Council Budget 2024/25

Lincolnshire
COUNTY COUNCIL
Working for a better future

	CONTENTS	Page
Section 1	Budget Recommendations	3
Section 2	The Financial Background	4
Section 3	The Council's Revenue Funding	10
Section 4	The Council's Overall Revenue Budget	16
Section 5	Revenue Budgets	18
Section 6	Reserves	31
Section 7	Capital Programme	32
Section 8	Prudential Indicators	36
Section 9	Minimum Revenue Provision	37
Section 10	Section 151 Officer’s Statement on the Robustness of the Budget and Adequacy of Reserves	40
Section 11	Consultation and Engagement	46
Appendix A	Revenue Budget 2024/25	47
Appendix B	County Precept 2024/25	48
Appendix C	Equality Impact Analysis (Council Tax proposal)	49
Appendix D	Budget Engagement and Consultation Feedback	62
Appendix E	Financial Strategy	80
Appendix F	Key Financial Health and Performance Measures	96
Appendix G	Graphical Representation of the Revenue Budget	97
Appendix H	Revenue Government Grants 2024/25	99
Appendix I	Revenue Budget Cost Pressures and Savings (by Service)	100
Appendix J	Changes in Revenue Budget between 2023/24 and 2024/25	101
Appendix K	Reserve Statement and Strategy	103
Appendix L	Development Fund	108
Appendix M	Prudential Indicators	112
Appendix N	Capital Strategy 2024/25	114
Appendix O	Capital Investment Programme	150
Appendix P	Capital Government Grants 2024/25	154
Appendix Q	Summaries of Delivery Services Revenue Estimates:-	
	Education	155
	Childrens’ Social Care	157
	Adult Frailties	159
	Adult Specialities	161
	Public Health & Community Wellbeing	163
	Public Protection	165
	Communities	167
	GL Local Enterprise Partnership	169
	Growth	171
	Highways	173
	Fire & Rescue	175
	Resources	177
	Corporate Services	191
	Other Budgets	193
Appendix R	Glossary of Financial Terms	195
Appendix S	Glossary of Service Areas	196
Appendix T	Contact Information for Service Areas Budget Detail	198
Appendix U	Business Rates Taxbase	199
Appendix V	Council Tax Base	200
Appendix W	CIPFA Resilience Index	201
Appendix X	Office for Local Government (OFLOG): Financial Indicators	204

1. BUDGET RECOMMENDATIONS

It is recommended that the Council:

1.1 has due regard to the responses to the engagement and consultation feedback on the Council's budget proposals as contained in the Budget Book (**Appendix D** - Budget Engagement and Consultation Feedback).

1.2 has due regard to the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of Reserves as set out in the Budget Book (**Section 10** - Section 151 Officer's Statement on the Robustness of the Budget and Adequacy of Reserves).

1.3 has due regard to the Impact Analysis relating to increasing the Council Tax by 4.99% in 2024/25 set out in the appended 'Budget Book' (**Appendix C** – Equality Impact Analysis relating to the council tax proposal in 2024/25).

1.4 approves:

1.4.1 the service revenue budgets for 2024/25 contained in the Budget Book, (**Table 2** - Net Service Revenue Budget 2024/25), as amended by recommendation 5 below;

1.4.2 the capital programme and its funding contained in the Budget Book (**Section 7** - Capital Programme) and (**Appendix O** - Capital Investment Programme);

1.4.3 the County Council element of the council tax for a Band D property at £1,578.69 for 2024/25 contained in the Budget Book (**Appendix B** - County Precept 2024/25);

as together being the Council's Budget.

1.5 agrees that the following spending priorities be funded via the additional general fund capacity of £7.793m created by the final settlement:

Additional Investment	£	Recurring
Flooding and Drainage Measures		
Highways Drainage & Jetting	1,800,000	Recurring
Flooding Team	215,000	Recurring
Flooding Design Work	878,000	
Highways Maintenance		
Highways at 23/24 levels	2,500,000	
Public Protection		
Anti Social Behaviour Measures	1,000,000	
Fire & Rescue Flood Response		
Additional PPE, pump and vehicle for flood response	400,000	
Environmental		
Green Masterplan Delivery, tourism, public rights of way	1,000,000	
TOTAL (2024/25)	**7,793,000**	
TOTAL (RECURRING)	2,015,000	

1.6 approves the Council's Financial Strategy contained in the Budget Book (**Appendix E** – The Financial Strategy);

1.7 approves the Council's Capital Strategy contained in the Budget Book (**Appendix N** – Capital Strategy 2024/25);

1.8 approves the prudential targets for capital finance and notes the prudential indicators contained in the Budget Book (**Appendix M** - Prudential Indicators);

1.9 approves that the minimum revenue provision (MRP) be based on the asset life method, charged on an annuity basis for major infrastructure projects and in equal instalments for all other assets, over the estimated life of the assets acquired through borrowing as set out in the appended Budget Book (**Section 9** - Minimum Revenue Provision).

Councillor M Hill OBE	A Crookham CPFA
Leader of the Council	Deputy Chief Executive & Executive Director of Resources

2. THE FINANCIAL BACKGROUND

2.1 This report sets out a one year financial plan for revenue and capital budgets for 2024/25, which reflects the provision of a one-year Local Government finance settlement (see section 3).

The Financial Strategy

2.2 At the outset, it is important to recognise the strong foundation of the Council which means it is better placed than most to navigate the challenges that are expected to lie ahead, and which are considered in this report. This is based on the following:

- The prevailing culture of prudent financial management which has been invaluable to date and will continue to be required going forward,
- The successful 2022/23 outturn (which resulted in an underspend) and the current forecast outturn for 2023/24 (underspend forecast),
- That the Council is in much better financial position than many other local authorities, with sectoral challenges not specific to Lincolnshire,
- That most of the Council's net funding now comes from local taxation,
- The provision of well-led services throughout Lincolnshire, which deliver high quality for residents and lead to better financial outcomes.

2.3 Whilst the starting position is strong, there are examples from across the sector where local authorities have gone from a position of strength to vulnerability in a relatively short timeframe. This can be due to factors such as significant increases in demand (and complexity of demand) for services, far outstripping spending power changes. Therefore, the Council must guard against complacency and continue to ensure a well-planned approach to meet current and future need well.

2.4 Each year, the Council updates and refreshes its financial strategy so that it remains current and appropriate to the wider operating environment. It is important to recognise that the Council is not in control of large aspects of the financing framework and has funding certainty for 2024/25 only, which is a barrier to long-term strategic planning.

2.5 Therefore, the strategy instead focusses on the areas and principles which the Council has greater control of. This includes the following principles:

- Ensuring ever closer convergence between the Corporate Plan and use of resources,
- Ensuring effective monitoring arrangements are in place, and link to activity data, so that the organisation has early sight of changes to financial plans,
- Ensuring an adequate level of reserves are held relative to the level of risk identified,
- Undertaking constructive challenge sessions where areas of cost are at risk of increasing in an unplanned way, in the knowledge that it is easier to avoid spending a pound as opposed to saving one,
- Proactively identifying business process improvements, which improve the way the Council works and lead to cost reductions.

2.6 The updated financial strategy can be seen in Appendix E. The strategy will continue to evolve in line with changes in the Council's external environment.

The Economic, Financial and National Policy Context

2.7 The economic environment continues to be a significant risk for the Council. The economy has been subject to unprecedented inflation, which means that the cost of goods and services have increased at a higher rate than the Government's target, over a prolonged period. Over the past eighteen months, the rate of inflation increased to unprecedented levels, peaking at 11.1% in October 2022. It has been reducing at a steady rate since then, with the rate of inflation for October 2023 recently reported as 4.6%. This has led to a challenging operating environment for the Council, due to its inflationary exposure within the cost base (contracting and staffing costs).

2.8 In an attempt to contain the rate of inflation, the Bank of England have increased the base rate which directly impacts upon the cost of borrowing, with the base rate currently at 5.25%, having been 3% in mid-December 2022 and 0.1% in December 2021. The effect of this is that the cost of borrowing increases, and the rate of saving is increased, effectively reducing money supply in the economy and, in theory, reducing demand pressures contributing to inflation. This is the main policy tool available to the Bank of England, although they have also stopped quantitative easing and have been actively selling bonds (quantitative tightening), which has the same effect of removing money from the economy.

2.9 The rate of inflation has started to recede towards normal levels, which has reduced the pressure on the Bank to further raise interest rates. The increase to the current base rate was decided in early August, therefore the rate has not increased since and is no longer expected to. In the most recent quarterly monetary policy report published by the Bank (November 2023), the Bank set out their forecasts for future inflation. The revised inflation forecasts are 4.6% (2023 Q4), 3.1% (2024 Q4), 1.9% (2025 Q4), and 1.5% (2026 Q4). Inflation is not expected to return to below the 2% target for until 2025, which has implications for financial planning.

2.10 As a result of the volatility within the economy, the Bank's inflation forecasts have been consistently amended, to reflect a slower fall to the 2% target. In the May 2023 update, inflation was forecast to reduce to 2.3% by 2024 Q4 (now expected to be 3.1%) and fall to around 1% during 2025 (now expected to average at 2.2%). In the November 2022 update, inflation was forecast to fall to 1.1% in 2024 Q2 (now expected to be 3.6%). Therefore, there is a risk that inflation does not fall as quickly as set out in the Bank's latest forecast. In addition, the latest forecasts mean an economic adjustment to a permanently higher price base.

2.11 The rate of inflation has major implications for the Council, in that it directly impacts the cost base. However, it is also important to consider the impact it has on the national finances, which in turn inform local resource availability. At a national level, the rate of inflation increases the cost of benefits and the state pension. In addition, it also increases the cost of delivering public services as referenced above. The increased Bank of England base rate increases the cost of borrowing nationally. There are some offsets with regards to increased taxation receipts, through areas like higher income tax (as a result of higher wages) and higher consumption taxes (e.g. VAT on inflated prices). This matters to the Council, because the financing framework and quantum for Local Government is determined by Central Government, which links to the state of the national finances.

2.12 The Government determines departmental spending limits through the Autumn Statement. The affordability limits are linked to the Government's fiscal rules. The Treasury is required by the Budget Responsibility and National Audit Act 2011 to set out the means by which its objectives in relation to fiscal policy will be attained ("the fiscal mandate"). In order to achieve the above objectives, the Treasury's mandate for fiscal policy is:

- to have public sector net debt (excluding the Bank of England) as a percentage of GDP falling by the fifth year of the rolling forecast period,
- a target to ensure public sector net borrowing does not exceed 3 percent of GDP by the fifth year of the rolling forecast period,
- a target to ensure that expenditure on welfare is contained within a predetermined cap and margin set by the Treasury.

2.13 The Prime Minister set out five priorities in January 2023, of which three directly relate to economic performance. These include to: halve inflation, grow the economy, and, reduce debt. This again reinforces the policy framework which guide public spending decisions, now and in the future. With regards to halving inflation, this has been achieved and was always likely to occur due to comparing price levels to a permanently higher base.

Autumn Statement

2.14 On 22 November 2023, the Government set out their spending plans for the medium term via the Autumn Statement. The Autumn Statement incorporates updated economic projections from the independent Office for Budget Responsibility (OBR). The Government set out some clear strategic signals, stating their choice as “not big Government, high spending and high tax”, with the preference instead to “reduce debt, cut taxes and reward work”. It is within this context that public spending decisions have been taken, which informs the setting of departmental spending limits and consequently the Local Government finance settlement.

