(382,585,727)	(399,924,629)	(418,060,596)	(437,019,081)
Use of Reserves	4,251,810	11,035,924	10,244,715	12,625,501
<b>Option C</b>				
Band D Council Tax (%)	4.99%	2.99%	2.99%	2.99%
Band D Council Tax (band D £)	1,578.69	1,625.85	1,674.45	1,724.49
County Precept	(386,263,166)	(403,768,984)	(422,076,046)	(441,209,896)
Use of Reserves	574,372	7,191,569	6,229,264	8,434,686

- 1.6 Prior to the receipt of any additional grant funding via the final settlement, there is a modest deficit in 2024/25 which increases in later years. If the council tax increase is not maximised, the ongoing deficit is increased on an ongoing basis.
- 1.7 The Council's future estimate of funding reflects the Government's future spending plans as set out in the Autumn Statement. Irrespective of the latest announcement of additional funding, future spending plans have not changed and the Government will next be providing an update on this in its Spring Budget on 6 March 2024.

Council Tax: Tax Base

- 1.8 Since preparing the Budget 2024/25 report, the County Council has received confirmed figures from each of the seven District Councils. The figures received show an increase in the tax base since last year for these Councils collectively of 1.20%. The change by district can be seen in the table below:

Table C – CTAX Base by District

District	2023/24 Tax Base	2024/25 Tax Base	Change (Band D)	Change (%)
City of Lincoln	25,249.48	25,669.23	419.75	1.66%
Boston	20,274.00	20,302.00	28.00	0.14%
East Lindsey	46,377.00	47,222.00	845.00	1.82%
West Lindsey	31,696.76	32,093.99	397.23	1.25%
North Kesteven	39,000.00	39,400.00	400.00	1.03%
South Kesteven	49,329.00	49,710.00	381.00	0.77%
South Holland	29,841.00	30,276.00	435.00	1.46%
<b>Lincolnshire Total</b>	<b>241,767.24</b>	<b>244,673.22</b>	<b>2,905.98</b>	<b>1.20%</b>

- 1.9 The taxbase has grown in all districts, with varying degrees of growth. The total tax base is lower than the total 1.5% tax base increase that had been assumed for Lincolnshire. When compared to the figures presented in the budget proposal report, the final taxbase increase will result in a reduction to Council Tax precept income of £1.1m in 2024/25 at the proposed council tax levels.
- 1.10 It is possible that this could be a temporary reduction which might be reversed in later years, depending on the specific nature of the reduction. However, as this is the second year of growth below 1.5%, there is merit in re-considering growth targets during 2024/25. Furthermore, further analysis is required of the factors supporting the change reported.

Council Tax: Collection Fund

- 1.11 All seven of the District Councils have submitted their provisional positions on the council tax elements of their Collection Funds. There is a net surplus attributable to the County Council of £2m, which is more than the collection fund surplus assumption made of £1.5m. This can be seen in Table B:

Table B – CTAX collection fund surplus (+) / deficit (-) by District

District	2023/24	2024/25	Change
City of Lincoln	(663,775)	(524,242)	139,534
Boston	(153,298)	(289,373)	(136,075)
East Lindsey	593,808	853,396	259,588
West Lindsey	1,369,700	1,381,100	11,400
North Kesteven	563,759	470,962	(92,797)
South Kesteven	71,758	(208,705)	(280,463)
South Holland	244,278	323,705	79,427
<b>Lincolnshire Total</b>	<b>2,026,229</b>	<b>2,006,844</b>	<b>(19,385)</b>

- 1.12 The table shows a forecast surplus for four districts, with deficits forecast for City of Lincoln, Boston and South Kesteven. Each district Council considers a range of factors when estimating the collection fund position, which need to be analysed further to inform future setting assumptions. Overall, the overall forecast surplus should be considered positively considering the wider economic context set out in the budget report.
- 1.13 The collection fund surplus to be reflected in the 2024/25 budget is £0.5m more than the level assumed in the budget proposal report. This represents a one-off gain, which offsets some of the pressure caused by the lower increase in the council tax base.
- 1.14 Taken together, the net effect of the council tax base (- £1.1m) and collection fund changes (+ £0.5m) reduces total council tax funding by £0.6m.