2.15 The key points to note from the Autumn Statement were as follows:

- Since the March forecast, tax receipt forecasts have been significantly increased, primarily due to the impact of inflation on wages set against frozen tax allowances in some cases. The increase in tax receipts is expected to be greater than the increase in spending (e.g. benefits and debt interest), giving rise to additional headroom.

- The Government have opted to invest the additional headroom into tax cuts. This includes cutting the rate of national insurance for employees and for the self-employed, with structural changes proposed for the latter. In addition, the Government introduced further incentives for business investment, with permanent up front tax write-offs.

- The Government decided not to amend departmental spending limits, instead maintaining the limits set in the Spending Review 2021 and updated in the Autumn Statement 2022. This is in spite of the challenges being experienced across all public services with regards to permanently higher levels of inflation, compared to when the departmental spending limits were set. By implication, this means that there is not expected to be any additional funding for Local Government over and above the measures previously announced (e.g. social care grant).

- The Government confirmed the assumption for the future path of departmental spending. This will follow the profile set at Spring Budget 2023. After the current Spending Review period, planned departmental resource spending will grow at 1% a year on average in real terms. According to the Institute for Fiscal Studies, priority areas (e.g. health, defence, schools) would absorb larger proportionate increases, thereby implying real terms reductions for non-priority areas (e.g. Local Government). The planning assumption is that the Council’s resources beyond 2024/25 would increase at a slower rate than inflation, reducing the scale of increases experienced in recent years. This is particularly challenging when considered against increased demand for services.

- The Government confirmed that, while day-to-day spending will continue to grow above inflation in future years, public spending faces many pressures. One of the ways the Government will look to address this is through boosting public sector productivity and by focusing spending on the Government's priorities. Building on this, the Public Sector Productivity Programme has focused on: creating a modern and efficient workforce, reducing administration for front line services, greater use of cutting edge technology like artificial intelligence, and early intervention to prevent problems arising and becoming embedded. The areas considered are more oriented towards Central Government, and therefore specific application to Local Government is not yet clear.

- With regards to business rates, the Government confirmed that there will be a change in approach for inflation for the standard and small business rate multipliers. The small business rate multiplier is to be frozen, and the standard multiplier is to increase by inflation (CPI).

2.16 Overall, there are short and medium term challenges presented by the Autumn Statement. In the short-term, costs have increased at a quicker rate than had been forecast twelve months previously, which was reflected in the Autumn Statement. Beyond 2024/25, the Council has little to no certainty in terms of what its spending power will be, or what its role will be in the delivery of public services. In effect, this decision has been deferred to the next Government, which makes long-term planning challenging.

2.17 Following the Autumn Statement, the Department for Levelling Up, Housing and Communities (DLUHC) translate national spending limits into individual allocations for local authorities via the Local Government finance settlement (see section 3).

<u>Local Government Finance Settlement</u>

2.18 Due to the Local Government finance policy statement 2023/24 also setting out a higher level intended approach for 2024/25, the Council had already planned for an uplift in funding from 2023/24 in its previous medium term financial plan. The Government decided to not increase funding in the 2024/25 draft settlement over and above the level previously announced, despite the rate of inflation being higher for longer compared to the Autumn Statement 2022 assumptions, effectively meaning a real terms reduction in value.

2.19 In the final settlement, announced on 5 February 2024, the Government recognised the pressures being experienced across the sector and provided an additional £600m in grant funding, primarily via the social care grant. This funding is met with new ongoing reporting requirements, and is considered to be one-off with future levels of funding to be determined by the next Government.

<u>Local Government Oversight (including OFLOG and CIPFA published indicators)</u>

2.20 With regards to the new ongoing reporting requirements, these relate to the production of productivity plans (refer to section 3 for further details). The Government will also be establishing a productivity panel, which will be made up of sector experts including the Office for Local Government (OFLOG) and the Local Government Association (LGA).

2.21 It should be noted that OFLOG have published a series of financial indicators which are intended to aid oversight of the relative financial position of each local authority. The Council's published indicators for 2021/22 and 2022/23 in Appendix X, are shown alongside comparator data where available, in addition to contextual narrative.

2.22 In addition, the Chartered Institute of Public Finance and Accountancy (CIPFA) started publishing a resilience index a number of years ago, with a similar purpose (i.e. to improve comparability and oversight). The Council's most recent published indicators under the CIPFA resilience index are shown in Appendix W, and again are shown alongside comparator data where available.

2.23 An internal assessment has concluded that the Council compares well on the majority of measures, with the area of potential risk relating to social care spending. The Council spends relatively less on social care services than comparator authorities. The implicit risk is that, if the Council increased towards comparator levels, the cost of those services would significantly increase. The caveat is that the Council has strong local service delivery models in place, which include pro-active investment to meet future demand, as well as other effective demand management approaches. This enables the cost to remain relatively lower, and therefore the Council is an outlier as a result of the local approach.

Council Tax

2.24 On an annual basis the Council has the opportunity to review the level of Council Tax. Central Government sets thresholds above which a local authority would be required to hold a referendum for Council Tax increases. For 2024/25 the threshold has been set at a 3% increase for general council tax, plus a further 2% for authorities with adult social care responsibilities to deal with pressures in this area. The budget proposes increasing council tax by 4.99% (inclusive of 2% for adult social care) and ensures the Council is better placed to address the risks within the medium term outlook such as the funding uncertainty beyond 2024/25.

2.25 Whilst this is a challenging time for residents, the Council must take the necessary steps to ensure its financial sustainability and put it in the strongest possible position to withstand any potential funding and/or expenditure shocks. Maximising resources supports the Council's ability to do this. It must also be noted that short-term funding settlements also contribute towards the need to maximise available funding, given funding could be materially different in one years' time.

2.26 It must be noted that an increasing number of local authorities are reporting financial difficulties, whereby costs are escalating at a faster pace than income and funding. The County Council can be considered to be in a relatively strong position, which is directly as a result of its prudent approach to financial management and service delivery. As part of Government efforts to support those authorities in distress, additional council tax flexibilities have been granted on a case by case basis. For example, Birmingham are able to levy a 10% increase, inclusive of a 5% supplement. The preference is always for financial sustainability to be prioritised, which now relies upon consistent and sensible increases.

2.27 It cannot be overstated how important the Council's well-run services contribute to the current financial position. It is in the Council's interests to prioritise and promote financial sustainability, so that it remains fully in control of its size and shape relative to its available funding. Importantly, the Council's reserves ensure it has sufficient capacity to respond to expenditure or funding challenges in a sensible and well thought through way.

2.28 In addition to promoting financial sustainability, the proposed increase to council tax also addresses a risk with regards to lobbying and accessing additional Government funding for road projects. The Council is better placed to lobby for additional resource to spend on key priorities like highways and social care if it has done everything within its power to generate resources locally. If it doesn't maximise the increase in council tax, the Government would be well placed to resist any lobbying on the basis that the Council has opted to not maximise the sources of funding available to it.

2.29 For several years, the Government has deferred two funding reforms, which would be expected to change the way funding is distributed to all types of local authorities across the country. These reforms were due to be in place for April 2021 but have been deferred more than once, with no specific date now planned for implementation.

2.30 In developing the financial plan the Council has considered all areas of current spending, levels of income and council tax to set a balanced budget. This includes a review of all areas of service expenditure to identify cost pressures which must be funded and savings which can be made through efficiencies. All savings identified for 2024/25 are considered to have minimal impact on users of the Council's services.

3. THE COUNCIL'S REVENUE FUNDING

Local Government Finance Settlement

3.1 The provisional Local Government Finance Settlement was announced on 18 December 2023 and covered the year 2024/25 only. The settlement confirmed a potential £64.1bn funding package for local authorities (£3.9bn or 6.5% increase from 2023/24), with the key changes from 2023/24 set out below:

- £2.1bn increase predicated on maximising council tax increases (3% core increase + 2% adult social care precept)

- £1.4bn increase through additional social care grants (£0.7bn social care grant, £0.5bn ASC Market Sustainability and Investment Fund, £0.2bn ASC discharge fund)

- £1.3bn increase in settlement funding assessment (revenue support grant – including the rolling in of fire pension grant, and business rates baseline funding level) and compensation for business rate multiplier under indexation

- £0.4bn reduction in Services grant, to support increases to other grants

- £0.3bn reduction in New Homes Bonus payment values, to reflect a one year extension to the scheme with no legacy payments

- £0.1bn increase due to the continuation of the 3% funding guarantee

3.2 The announcements above translate in the Government's estimate of the core spending power position for Lincolnshire in 2024/25. It is important to note that, in estimating core spending power, the Government assume that the Council will maximise council tax increases and therefore the maximum amount is predicated on this decision, which is solely the remit of Full Council. The key grant changes from 2023/24 levels for Lincolnshire are as follows:

- An increase in the social care grant of £10.4m from 2023/24 levels.

- A £7.7m increase in settlement funding assessment, which comprises:
  - £3.0m increase in revenue support grant (inclusive of £1.4m fire pension grant being rolled in)
  - £4.7m increase in baseline funding (NNDR)

- A £6.8m increase in the ASC Market Sustainability and Improvement Fund. The total funding for 2024/25 will be £14.7m, which contains the original Market Sustainability and Fair Cost of Care Fund.

- An increase in the ASC Discharge Fund of £3.2m to £8m, which is allocated through the better care fund.

- A £3.8m reduction to the Services Grant.

- A £0.1m increase in New Homes Bonus, which has been continued for a further year.

- Rural service delivery grant (RSDG) funding is maintained at 2023/24 levels (£8.1m).

- The improved better care fund (IBCF) is maintained at 2023/24 levels (£34.3m).

- The business rates top-up grant has increased by £3.8m to £98.9m. This reflects the rate of inflation applied to the standard multiplier.

In addition to having the ability to increase council tax by up to 3% and the adult social care precept by up to 2%. For reference, each 1% increase is worth approximately £3.7m. In core spending power terms, this is expected to be worth £23.1m, inclusive of assumed base growth.

3.3 The final Local Government Finance Settlement for 2024/25 was published on 5 February 2024 and contained some fairly significant grant funding changes from the draft settlement published on 18 December 2023. The additional funding followed concerns being raised during the draft settlement consultation around viability of local authorities, given no additional resource had been allocated in the draft settlement over and above the levels indicated twelve months previously. The specific changes that have been built into the budget proposal are as follows:

- £7.0m additional increase the social care grant (increasing the total 2024/25 grant to £73.4m), in recognition that many local authorities had reported significant cost increases relating to social care.

- £1.3m increase in the Rural Service Delivery Grant (increasing the total 2024/25 grant to £9.4m), in recognition of specific cost pressures in rural areas.

- £0.1m increase in the Services Grant as a result of held back funding being returned (increasing from £0.7m announced in draft settlement to £0.8m).

- £0.9m one-off funding as a result of the surplus currently held in the business rates levy account being distributed to local authorities through the 2013/14 settlement funding assessment formula (this will be accounted for during 2023/24).

3.4 The Government have emphasised that this additional funding needs to be used by local authorities to deliver the frontline services relied upon by communities. It should not be put aside within reserves. On that point, the Government will continue to monitor local authority reserve levels. The Council's budget proposal already accommodated for cost pressures within social care significantly in excess of the increase in social care funding. This remains the case after the final settlement. Therefore, the final settlement enables core council tax to be redistributed to other Council priorities.

3.5 As part of the Final Settlement, the Government announced a new approach it would be taking to help the sector return to sustainability in the future. This is centred around a new requirement for local authorities to develop and share productivity plans, due to be published by July 2024. They will be expected to cover four areas:

1. Transformation of services to make better use of resources;
2. Opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
3. Ways to reduce wasteful spend within systems;
4. Barriers preventing activity that government can help to reduce or remove.

The Government will monitor these plans, and funding settlements in future will be informed by performance against these plans.

3.6 The Government will be establishing a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association. Finally, and whilst not applicable to this Council, the Government have reiterated that they are not supportive of whole Council '4 day working week' approaches.

3.7 In summary, the Government have listened to concerns from the sector around the level of resources not being sufficient and provided additional grant funding. However, it has potentially prompted the Government to bring forward increased oversight arrangements. The Council awaits further information from the Government in respect of the productivity plan it will need to publish.

3.8 The final settlement was announced late on 5 February 2024 and therefore was not available in time to be reflected in the final budget proposal considered by the meeting of the Executive on 6 February 2024. At that meeting, the final budget proposal approved to be taken forward to Full Council assumed modest reserve usage of £0.6m would be required in 2024/25, following confirmation of the local taxation position.

3.9 As a result of the above changes in the final settlement, there is an increase in grant funding of £8.4m for 2024/25 only, which effectively frees up £7.8m of core funding due to social care pressures already being in excess of increased social care grant. At the budget setting meeting of Full Council, it was agreed that the resource would be allocated to the priority areas set out in recommendation 5 (contained within para 1.5 of this document). This includes additional investment in: flooding and drainage measures, highways maintenance, public protection, fire and rescue flood response, and investment in environmental measures.

Other Revenue Government Grants

3.10 The following grants are assumed for 2024/25:

- Extended Rights to Free Travel from the Department for Education is assumed to increase to £1.662m in 2024/25;

- It is assumed that the Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs will continue at £0.128m for 2024/25;

The Fire Pension grant will no longer be received separately because it has been rolled in to the revenue support grant.

3.11 The Public Health Grant will continue as a separate ring-fenced grant for the next financial year and the budget book currently estimates that the grant will be inflated to £36.0m for 2024/25 (£35.5m for 2023/24). The actual allocation has since been published at £36.7m, which will be amended during the 2024/25 financial year with an offsetting increase to expenditure in accordance with the terms and conditions of allowable grant usage.

3.12 The Better Care Fund comprises several different elements, including the Improved Better Care Fund received direct from Central Government, and elements received from and pooled with the Integrated Care Board (ICB). The increased ASC discharge funding is also expected to be pooled as part of the Better Care Fund. Taken together, the different strands amount to £64.1m in 2024/25 (£61.4m in 2023/24) to fund Adult Care Services.

Council Tax (Rate)

3.13 The Secretary of State in the "Referendums Relating to Council Tax Increases (Principles) (England) Report 2024 to 2025" confirmed that the referendum threshold for increasing Council Tax is set at 5% for the County Council in 2024/25 (comprising 2% for expenditure on adult social care, and 3% for other expenditure).

3.14 The budget report proposes that Council Tax be increased by 4.99% in total, comprising 2.99% for general council tax and 2.00% for adult social care for the 2024/25 financial year. The Council Tax increase of 4.99% will generate additional income of £18.1m in 2024/25.

3.15 Under section 52ZB of the Local Government Finance Act 1992 the Council, as a major precepting authority, must in setting its precept, determine whether its relevant basic amount of council tax for the financial year under consideration is excessive. That question must be determined by the Council in accordance with any principles determined by the Secretary of State and approved by a resolution of the House of Commons. The settlement sets the limit at 5% for the Council (2% for adult social care and 3% for general rate increases). The recommended council tax increase of 4.99% is therefore not excessive.

3.16 An Impact Analysis has been completed for this increase in Council Tax and is shown at Appendix C.

Council Tax (Base)

3.17 Figures received from the Lincolnshire District Councils show an increase in the tax base of 2,906.0 band D equivalent properties or 1.20%. The change in base will provide the Council with additional Council Tax income of £4.6m per annum at the proposed council tax level. This sum, together with the 4.99% increase in Council Tax yielding £18.1m, will provide total additional Council Tax income of £22.7m in 2024/25.

3.18 Each district Council publishes a CTB1 form to Government in the Autumn, which sets out the detailed calculation which shows how the gross taxbase is adjusted (i.e. by system discounts, exemptions, council tax support) to result in the net taxbase. This calculation is at a point in time, and therefore tends to differ to the tax base for budget setting purposes, which incorporates district adjustments in respect of forecast changes to the taxbase (e.g. property growth) in addition to an adjustment for the non-collection estimate.

3.19 This has been combined into a single position for Lincolnshire, which can be seen in Appendix V. This analysis shows a gross taxbase for Lincolnshire in 2024/25 of 301,100.7 band D equivalents (or £475.3m gross income). There are a series of reductions to the taxbase, totalling 54,867.9 band D equivalents (or £86.6m in foregone income), resulting in a net tax base and rate via the CTB1 calculation of 246,232.8 band D equivalents (or £388.7m income).

3.20 The Districts make some adjustments to this position for budget setting purposes, reflecting expected changes such as property growth or policy changes where there is discretion to do so. They also apply a non-collection estimate, in recognition that 100% collection is not achievable. Therefore, for budget setting purposes, the band D taxbase has been set at 244,673.2 band D equivalents which indicates a council tax requirement of £386.3m.

Council Tax (Collection Fund)

3.21 All seven of the District Councils have declared their positions on the council tax elements of their Collection Funds. There is a net surplus attributable to the County Council of £2.0m. This is in addition to precept income for 2024/25.

Business Rates (Tax Base)

3.22 The District Councils have now submitted their estimates of the amounts of Business Rates due to be collected next year and passed on to the County Council. Through combining each of the NNDR1 returns made by the District Councils to the Government, which effectively sets the business rates taxbase, the Council is able to consider the gross and net taxbase position for Lincolnshire. The analysis of this position can be seen in Appendix U.

3.23 The analysis shows how the gross taxbase (£600m rateable value equating to £319.6m gross rates) is amended to reflect a series of system reliefs and discounts, in addition to other adjustments such as; cost of collection, an allowance for non-collection and a contribution to the appeals provision. There are some incentives built into the system, which allow for 100% local retention (e.g. renewables), and therefore these are removed from the collection fund calculation. The analysis shows, after all adjustments, the net tax collection via the collection fund for Lincolnshire is forecast to be £212.9m. The Council receives a 10% share of this balance (with 40% attributable to the District). The remainder is paid to the Government, who use this balance to fund other grants to the sector.

3.24 For completeness, the Council expects to receive £21.3m from local collection in addition to £0.7m via renewable business rates, totalling £22.0m (2023/24 £20.5m). As the rateable value for the area is broadly in line with the previous year, the difference is primarily due to the Government's decision to de-couple inflationary increases in the multiplier, with the standard multiplier being inflated by 6.64% in 2024/25.

3.25 The small business multiplier has continued to be frozen, and the Council will continue to be compensated by the national policy decision via increased section 31 compensation grant funding. The Council also receives section 31 grant funding in respect of other reliefs: business rates cap; small business rate relief; retail relief; rural rate relief, and; the multiplier freeze. The value of section 31 compensation grant is forecast to be £29.5m in 2024/25 (£25.3m in 2023/24), with most of the change due to the freeze in the small multiplier.

3.26 Under the current system, 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. The series of decisions by the Government aimed at containing increases in the multiplier has depressed the top-up grant which would have been higher without the policy intervention. Therefore, the Council also receives a separate 'top-up adjustment' section 31 grant included within point 3.19, which is £19.6m in 2024/25 (£16.2m in 2023/24). Taken together, both items represent 78% of the Council's anticipated funding from business rates.

3.27 Please note that the Council received notification from one of the District Council's after the meeting of the Executive on 6 February 2024 that the Government had requested a minor change to their NNDR1 submission. The net effect to the Council is a reduction of £2k income, which has been reflected in the tables throughout this report.

Business Rates (Collection Fund)

3.28 Each of the District Councils in Lincolnshire is a "collecting authority" for Business Rates, and each operates a Business Rates Collection Fund where differences between assumed amounts of Business Rates to be collected and actual amounts collected are accumulated as surpluses and deficits. The County bears a share of collection fund variances. For 2024/25, the forecast is for an overall modest surplus, of which £0.2m is attributable to the County Council.

Business Rates Pool

3.29 The Council has confirmed that it will continue to remain in a business rates pool in 2024/25 with the seven Lincolnshire District Councils. It forecasts that it will receive a pooling gain of £2.0m.

4. THE COUNCIL'S OVERALL REVENUE BUDGET

4.1 The table below (Table 1) sets out the overall changes in budget, the cost pressures which the Council proposes to fund, the savings to be made and the proposed drawdown from reserves.

Table 1: Summary Revenue Budget

SUMMARY REVENUE BUDGET	2023/24 Budget (£)
EXPENDITURE	
Net Base Budget	604,257,273
Cost Pressures (including inflation)	67,854,883
Savings & Additional Income	(26,328,688)
Other Movements (e.g. service grant funding)	543,384
Total	646,326,852
Amount distributed at Full Council	7,793,060
Transfer to/from Earmarked Reserves	-
BUDGET REQUIREMENT	**654,119,911**
FUNDING	
County Precept	(388,270,010)
Business Rates	(152,667,967)
Non-Specific Government Grants	(39,316,929)
Social Care Grants	(73,865,006)
TOTAL FUNDING	**(654,119,911)**

4.2 Please note that the above table has been amended since the meeting of Executive to re-classify the service grant income associated with the ASC market sustainability grant. This had been included as a negative cost pressure (i.e. to mitigate the cost pressure enabled by the increase), it has since been re-classified as additional income to align with service financial reporting. The net effect is that cost pressures and income are both increased by £2.877m in the table above, a net nil adjustment.

4.3 Details of all cost pressures and savings included within the budget for 2024/25 are set out in Appendix Q of this Budget Book. This includes an estimate of pay award inflation in 2024/25 of £8.8m, noting that the actual amount will be determined by the 2024 pay award process. The budget also includes other inflationary pressures reflecting the wider economic context considered elsewhere.

4.4 The budget proposal considered by the Executive on 6 February 2024 incorporated net nil expenditure adjustments to the original budget proposal considered on 9 January 2024, in respect of the Families First for Children Pathfinders programme and a proposal to invest in SEND provision in response to increasing demand. The Executive also formalised its preference of increasing council tax by 4.99%, which established a modest surplus position of £0.2m.

4.5 The recommendations within the report to the Executive also requested the Leader "*to review and amend the Executive's budget recommendations to the County Council, as appropriate, in respect of; the final Local Government finance settlement; and; the receipt of local taxation data from the District Council's if received between the Executive meeting and the County Council on 23 February 2024*".