#### Business Rates: Tax Base

- 1.15 All of the District Councils have now submitted their estimates of the amounts of Business Rates due to be collected next year. When combined with the information contained within the Local Government finance settlement in respect of the top up grant and section 31 grant funding, a complete picture for business rates can now be established and is presented in Table E:

Table E – NNDR income (with local collection by District)

District	Local Collection	Renewable	S.31 Grant (districts)	Total
City of Lincoln	4,025,140	-	1,596,421	5,621,561
Boston	2,027,540	328	938,540	2,966,408
East Lindsey	3,718,668	236,484	2,451,117	6,406,269
West Lindsey	1,842,162	221,382	880,590	2,944,134
North Kesteven	2,945,096	150,323	1,255,315	4,350,734
South Kesteven	4,202,959	182	1,735,210	5,938,351
South Holland	2,541,969	67,584	1,062,381	3,671,934
<b>Lincolnshire Total</b>	<b>21,303,534</b>	<b>676,283</b>	<b>9,919,574</b>	<b>31,899,391</b>
			Top Up Grant	98,951,325
			S31 Grant (multi. cap impact on top up)	19,621,043
			Forecast Pooling Gain	2,035,000
			<b>Income from Business Rates</b>	<b>152,506,759</b>

- 1.16 The business rates system primarily operates on a 50% retention basis, whereby Local Government bodies retain 50% of the amount collected locally. Locally, this is split between District (40%) and County (10%). The Government retain the other 50%, which they in turn use to fund different grants to the sector.
- 1.17 The business rate system incentivises the development of renewable energy properties, with Local Government bodies able to fully retain the business rates generated from renewable energy properties. This is split between the District and the County on a case by case basis.

- 1.18 Under the current percentage shares, the County Council does not receive enough income from business rates to fund its 'baseline need', which is an amount determined by Government. Therefore, it receives a top up grant from Government which accounts for more than 78% of its total income from business rates, when adjusted for the multiplier capping (see 4.6). At a District level, the amount received is in excess of 'baseline need' and gives rise to a tariff payment, which at a national level is redistributed to fund top-up grants.
- 1.19 The Government maintain control over large parts of the business rates system, and often make policy changes to the system which the billing authorities are then required to implement. This includes for changes to business rate reliefs (e.g. retail/small business relief). The Government also sets the national multiplier, which enables the calculation of gross liabilities when considered alongside rateable values. In making any change to the current system, the Government is required to compensate local authorities through additional section 31 grant funding. For 2024/25, the key change relates to the Government decision to de-couple indexation increases in the multiplier. The small business multiplier is to remain frozen, and the standard multiplier is to increase by inflation. Through this change, the Government has reduced business rate liabilities for small businesses compared to what they would have been, and the Council will be compensated for its share of foregone rates.
- 1.20 In addition to this, the Government's decision to freeze the small multiplier means that the top-up grant it receives has also been depressed and would have been higher without the intervention. Therefore, it also receives a separate section 31 grant from the Government to ensure the Council is not worse off as a result of the policy intervention designed to contain business rate costs for small businesses. On the whole, this is a double benefit for Lincolnshire because its income is not subject to reduction as a result of the change, and local businesses benefit from the policy intervention.
- 1.21 The Council operates as part of a business rates pool, which enables a reduction in the levy to be paid by Lincolnshire authorities. This gain is shared, and Lincolnshire's estimated share is approximately £2m.
- 1.22 The published budget proposal assumed total income of £152.8m in respect of the above items, and therefore the position contained in Table E represents an modest reduction of £0.3m.

#### Business Rates: Collection Fund

- 1.23 The Council has received notification of the collection fund estimates from all seven of the District Councils. The forecast is for an overall modest surplus, which can be seen in Table F:

Table F – NNDR collection fund surplus (+) / deficit (-) by District

District	2023/24	2024/25	Change
City of Lincoln	170,527	116,980	(53,547)
Boston	(184,682)	55,375	240,057
East Lindsey	357,983	38,801	(319,182)
West Lindsey	(167,244)	29,081	196,325
North Kesteven	147,412	(72,418)	(219,830)
South Kesteven	3,140	(100,230)	(103,370)
South Holland	146,457	95,872	(50,584)
<b>Lincolnshire Total</b>	<b>473,592</b>	<b>163,460</b>	<b>(310,132)</b>

- 1.24 The budget proposal made no assumptions, which reflects the volatility that can be present within this area. The surplus comprises a residual surplus from the end of 2022/23 (£0.229m), in addition to a modest forecast in year deficit (£0.066m).
- 1.25 Taken together, the net effect of the business rates tax base (- £0.3m) and collection fund changes (+ £0.2m) marginally reduces funding by £0.1m.