4.6 Accordingly, an updated budget proposal was tabled at the meeting which reflected the Council Tax and Business Rates information from Lincolnshire's District Councils (see section 3). The funding from the taxbase was lower than had been forecast by £0.8m, thereby leading to a minor deficit position in 2024/25 of £0.6m.

4.7 The final settlement was not received in time for the meeting, therefore the recommendation was amended to request that the Leader "*review and amend the Executive's budget recommendations to the County Council, as appropriate, in respect of the final Local Government finance settlement if received between the Executive meeting and the County Council on 23 February 2024*".

4.8 As considered elsewhere within this report, the Final Settlement was notified late on 5 February 2024 which provided additional grant funding, in recognition of the pressures within the system. This provided additional grant funding of £8.4m, effectively freeing up core council tax and converting the previous £0.6m deficit position to a £7.8m surplus position. The Government have been clear in that this should not be contributed to reserves.

4.9 At the budget setting meeting of Full Council, a proposal to allocate this resources to priority areas was approved, as set out in recommendation 5 (contained within para 1.5 of this document). This is repeated below, and includes the budget book line where the resource has been allocated:

Additional Investment	£	Recurring	Budget Book Line
Flooding and Drainage Measures			
Highways Drainage & Jetting	1,800,000	Recurring	Highways
Flooding Team	215,000	Recurring	Communities
Flooding Design Work	878,000		Communities
Highways Maintenance			
Highways at 23/24 levels	2,500,000		Highways
Public Protection			
Anti Social Behaviour Measures	1,000,000		Public Protection
Fire & Rescue Flood Response			
Additional PPE, pump and vehicle for flood response	400,000		Fire & Rescue
Environmental			
Green Masterplan Delivery, tourism, PROW	1,000,000		Communities
TOTAL (2024/25)	**7,793,000**		
TOTAL (RECURRING)	2,015,000		

4.10 For the purposes of financial planning, the additional funding provided at Final Settlement is considered to be one-off. The majority of the additional investment is also planned to be temporary (i.e. for 2024/25 only), with £2.015m recurring and increasing the deficit position in later years of the medium term financial plan by the equivalent amount.

4.11 A more detailed analysis of the movement in budget for 2024/25 is shown at Appendix J.

5. REVENUE BUDGETS

5.1 Net revenue budgets for 2024/25 are shown in Table 2 below together with the comparison for 2023/24. Appendix S provides further details of the services undertaken in each service delivery area.

Table 2: Net Service Revenue Budget 2024/25

REVENUE BUDGETS	2023/24 Budget (£)	2024/25 Budget (£)
CHILDREN'S SERVICES		
Children's Education	14,499,701	15,162,858
Children's Social Care	89,469,460	98,544,710
ADULT CARE & COMMUNITY WELLBEING		
Adult Frailty & Long Term Conditions	142,706,661	154,486,741
Adult Specialities	101,335,220	114,315,220
Public Health & Community Wellbeing	29,292,132	29,766,293
Public Protection	6,065,541	7,250,541
Better Care Fund	(61,412,354)	(64,156,449)
Public Health grant income	(35,544,000)	(36,018,161)
PLACE		
Communities	96,833,149	102,861,725
Lincolnshire Local Enterprise Partnership	508,383	508,383
Growth	2,856,744	3,159,744
Highways	48,339,369	53,148,869
FIRE & RESCUE		
Fire & Rescue	24,704,397	25,427,099
RESOURCES		
Finance	8,714,908	8,859,908
Organisational Support	17,512,781	17,374,181
Governance	3,189,063	2,789,063
Corporate Property	19,957,384	18,642,898
Commercial	9,085,502	8,453,678
Transformation	6,821,712	7,031,152
IMT	16,702,430	17,888,847
Corporate Services	3,054,260	3,054,260
SERVICE TOTAL	**544,692,443**	**588,551,560**
OTHER BUDGETS		
Contingency	6,500,000	6,000,000
Capital Financing Charges	43,056,480	43,056,480
Other Budgets	13,227,650	19,187,787
OTHER BUDGETS TOTAL	**62,784,129**	**68,244,266**
SCHOOLS BUDGETS		
Schools Block	550,838,289	580,838,416
High Needs Block	125,371,876	130,002,718
Central School Services Block	3,223,169	3,157,402
Early Years Block	43,759,342	69,355,702
Dedicated Schools Grant	(725,868,591)	(786,030,153)
SCHOOLS BUDGETS TOTAL	**(2,675,915)**	**(2,675,915)**
BUDGET REQUIREMENT (pre-reserves)	**604,800,657**	**654,119,911**
Highway maintenance additional spend (2023/24)	7,000,000	-
Transfer to/from Earmarked Reserves	(7,543,384)	-
BUDGET REQUIREMENT	**604,257,272**	**654,119,911**

* *table incorporates rounding adjustments*

*** table incorporates adjustments in respect of Full Council decision to allocate £7.8m to priority investment areas (refer to point 1.5 in this document)*

5.2 Appendix Q sets out a summary of changes to budgets in our service delivery areas. This does not include the adjustment approved at Full Council, on the basis that these are priority investments and not cost pressures. Further detail on the changes is provided in the following paragraphs.

Children's Services

Children's Education

5.3 Children's Education service activities are proposing to make savings of £0.030m in 2024/25 and cost pressures of £0.693m. The saving of £0.030m relates to a School Improvement decision from 2023/24 in response to the Department for Education (DfE) decision to remove the funding for Local Authorities School Improvement Monitoring and Brokering Grant (£0.585m) for school improvement activities supporting maintained schools in 2023/24. The Council undertook a review of School Improvement services through both the strategic system leadership and the Council's statutory responsibilities for maintained schools to secure general efficiencies and smarter working. The Council has also re-purposed existing de-delegation funding to support the direct work with maintained primary schools whilst still achieving our overall objectives, which has been supported by Lincolnshire's Schools' Forum at the October 2023 committee meeting.

5.4 A proposed cost pressure (£0.418m) relates to the commissioning of an overnight short breaks provision for children with disabilities at The Maples residential unit, to ensure sufficient capacity and accessibility to meet existing and future demand. Short breaks provision is a statutory requirement of the Council. The funding assumptions build in a 30% contribution towards the running of the provision (£0.179m) from the ICB (Better Care Fund).

5.5 A further cost pressure in children with disabilities (£0.094m) relates to the new social worker apprentice programme, which was established in September 2022. The programme is being phased in and will be at maximum capacity by 2025/26. The grow our own approach is to support our medium to long term strategy on social worker attraction and retention.

Children's Social Care Services

5.6 Children's Social Care Services are proposing to make savings of £0.674m in 2024/25 and cost pressures of £9.749m. The Children in Care (CiC) programmes key strategic aims include providing the right help to the right children and for the right duration; to support families to come to their own solutions by focusing on building networks and providing care locally. The CiC programme continues to have strong oversight and rigour of the budget position of these demand-led and volatile budgets. Placement planning continues to take place, with a particular focus on external placements, ensuring the setting and level of provision continue to be appropriate and offer value for money. Internal foster carers are considered in the first instance to provide a family home for children. Children placed with foster carers equate to 68% of the CiC cohort. The services benchmark well, and measures are being taken to secure further improved value for money, such as the creation of two new children's homes providing more local and high-quality provision, which are more cost effective (£0.291m).

5.7 Children's Services remaining savings include: grant funding stability in early help services (£0.250m) and general efficiencies within children's social care services (£0.133m). There are no service implications from these budget changes.

5.8 Lincolnshire's number of CiC is currently 757. The CiC rate per 10,000 is 50.7 compared with statistical neighbours: 65 per 10,000 and England 70 per 10,000 is favourable, however the demands placed on public finance is rising. County Councils Network (CCN) recently reported through a survey of its members that 45% of county and unitary authority cost pressures relate to Children's Services. Lincolnshire is facing the same challenges with rising demand on its services; increasing complexity and demands of children being unable to be placed with our in-house fostering; composition of placements shifts to more external placements through use of independent fostering agencies and residential placements, and added inflation and market price rises onto this demand is causing unfavourable external market conditions, which is unsustainable. CiC placements have seen average rises of 23% in Lincolnshire.

5.9 The area of CiC causes the greatest financial risk to Children's Services Council budgets due to the demand-led nature, volatile and financial consequence of such decisions. The proposed cost pressure for CiC (£4.136m) has been necessary to meet the current baseline commitments of CiC placements which reflects the changing landscape with higher CiC numbers and a higher composition in more specialist placements (independent fostering agencies; residential placements and intense needs supported accommodation). Demand for 2024/25 has been considered within the budget requirements, including forecast placement movement through the CiC programme and the new in-house capacity. The use of independent foster carers has seen the most growth as a direct result of bringing children in that need to be safeguarded. Most children end up in a foster placement but with a finite in-house capacity, independent foster carers are forecast to grow. These placements are more cost effective than a residential placement, however the cost is greater than our in-house carers.

5.10 Considering the NLW and inflation assumptions using Consumer Price Index in CiC placements, added with the volatility and unfavourable markets conditions, price rises are forecast to be £1.182m as a result for 2024/25.

5.11 Lincolnshire has a strong core offer of support to internal foster carers and currently sit in the top quartile for payments made to foster carers across the region. There is however a national shortage of foster carers across the country and as a Council we need to continue to evidence the extent of our support to foster carers. Lincolnshire are a fostering first authority. The Government's increase to the National Minimum Allowance[1] in both April 2023 (12.4%) and April 2024 (6.88%) is in recognition of the increased costs being faced by fostering households in caring for a child looked after by the Local Authority, and reinforces that all households should be supported financially, professionally and emotionally in the volunteering role they undertake. The DfE has confirmed that the funding for these uplifts are provided through the Local Government Finance Settlement through an increase in the core spending powers. The cost pressure of £1.037m relates to the outcomes of the 2023 decision (£0.543m) to uplift across all of the fostering age brackets and to apply to all carer households, including those that are mainstream and kinship approved carers and the proposed cost pressure for the April 2024 uplift of 6.88% across all fostering age groups (£0.494m[2]). Internal foster carers are a vital part of Lincolnshire's offer for CiC in providing a family home.

5.12 The internal foster carer uplift will ensure that the Council as Corporate Parent will meet its statutory duty to continue to provide financial support to fostering households in covering the basic costs of caring for a child and in meeting the needs of the children they care for. This will reinforce the work of the CiC programme by securing the continued commitment of foster carers and enhancing recruitment and retention.

5.13 A proposed cost pressure of £0.299m relates to Special Guardianship Orders (SGOs). SGOs continue to be seen by the Courts as an important option for permanency for children who need to be removed

[1] The allowance is the minimum payment all fostering providers should pay to foster carers to cover the costs of caring for a child. The allowance increases with the child's age.

[2] Cost of Adoption Allowances (means tested) have been updated to take account of the economic circumstances (£0.055m proposed cost pressure incorporated).

from their birth parents which is endorsed by officers. The Council is however required to fund SGOs (subject to means testing) until the child reaches the age of 18 years. The expected increases are based on past trends.

5.14 A proposed cost pressure (£0.585m) relates to supporting increasing cost of strategic provider contracts caused by the higher levels of inflation being experienced now (through hardship) and forecast into the future as contracts will be retendered, compared to when the strategic provider contracts were established. Options for efficiencies are explored in the first instance, but the cost base has materially changed over this period, and it is important these strategic contracts deliver the required service offer. NLW and inflation assumptions have been considered in this proposed cost pressure.

5.15 A proposed cost pressure (£0.500m) relates to social care transport costs for supervised Family Time. Family Time is important to support children and young people to continue to have a positive and sustained relationships with their families when they reside in the care of the Local Authority. This requires travel provision to be provided to the children and young people commissioned through the Transport Services team. Continuing inflation, such as NLW and challenging market conditions for the delivery of transport service is a reason for the increased costs, as well as for length of care proceedings, increase of CiC numbers and increase of Family Time ordered post final hearing.

5.16 Children's Services frontline social worker teams continue to face challenges in recruitment and retention of social workers. To stabilise the existing social worker teams to maintain service delivery and to support with recruitment of vacancies, additional measures needed to be employed to retain qualified social workers and to support recruitment to those teams. A decision was made during 2022 for FAST, Fostering and Children in Care teams to receive an attraction and retention payment. The proposed cost pressure (£1.057m) in 2024/25 is to baseline the budget into Children's Services rather than requesting annual revenue contingency funding to support this scheme, as has been adopted in the current financial year.

5.17 A further scheme was developed to support the national shortage of social workers by establishing a new social worker apprentice programme from September 2022. The programme is being phased in and will be at maximum capacity by 2025/26. This scheme is to support fourteen new apprentices each year. The grow our own approach is to support our medium to long term strategy on social worker attraction and retention. It is a beneficial option to generate new qualified social workers. It provides a supply of qualified social workers who are trained to Lincolnshire's Children's Services outstanding practice standards (due to the 'on the job' nature of the apprenticeship) and the apprentices can transition into a qualified worker role very quickly thereafter. The proposed cost pressure (£0.953m) in 2024/25 is to baseline the budget into Children's Services rather than requesting annual revenue contingency funding to support this scheme, as has been adopted in the current financial year.

Adult Care and Community Wellbeing (ACCW)

5.18 Aligned to the council's corporate planning priority, Adult Care & Community Wellbeing is working to ensure 'People stay as health, safe & independent as possible during all stages of their life'.

5.19 Underpinning the Council's MTFP, ACCW has embedded its own MTFP. The ACCW MTFP is the key financial tool informing strategic financial decision making which underpins delivery of this vision and ensuring good value council services. ACCW MTFP forecasts the financial position through to 31 March 2028 using historic trends, sensitivity analysis and forecasting based on budget holder discussion and other internal and external factors.

5.20 ACCW financial priorities throughout the life of the MTFP are:

- Maintain ACCW strong financial performance by delivering our duty of best value to secure continuous improvement in the way its functions are carried out, having regard to a combination of economy, efficiency and effectiveness.
- Deliver the programme of transformation underpinning ACCW in pursuit of its stated aim. This programme will drive a shift in the cost structure away from the higher cost long term care towards a structure which supports people to maintain their independence. Deliver an improved customer experience and turnaround times across the end-to-end adult social care pathway.
- Consider the challenging economic climate and the impact this is having on individuals in receipt of services and the providers of their care when making financial decisions.

5.21 ACCW funding is structured into the following six delivery strategies reflecting budgetary responsibility:

- Adult Frailty & Long-Term Conditions. This strategy brings together older people and physical disability services as well as hosting the infrastructure budgets.
- Specialist Services & Safeguarding. The financial allocation of this strategy supports delivery of services for eligible adults with learning disabilities, autism and/or mental health needs and adult safeguarding services.
- Public Protection. Which joined the Directorate in early 2022, this strategy includes community safety, coroner and registration services, trading standards and emergency planning. The Public Protection Scrutiny Committee is receiving the budget proposals for these services.
- Public Health & Community Wellbeing. This strategy encompasses adult public health services funded through the dedicated public health grant and wellbeing services.
- Public Health Grant. Aligned to responsibilities held by the Director of Public Health this strategy encompasses the public health grant income supporting both adults and children's services.
- Better Care Fund (BCF). This strategy includes the council specific BCF income supporting both adults and children's services.

ACCW 2024/25 budget Requirement

5.22 The £22.2m increase in ACCW financial need results from the recurrent impact of the pay award and the following ACCW specific items:

- Adult social care provision is reliant on approximately 7,000 beds (long and short-term care) and more than four million hours annually of commissioned community-based support. The Autumn Statement announced a higher than anticipated increase in the national living wage from 1 April 2024 of 9.8% taking it to £11.44 per hour. This rate is a core component of the unit cost the Council pay for commissioned care and is the key driver behind £16.1m of adult social care pressures.

- The Market Sustainability and Improvement Grant is continuing into 2024/25. This grant continues to support planned increases, over and above national living wage and inflation, to the rates paid to providers of adult social care. This includes the move to a four-tier homecare rate, a two-tier community supported living rate, additional rate increases for residential care and targeted supported into adult social care workforce. This grant has increased from £2.273m in 2021/22 to a forecast £14.7m in 2024/25.

- £9.4m financial pressure is driven by increasing demand for services across Adult Care and Community Wellbeing. Older persons services are seeing an increase in demand for residential care for this first time since the pandemic with previous self-funders approaching the Council for financial support due to diminishing capital, a 21% increase in this client cohort. Demand for working age adults, mental health services in particular, continues to increase by some 3-4% per year. Growing complexity of the packages of care and changes in national health policy are key drivers of the need to forecast an additional £3.1m for mental health care costs.

- 2024/25 will see a continuation of the Discharge Grant through the Better Care Fund to get people out of hospital on time and into care settings, freeing up NHS beds for those who need them. This £8.0m grant is supporting the 16% increase in clients discharged from inpatient care in need of social care support. The services include residential care, homecare, and community equipment.

- The 2024/25 Public Health Grant allocation was indicated earlier in 2023 and is forecast to increase by £0.474m. With the recurrent impact of the 2023/24 grant increase actioned, the 2024/25 indicative grant for Lincolnshire is £36,458,098. The actual amount has since been published slightly higher. Expenditure and income budgets will be adjusted during the year.

- Adult Social Care Charging Policy is due for refresh in April 2024. The council will continue to exclude enhanced benefit income from the calculation of the client's contribution and apply the national minimum income guarantee to ensure people with higher needs are not disproportionately impacted by the income assessment. The Disability Related Expenditure bandings will be uplifted to reflect the increased cost of living and the forecast £0.6m cost of this is included in the budget.

Better Care Fund

5.23 The Lincolnshire Better Care Fund is an agreement between the Council and Lincolnshire NHS ICB, overseen by the Health and Wellbeing Board (HWB). The BCF aims to pool funds from the organisations to aid the objective of integrated service provision.

5.24 Lincolnshire HWB approved the 2023/25 BCF Plan which was then formally approved by the National team in September 2023.

5.25 The forecast value of the Lincolnshire BCF for 2024/25 is £359m. This comprises the minimum ICB contribution, the iBCF paid directly to LCC, Disabled Facilities Grants passed through to the District Councils, the discharge grant and specific health and social care funding.

5.26 The BCF includes, but is not limited to, the following key services;
- Lincolnshire Community Equipment Services
- Child Adolescent Mental Health Services and other children's services
- Community Learning Disability Team
- Community Mental Health Services
- Intermediate care services including reablement

Public Health

5.27 The confirmed value of the 2024/25 Public Health Grant is £36,668,270. Currently, LCC spends 70% of the grant on adults and housing related services and 30% on children's services.

5.28 The Public Health grant has increased between 1% and 3% each year since 2020-21. Through careful demand management and tight financial control Public Health has continued to deliver services within the grant allocation. With a forecast increase in 2024/25 of a further 1.3%, Public Health services are continuing to forecast delivery across the life of the MTFP but will need to draw on the dedicated public health grant reserve for any unexpected economic challenges and/or a reduction in grant of up to 10% of the 2024/25 grant value should that be seen beyond 2024/25.

Public Protection

5.29 The overall budget proposals have allowed for pay inflation of 4% in 2024/25 including the effect of the change in the national living wage from April 2024. This is however, currently being held centrally pending agreement of any pay settlement.

5.30 The coroner's service has reduced the number of open cases and the length of time the cases have been open. The 2024/25 budget includes an increase to the establishment of 2.00FTE Coroners Officers £0.100m to ensure the progress can be sustained.

Financial Benchmarking

5.31 Lincolnshire Adult Social Care carries out benchmarking of income and costs through use of externally available regional and national data / reports as well as service specific cost comparisons when procurement exercises are run to demonstrate value for money. Two most recent external reports include: -

- The Impower Index
- Use of Resources

5.32 The Impower Index is a benchmarking tool that takes publicly available outcomes data and, looks at the value that councils are delivering when ASCOF measures are combined and measured against budget. The Impower Index shows that for the second year, Lincolnshire County Council continues to deliver good outcomes for good value, Lincolnshire is achieving better outcomes for less budgeted spend than its statistical neighbours.

5.33 The latest Use of Resources analysis, published in December 2023, is being digested. Initial consideration indicates that adult social care services spend less per client than statistical neighbours, which reflects the findings in the market sustainability and improvement rates paid for care published earlier in the year. Lincolnshire does look to be an outlier for the number of admissions into residential care and receives less income through client contributions than most. These are both a focus of the Improvement Programme referred to in 2.4 above and the insourcing of Adult Care Finance and Exchequer into Financial Services in April 2024.

5.34 In addition to the Impower Index and Use of Resources Report, the Department of Health and Social Care wrote to local authorities in October 2023 outlining the extra financial resources the Government has made available. The letter contained reference to the monitoring introduced as part of the grant conditions, monitoring referenced in section 1.8 above. The letter indicated the actual increase in budgeted 2023/24 ASC spend with the increase that each local authority would have achieved had they met this explicit expectation. With a forecast balanced outturn position, Lincolnshire is forecast to meet the expectations set in the grant conditions.

Financial Risk

5.35 There are several risks which may impact on the 2024/25 budget which have been considered in the realistic and prudent approach to the budget process. The key risks to the budget proposal which currently pose the most significant risks are:

- Demand for services exceeds the growth assumptions. To support management of this risk, the structure of the improvement programme broadens the service offer which aims to bend the curve of higher cost services where it is appropriate for the person however the recent increases in demand above forecast indicate the need to go further.

- As a result of the volatility within the economy, the Bank of England's inflation forecasts have been consistently amended, to reflect a slower fall to the 2% target. There is a risk that inflation does not fall as quickly as set out in the Bank's latest forecast and the 3% built into the non-pay element of the commissioned rates isn't sufficient. To support commissioned providers, a hardship process enabling providers who are at risk of financial distress to approach the Council on an open book approach will be in place.

- The uncertainty over the funding base beyond 2024/25. The strategy therefore focusses on the areas which the Council has greater control over including ensuring effective, evidence-based monitoring arrangements are in place to provide early indications and therefore ability to react to variations against plan, proactively identifying improvements in the way services are delivered and ensuring an adequate level of reserves are held relative to the level of risk identified.

<u>Conclusion</u>

5.36 A thorough review of Council services was carried out during this year's budget process. Cost pressures, income changes and efficiencies have been identified, and the Capital Programme has been reviewed (refer to section 7). The budget proposals aim to reflect the Directorate priorities aligned to the councils Corporate Plan whilst operating within the resources available to it.

5.37 ACCW improvement programme is key to services being able to deliver the general duty of best value ensuring the need to secure continuous improvement and building on the synergies that can be achieved working with Public Health and Public Protection services on the prevention agenda.

Place

<u>Communities</u>

5.38 A £3.2m cost pressure for the delivery of educational transport to meet statutory and policy requirements arises from continuing inflation, service demand and challenging market conditions.

5.39 The high levels of general and pay inflation exhibited in published indices, feed through to unusually high contract indexation in the Libraries contract, resulting in a cost pressure of £0.61m.

5.40 Increased contractor costs delivering the Public Rights of Way service provides for a cost pressure of £0.12m

5.41 A restructure of the Planning team to provide greater resilience and accommodate the increased demand resulting from Nationally Significant Infrastructure Project (NSIP) applications, increases cost by £0.25m. This is partly funded by the corresponding increase in fee income of £0.17m resulting from Planning Performance Agreements in respect of NSIPs. The cost of the cyclical examination of the Minerals and Waste Local Plan also adds a short-term pressure of £0.1m in this service area.

5.42 Inflation has also had a marked effect on the re-procurement of Household Waste Recycling Centre contracts, increasing cost by £1.2m. This is exacerbated by new requirements to separately store and haul waste deemed to contain hazardous material, which increases operational costs by a further £0.25m.

5.43 The continuation of the roll-out of separated waste paper and card collections is forecast to provide further savings of £0.86m in 2024/25.

5.44 A short-term saving of £0.75m is forecast from increased income share from the Energy from Waste (EfW) plant. This is, however, expected to diminish over the following three years as energy prices return to more “normal” levels.

Highways

5.45 Although not as pronounced as in previous years, continuing inflationary pressures in the construction sector result in an expected increase of £3.0m in the cost of plant, labour and materials in the Highways maintenance contract. Asset growth provides for the allocation of a further £0.03m.

5.46 Increases in the energy costs for street lighting not being as high as previously anticipated reduces the budget requirement for 2024/25 by £2.0m.

5.47 Efficiency gains in the data capture and invoicing for 3rd Party damage to highways assets and improved productivity in network compliance are expected to generate savings of £0.5m.

Growth

5.48 Inflation has also had a £0.3m impact on the cost base of the Business Units operated by Economic Infrastructure.

Fire and Rescue

5.49 The main cause of cost pressure is the expected £0.12m increase in the ongoing support costs for the Fire Control system.

5.50 Progressive withdrawal of Home Office funding for Fire Link increases the service’s net cost base by £0.09m.

5.51 Increased operational requirements relating to the mandatory accreditation of forensic fire investigation and DBS checks adds a further £0.11m cost.

Resources

5.52 In respect of services within Resources, the key cost pressures are as follows:

- As a result of inflation being higher for longer, the cost of contractual arrangements across corporate property, IT and transformation (systems) is expected result in increased cost of £1.544m.

- Following a comprehensive review of IT, a series of necessary changes have been identified to ensure a strengthened approach to service delivery, which better enables the organisation. This includes to leadership and security and is expected to cost £0.791m. This is part mitigated through the achievement of savings across the service.

- The Redmond Review of the effectiveness of external audit and transparency of financial reporting in local authorities identified a need to increase external audit scrutiny of local authorities. This will lead to an increase in the external audit cost, which is forecast to be £0.195m.

- The Council continues to make greater use of cloud storage, which is a demand led cost. The expected increase in cost in 2024/25 is £0.231m.

- In order to meet increased demand from across the organisation and its partners, the Commercial service has been supported by reserve funded temporary posts. The budget proposes that the staffing structure be made permanent, costing £0.188m. This will increase the likelihood of filling vacancies, and enable the commercial reserve to be re-purposed.

- In line with the recommendations set out in the “Re-Commissioning of Property Services” report, the budget proposes an adjustment to improve compliance management not covered by the existing contract (£0.195m), through the creation of new posts. In addition, an amalgamation of minor property pressures which further add to the cost base (£0.202m).

5.53 In respect of services within Resources, the key cost reductions and income increases are as follows:

- As a result of the decrease in wholesale energy prices, the cost of energy on Council properties is expected to be lower than the current budget requirement. Accordingly, the budget proposal assumes a £2.088m cost reduction in energy costs.

- There are forecast savings associated with the re-procurement of the customer service centre contract, in addition to savings associated with the customer and digital transformation programme. The budget proposal assumes savings of £0.934m, with further savings assumed in 2025/26. The savings are predicated on greater use of technology and have a specific monitoring programme to oversee delivery.

- A review of Legal Lincolnshire fee rates and re-alignment of internal costs and income assumptions is expected to provide a net benefit to Legal Services of £0.4m in 2024/25.

- Within IT, the decommissioning of a legacy system is expected to lead to reduction in cost of circa £0.372m. In addition, the service have also identified reductions in other parts of the cost base totalling £0.246m. There are further savings assumed in 2025/26.

- The cost of insurance within property services has reduced by approximately £0.2m following the re-tendering of the corporate contract.

Corporate Services

5.54 No change proposed from the 2023/24 budget.

Other Budgets

5.55 Other Budgets incorporates central and technical budgets which do not relate solely to one service or directorate. This includes elements like the secondary rate lump sum contribution to the Local

Government Pension Scheme (LGPS) and the ongoing revenue cost of capital financing. In addition, other budgets contains allowance for inflation (e.g. pay award), plus the in-year contingency budget which is held at £6m for 2024/25 as a mitigation against the risks considered in this budget proposal.

5.56 In recent years, the Local Government pay award has not been determined until during the financial year. This will continue to be the case in 2024/25. The cost of the pay award is estimated centrally and allocated to services when the pay award is agreed and the cost known. For 2024/25, a global 4% increase has been assumed for pay costs, at a cost of £8.778m. The actual pay award will be influenced by the forecast national living wage for April 2025, and the forecast rate of forward inflation. 4% is assessed to be a reasonable global estimate at this, noting that a flat fee pay award is again likely. Pay award risk is one of the factors which supports the holding of the base budget contingency.

5.57 The Council funds the cost of pre-2000 legacy pension liabilities. Every year, the pension values are inflated which leads to increased cost, with some mitigation through attrition. For 2024/25, the net increase is forecast to be £0.262m.

5.58 In the 2023/24 budget, the Council committed to investing a one-off additional £7m into highways maintenance, which was allocated to the contingency and distributed to the service. The budget proposal for 2024/25 reverses this investment.

5.59 During the 2023/24 budget process, a cost pressure was built in to reflect a change in the pension contribution rate and the forecast cost of the 2023/24 pay award (which was not known at that point). During 2023/24, the final pay award has been agreed and an updated financial impact assessment has been completed for the change in pension costs following the triennial review of pension contributions. The net effect of both is that the Council over-provided via the pressure budgeted in 2023/24, and therefore the 2024/25 budget proposal re-reduces the cost by £2.182m.

5.60 During the 2023/24 financial year, the corporate insurance contract has been re-tendered. The cost of the new contract has been assessed as lower than the previous contract, albeit with some contributing factors (such as different coverage in some areas of the contract). The budget proposal assumes a cost reduction in 2024/25 of £0.980m.

5.61 The revenue contingency was held at £6.5m during 2023/24, to reflect heightened risk, particularly around inflation. As considered in this report, there is still considerable risk of further inflationary pressures, although the risk is expected to be receding albeit slower than previously expected. On that basis, the budget proposal reduces the size of the contingency needing to be held by £0.5m.

Schools

5.62 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2024/25, the DSG will continue to comprise of four blocks: Schools, Central School Services, High Needs, and Early Years. Each of the four blocks of the DSG is determined by a separate national funding formula.

5.63 Lincolnshire's indicative DSG allocation for 2024/25 is £786.030m and will be used to support all schools in Lincolnshire including Local Authority schools and academies. Lincolnshire Schools block value is £580.838m. Over half of Lincolnshire pupils attend academy schools; therefore, the DSG figure for the Schools block will be revised down for the academy schools budget share allocations. The DSG is a ring-fenced grant and the actual split between Local Authority schools and academies has no financial risk to the Council from the DSG schools delegated budget perspective.

5.64 The Government implemented a National Funding Formula (NFF) in 2018/19 to ensure a fairer settlement for each mainstream school. The Council agreed to adopt the NFF due to the improved financial settlement for Lincolnshire schools and has continued to adopt the NFF each year since then. Lincolnshire is one of 106 out of 150 LAs mirroring[3] the NFF in 2023/24. The fundamentals principles of the Government's NFF are not changing for 2024/25.

5.65 For 2024/25, the policy decision is to continue adopting the Government's NFF, subject to affordability. The October 2023 schools census which is used for 2024/25 mainstream schools budgets has continued to see significant growth in both Free School Meals (FSMs) and FSMs Ever 6 with the cost of living challenges being a contributing factor to this. This has contributed to an affordability gap of £1.459 m. With the Council unable to set an affordable formula and with limited time to consult, the Council will therefore continue to adopt the same principles for 2024/25 when addressing affordability issues of the Schools block. The measures of reducing the 2024/25 funding allocation for Schools Growth within the Schools block to meet the financial commitments for planned primary and secondary reorganisations (releasing £1.236m), and the remaining shortfall being met from a downward adjustment of 0.072% of the Key Stage Age Weighted Pupil Unit (AWPU) values from the Government's NFF rates in 2024/25, which is considered a sector-wide solution.

5.66 The 2021 Spending Review announced a three-year funding settlement for schools. This included the 2024/25 national school funding levels rising by £1.5bn to £56.8bn or a 1.9% increase in per pupil funding. The Autumn 2022 statement announced a further £2bn increase in funding (equating to an additional 3.4% increase in per pupil funding) in each of 2023/24 and 2024/25 to respond to increasing costs faced by schools, particularly through staff pay awards and utilities. The 2023/24 allocation was made through a separate grant (Mainstream Schools Additional Funding Grant), however for 2024/25, this funding will go through the NFF. In addition, a separate grant has been made to mainstream schools through the Teachers' Pay Additional Grant starting from September 2023. This will continue as a separate grant in 2024/25 (£0.8bn). Overall, core school budgets will be £59.6bn in 2024/25.

5.67 The Government is continually moving to a basis for distributing funding to Local Authorities for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending. The High Needs block allocation is £131.047m for 2024/25, an increase of £4.623m. Local Authorities will be protected under the formula by seeing a minimum increase of 3% per head in 2024/25 compared to their 2023/24 High Need block allocation. To ensure Lincolnshire receives its 3% per head funding uplift, in addition to the national high needs formula, it receives protection funding of £7.527m (or £51.20 per pupil) within the funding allocation.

5.68 There continues to be an increasing number of Local Authorities who are incurring a deficit on their overall DSG, largely with the High Needs block being the contributing factor. The DfE acknowledges the challenges the system is facing, and the Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan Right Support, Right Place, Right Time (published in March 2023) is the mechanism for implementing change. Medium-term financial planning is indicating an in-year overspend for 2024/25 in light of demand and price changes. This forecast in-year overspend would need to be met from available DSG reserves to provide a balanced budget.

5.69 There continues to be a growing trend nationally, and this growth is being experienced in Lincolnshire with more young people requiring specialist support which is having a material financial impact on the High Needs block. This remains a financial challenge, and difficult decisions will be required to ensure Lincolnshire avoids overspending its DSG. In Lincolnshire, transformational work is considered fundamental to securing further improved outcomes for young people with SEND through a truly

[3] Formula Factor values within 2.5% of the respective NFF values are deemed to be 'mirroring' the NFF.

integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable within the central Government allocation.

5.70 Lincolnshire indicative Early Years block funding is £69.429m in 2024/25. This is determined through the Government hourly rates for Lincolnshire, and these funding rates are used to fund providers' for delivery of entitlement, and early years support services. The underlying principles and formula factors will remain in place for 2024/25, and the increased hourly rate funding from Government has been considered in the context of this and its agreed distribution. From April 2024, eligible working parents of 2-year-olds will receive an entitlement of free childcare per week. From September 2024, eligible working parents will receive an entitlement of free childcare per week from nine months until their children start school.

6. RESERVES

6.1 The Council's current financial strategy is to maintain general reserves within a range of 2.5% to 3.5% of the Council's total budget. At 31 March 2023 the balance stood at £16.4m. It is expected that general reserves, at 31 March 2024, will remain at £16.4m before being increased by £3m during 2024/25, funded via reallocation from service reserves, to increase the proportionate value of the general fund to higher up the target range to approximately 3%.

6.2 The reserves statement and strategy can be seen in Appendix K. This considers the reserves being held, their purpose and further analysis of risk.

6.3 The deficit in future years of the medium term financial plan is assumed to be funded from the financial volatility reserves within the reserve statement, although the actual need would be subject to future budget setting processes.

32

7. CAPITAL PROGRAMME

7.1 The proposed capital programme includes an updated programme for 2023/24, as well as schemes for 2024/25 enabled by the distribution of the built up balance of the new development capital contingency. The capital programme contains major schemes which stretch into future years. Due to the uncertainty of our future funding beyond 2024/25, the internally funded capital programme has not been grown over the life of the medium term financial plan, with new schemes funded via resources already within the programme. There has been additional block spending assumed towards the end of the ten year capital programme, which increases the long-term borrowing need and capital financing requirement. The gross programme is set at £144.7m for 2024/25, with grants and contributions of £50.1m giving a net programme of £94.6m to be funded by the County Council.

7.2 The overall capital programme and its funding are shown in Table 3 below. The detailed capital programme is shown in Appendix O.

TABLE 3 – Capital Programme

Capital	2023/24	2024/25	2025/26	2026/27 - 2033/34
Total Investment	**193,154,943**	**144,706,440**	**61,399,701**	**318,025,694**
Funding				
External Funding	(86,990,799)	(50,081,176)	(31,917,089)	(95,434,529)
Borrowing	(63,787,606)	(89,424,519)	(24,284,291)	(187,230,871)
Capital Receipts	(5,000,000)	(5,000,000)	(5,000,000)	(35,000,000)
Revenue	(37,376,538)	(200,745)	(198,321)	(360,294)
Total Funding	**(193,154,943)**	**(144,706,440)**	**(61,399,701)**	**(318,025,694)**

7.3 An overview of the capital programme in each directorate is considered in this section. This includes reference to where changes have been made.

7.4 The main changes to the capital programme through the budget setting process are as follows:

- Previously approved adjustments – in the 'Revenue Budget Monitoring Report 2023/24 (Quarter 2)' report to the Executive, approval was sought and duly given to utilise £8.8m of the forecast underspend to fund additional capital investment into Place infrastructure. In addition to approving the adjustments, the Executive also approved a further allocation of £4m from the revenue budget underspend for use for flood investigations and alleviation. The programme has been updated to incorporate all approvals, and they are budgeted for in 2024/25. This will either necessitate the in-year windfall underspend identified to be transferred to the development fund at financial outturn, so that it can be drawn down to fund the approved schemes in 2024/25, or the revenue funding to be applied to capital spend in 2023/24 freeing up borrowing to be applied to the above schemes from 2024/25.

- Allocation of contingency balance to priority schemes – the Council holds a relatively modest annual contingency budget within the capital programme, which provides a buffer against unforeseen increases in cost estimates. Over the past few years, a balance of approximately £24.9m has accrued and consideration has since been given to how it might be distributed to emergent priority schemes where there is a clear need for investment. This ensures the Council can increase planned investment in specific schemes, without increasing the overall quantum of borrowing assumed within the capital programme.

- Revision of the Highways Asset Protection LTP grant figure for 2024/25, following confirmation of the grant balance. This increases the budget and external funding contribution by £4.924m

- Addition of the New Schools Requirement block funding allocation required in 2033/34, of £8.084m. This change is for completeness

7.5 There is a proposal to distribute the built up contingency balance to fund investment in emergent priority areas. This enables the Council to invest in priority schemes without incurring additional borrowing. The schemes are listed below:

- Waddington Training Centre land purchase (£0.378m)
- Grantham Fire Station works (£0.469m)
- Fire door replacement programme (£0.478m)
- Lincolnshire Secure Childrens Home (£3m)
- Children’s Home Louth (£0.325m)
- Sutton Bridge Place Making (£0.054m)
- Orchard House B refurbishment (£5m)
- RAF Woodhall Spa development (£1.6m)
- LFR Control Room (£4.568m)
- County Farms solar schemes (£0.150m)
- County Farms subsidence (£0.250m)
- New SEMH School Sleaford (£13m)
- Schools Mobile Replacement (£0.3m)
- 2 bed crisis Children's Home (£0.750m)

In total, £30.472m is proposed to be allocated to schemes across 2024/25 and 2025/26, with most assumed to be delivered in 2024/25. This fully utilises the built up balance of the new developments capital contingency (£24.902m), and draws down £0.575m from the block budget in 2024/25 and the full £5m block budget allocation in 2025/26.

7.6 The utilisation of the contingency annual block budget across 2024/25 and 2025/26 is due to timing, and is expected to be restored in full during 2024/25 following re-prioritisation of the existing programme.

7.7 The following amendments have been made to the net capital programme as part of the budget setting process:

Children’s Services

7.8 For Lincolnshire maintained schools, Children’s Services manage and maintain a comprehensive annual capital programme of individual school condition and maintenance projects which is overseen by the Children’s Services Capital Programme Board. The service continues to receive capital funding made available by the DfE for schools to enable it to manage critical priority issues.

7.9 An allocation for Provision of Schools Place Basic Need Grant has been confirmed for 2024/25 (£0) and 2025/26 (£21.536m). A contributing factor to the 2024/25 allocation is the national allocation for Basic Need reducing from £746m to £195m. This is however rising to £528m from 2025/26. This will allow the Council to plan strategically to fulfil its statutory duty to provide sufficient school places for the children of Lincolnshire. Children's Services priority at this stage is to ensure that all September 2025 school place pressures are accounted for with potential solutions in place.

7.10 The Government capital funding allocations for Special Educational Needs; Schools Conditions and Devolved Formula Capital have not been confirmed for 2024/25. The 2023/24 allocations were however: Special Educational Needs (£9.259m); Schools Conditions (£4.888m) and Devolved Formula Capital (£0.963m).

7.11 The Building Communities of Specialist Provision; Together in Lincolnshire Strategy is making significant changes to the existing special education provision, creating an integrated and sustainable school system where pupils with complex needs can attend their nearest special school, confident that their education and health needs can be fully met. The programme is nearing the end of its implementation, with the majority of capital schemes complete (nine) and supporting operating systems well established. The overall programme budget is £101.8m.

7.12 New Schools capital: the Council through its school place planning has forecast within the ten-year capital programme a requirement for new mainstream schools.

7.13 There is a Council proposal to distribute the built-up capital contingency balance to fund investment in emergent priority areas. For Children's Services, these include:

- New Social, Emotional and Mental Health (SEMH) School (£13m): to address the increasing demand for places relating to this type of specific need. Capital Special Educational Needs grant funding (£5m) will be earmarked for this scheme.
- 2 bed crisis Children's Home (£0.750m): to support children on the edge of care, in care and leaving care experience by providing the right therapeutic environment.
- Lincolnshire Secure Childrens Home land purchase (£3m): to enable a new secure home 28-bed unit to built in Lincolnshire funded by the DfE.
- Schools Mobile Replacement (£0.3m): to support the increasing costs of mobile replacements to 2025/26.

Adult Care and Community Wellbeing (ACCW)

7.14 The Council agreed to increase the Adult Care and Community Wellbeing capital allocation by transferring the 2022/23 underspend from revenue to capital. This provides a total capital investment (post completion of DeWint Extra Care Housing) of £12.39m.

7.15 £7.34m of the £12.39m has been approved for investment in both housing opportunities and improvements to day services with a further three extra care / working age adults housing opportunities due for completion over the life of the medium-term financial plan.

Place

7.16 As the Department for Transport (DfT) funding for highways maintenance is expected to continue to remain at the reduced level implemented in 2021/22 into 2024/25. This activity continues to be supplemented by the £12.3m Council funding originally approved in 2022.

7.17 The highways and flood risk management capital programmes are currently augmented by funding from the Development Fund Initiatives earmarked reserve (see Appendix L).

7.18 Four new projects have received Executive approval to be funded from expected revenue underspends in 2023/24,;

- Waste Transfer Stations (£6.1m) – additional investment in waste transfer station infrastructure in preparation for implementing the requirements of the Environment Act. This is enabled by a windfall energy from waste gain in 2023/24.

- Cross Keys Electrification (£1.2m) – funded by additional traffic regulation order income, the scheme intends to replace the hydraulics on the bridge to ensure a more resilient and efficient operation.

- LED Swap Out (£1.5m) – funded by the in-year forecast energy underspend, the proposal is to invest additional capital into LED lighting, which is expected to lead to reductions in energy consumption and cost.

- Flood investigations and alleviation (£4m) – in recognition of the rising challenges around water level management, the Executive decided in early December to set aside additional funding to enable further works to be designed, planned and implemented.

Resources

7.19 The current programme has been adjusted to take into account rephasing and a proposal to distribute the built up contingency balance to fund investment in emergent priority areas. The proposed schemes pertaining to Resources are as follows:

- Waddington Training Centre land purchase (£0.378m)
- Grantham Fire Station works (£0.469m)
- Fire door replacement programme (£0.478m)
- Orchard House B refurbishment (£5m)
- RAF Woodhall Spa development (£1.6m)
- County Farms solar schemes (£0.150m)
- County Farms subsidence (£0.250m)
- Schools Mobile Replacement (£0.3m)

7.20 It is worth noting that some schemes are to be delivered by property services on behalf of other services (e.g. fire schemes). Also, most investment is planned to occur in 2024/25, although some relates to other years.

Other Programmes

7.21 We receive government grant funding to support large parts of the capital programme including schools and road maintenance. Appendix P summarises the key grants that are expected to be received to contribute towards the cost of capital developments in 2024/25.

8. PRUDENTIAL INDICATORS

8.1 The Council is required to agree targets for specified prudential indicators in relation to capital financing and other treasury management matters. It also sets its own targets in addition to the statutory ones. The main purpose of these targets is to ensure that the Council's capital financing, in particular long term borrowing, is prudent, affordable and sustainable. The proposed targets are set out in Appendix M.

8.2 One of the voluntary Prudential Indicators, is that the repayment of external debt including interest will be less than 10% of annual income from general government grants, Dedicated Schools Grant and council tax. This is projected to be 3.99% in 2024/25, increasing annually thereafter.

9. MINIMUM REVENUE PROVISION

Minimum Revenue Provision Policy Statement for Repayment of Debt 2024/25

9.1 In accordance with statutory guidance and regulations issued by the Department for Levelling Up, Housing and Communities (DLUHC), the Council has a duty to make to make a **prudent revenue provision for the repayment of debt**, and as such the Council adheres to the draft Statutory Guidance on Minimum Revenue Provision (MRP), issued in December 2023 which comes into force on 1st April 2024.

9.2 Any changes within the draft Statutory Guidance have been followed in this policy and are consistent with the Council's current policies, hence will have no significant financial impact on the level of prudent MRP to be charged in 2024/25.

9.3 In making its prudent provision, the Council includes all capital expenditure financed by debt, that increases its Capital Financing Requirement (CFR) , with the exception of non-commercial loans made for a capital purpose for service reasons, where no MRP will be charged for these loans unless an actual or expected credit loss is made on the loans within the year. The CFR is calculated as set out in CIPFA's Prudential Code.

9.4 In accordance with Council policy, capital receipts are only used for new capital investment or set aside to reduce the Council's underlying need to borrow. Capital receipts are not used to set off MRP provision.

9.5 The Council ensures that debt is repaid over a period that is commensurate with the period over which the capital expenditure provides benefit.

9.6 A prudent MRP is achieved by applying the following methodology in its calculation:

Borrowing	MRP Repayment Basis	Change to Previous Year
Pre 1st April 2008 Debt	This element of the Capital Financing Requirement is being repaid on a full repayment method based on a standard asset life of 50 years which equates to a flat rate of 2% per year until the debt is fully repaid over 50 years.	Consideration to moving to **Asset Life Annuity method** removed, in line with Statutory Guidance to remain with existing repayment option for borrowing taken prior to 1st April 2008 for Supported capital expenditure. No impact to MRP charged.
Unsupported Debt-2008/09 onwards	This element of the Capital Financing Requirement is being repaid using the **Asset Life EIP method**. Whereby equal instalments of principal debt repayment are repaid over the asset lives of the assets financed from borrowing. Consideration may be made to moving to the **Asset Life Annuity method** at a future date if deemed appropriate and prudent.	
Borrowing	**MRP Repayment Basis**	**Change to Previous Year**

Debt used to finance assets whose benefit increases as time passes (e.g. Infrastructure - Major New Road Schemes).	This element of the Capital Financing Requirement is being repaid using the **Asset Life Annuity method**. Whereby a fixed repayment of debt consists of primarily all interest in early years and principal repayment increases in later years. This method therefore has the advantage of linking MRP to the flow of benefits from an asset where the benefits of those assets are expected to increase in later years, related to the time value of money. .	
Credit Arrangements	MRP is met by a charge equal to the element of rent/charge that goes to write down the balance sheet liability.	
Assets financed by borrowing when if sold the income is classed as a capital receipt.	For capital expenditure incurred, financed by borrowing, that increased the CFR whose subsequent sale resulted in a capital receipt that reduced the CFR, MRP will be made on the capital expenditure over the life of the asset financed.	Clarification of expenditure included removed as all expenditure included except for Non-Commercial Loans made for Capital purpose for service reasons. No impact to MRP Charged
Loans made for a Capital Purpose for Service Reasons	Borrowing taken to finance loans given will not be included when making the MRP charge as loan repayments made will reduce the loan burden over time. MRP will be provided however, if an actual or expected credit loss for the loan given is realised in the year. The MRP charge in this situation must not be lower than the credit loss amount, but can be reduced by any previous amounts provided to write down the CFR on the loan.	New methodology in line with revised Statutory Guidance. Minimal impact to MRP charged, if credit loss is realised, due to low value of loans portfolio.
Loans made for a capital purpose for Commercial loans made primarily for return.	MRP must be charged on borrowing taken to finance loans given for Commerical loans made primarily for return, however this type of loan is against Council policy and hence the Council has no such applicable loans.	New methodology in line with revised Statutory Guidance. No impact to MRP charged.
Capitalised Expenditure Under Regulation 16 (2)(b) & 25(1) of LGA 2003	The **Asset Life method** is used to calculate MRP on all **capitalised expenditure**, using maximum asset lives as stated in **Statutory Guidance on MRP**.	

9.7 Revenue provision is chargeable in the **first financial year after the relevant capital expenditure is incurred**.

9.8 The guidance also allows Councils not to start charging MRP **until an asset becomes operational**.

9.9 Where it is practical or appropriate to do so, the Council may make **voluntary revenue provision (VRP)**, (Make more MRP than is calculated prudent in any given year), or **apply capital receipts** to reduce debt over a shorter period. Any VRP made can be used to offset MRP in following years. There are no plans for making a VRP within the 2024/25 budget.

9.10 The table below shows the estimates for asset lives per type of asset used under the Asset Life MRP policy detailed above. Professional advice has been used to ascertain these asset lives.

Type of Asset	Estimated Asset Life in Years
Land	50
Construction	50
Matched Funding	25
Repair & Maintenance	20
Infrastructure (New Road Schemes)	120
Road Maintenance	20
Bridges	120
Integrated Transport	20
Waste Transfer Plant	40
Heavy Engineering Equipment	30
Vehicles	4
Long Life Specialist Vehicles	7
Equipment	5
IT	4
IT -Broadband	10
ERP Finance System	10
Mosaic	10
Investment Properties held for Commercial Reasons	50
Capitalised Expenditure:	
Loans & Grants Made for Capital Purposes	Useful life of assets which loan is used to purchase.
Share Capital	20

10. SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF RESERVES – 2024/25

Summary

10.1 Under Section 25 of the Local Government Act 2003 when the Council sets the budget the S151 Officer is required to report on:

- the robustness of the estimates made for the purposes of the calculations, and
- the adequacy of the proposed financial reserves.

Council has a statutory duty to have regard to this report when making decisions about the budget.

10.2 Our Medium Term Financial Strategy (MTFS) has been refreshed to consider the financial position of the council to 2027/28. It also considers the funding sources and level of reserves required to demonstrate the financial resilience and sustainability of the council.

10.3 Our funding uncertainty continues, with the government announcing a single year financial settlement for 2024/25 with the 'Fair Funding' review being deferred until after the general election.

10.4 During the 2024/25 budget process, our budgets have been reviewed and updated to reflect continuing cost pressures which have been significantly impacted by the high level of inflation and growing demand. This is to ensure the budget reflects an expected baseline of spend in 2024/25 and deliverable efficiencies.

10.5 Our transformation programme is supporting corporate initiatives focused on providing 'good value council services'. We seek to review business processes and use digital options to reduce bureaucracy and reliance on manual processes, ensuring our back-office services are optimised. This approach will continue to allow the council to maintain and invest in its valued frontline services at a time when other councils are still reducing theirs.

10.6 The council has demonstrated sound financial management over a number of years. We have delivered services within budget and have used underspends to establish earmarked reserves to mitigate volatile budgets and funding uncertainty. These reserves have supported the evaluation of our long term financial resilience as being good, and will need to be maintained whilst budget challenges and funding uncertainly continues.

The Budget Proposals

10.7 In relation to the 2024/25 budget, significant additions have been made to service budgets to reflect current cost pressures. In that context service areas have provided brief notes on the realism of their proposed budgets and their ability to manage within these budgets. In that context the following points are relevant:

- Savings targets for next year are modest, do not impact on service delivery and therefore represent a lower risk to the financial stability of the Council arising from a failure to deliver those proposals. All service areas have affirmed their commitment to achieving the savings and managing their services within the budget provided. All services have the necessary financial management processes in place to support this.

- Adult Social Care (ASC) continues to see a growth in demand on their services especially with working age adults with longer reliance on social care and increasingly complex needs. Growth is also exceeding assumptions for mental health care packages, and previous self-funders now requiring financial support with care costs.

- The increases in National Living Wage rates will have a material impact on the costs of our contracted services, particularly in relation to Adult Social Care and the Education Transport budgets.

- Unfavourable market conditions for independent external places supporting Children in Care (and SEND) are causing considerable price increases in this sector.

- Increasing complexity of Children in Care needs and the requirements for external placements.

- Increasing demands (particularly for SEND and Alternative Education Provision) and contract costs impacting on the Education Transport budgets.

- Increasing demand pressures of the High Needs element of the Dedicated Schools Budget (reflecting a national picture of growth of the number of children needing Education Healthcare Plans and Alternative Education Provision).

- Increasing number of flooding incidents and meeting the requirements of undertaking the role of Lead Local Flood Authority for Lincolnshire.

- Impacts of workforce shortages, supply chain pressures and on-going inflationary increases on supplies and services.

- Continued volatility and inflationary growth of construction costs increasing risk in our major capital projects and highways maintenance.

- The impact of reduced government grants, and particularly a reduced level of highways maintenance grant expected from the Department for Transport.

- Workforce retention and recruitment challenges impacting on capacity to deliver services.

- Continued reliance on specific grants to fund core activity, such as the improved better care fund and social care grant.

10.8 The ten year capital programme has been refreshed as part of the budget setting process and the revenue impact of the programme has been factored into the budget proposals. The programme meets the affordability criteria set out in our capital strategy and allows for future investment as well as continuing to maintain and replace our existing assets.

10.9 A £5m capital contingency has been established in each year of the programme. This will be the subject of business case bids from service areas and can be used as a source of matched funding in respect of external bids for capital funding.

10.10 The capital strategy includes the role of the officer led Capital Review Group which aims to strengthen the monitoring and management of the Council's capital programme.

10.11 The capital programme does not allocate any capital funding to commercial type investment activity designed purely to supplement revenue income in future years.

Funding

10.12 The government has provided a single year settlement for 2024/25, with confirmation that any review of funding will be deferred until after a general election. Government indications have been that growth in public sector spending will slow from 2025, which has been reflected in our budget forecasts for future years and presents continued uncertainty of our future funding envelope.

10.13 Additional government grant was allocated after the draft financial settlement for 2024/25 recognising the budget challenges for local government and specifically the budget pressures prevalent in providing social care services. The government also continues to expect pressures in ASC budgets to be supported by local taxation.

10.14 Given the future uncertainties set out elsewhere in this note and the wider budget papers, the officer advice remains to maximise Council Tax increases within the allowable parameters and at 4.99% for 2024/25 specifically.

10.15 The Department for Transport grant for Highway Maintenance reduced in 2021/22 by £12.3m. Following the reduction of the HS2 plans, the government announced additional annual grant for Highway Maintenance of £4.9m from 2023/24. As highway maintenance is a priority activity for Lincolnshire residents we continue to use local taxation to maintain our level of spend following these grant reductions.

Financial Performance & Resilience

10.16 Our systems and processes allow for effective financial management, with budget forecasts being reviewed regularly by the Corporate Leadership Team and through quarterly reporting to Members.

10.17 Savings identified in previous budgets have been delivered and the council has maximised its financial resilience from budget underspends. These have enabled the council to establish appropriate reserves on its balance sheet to manage future budget pressures and funding uncertainty. The latest budget reporting for the current year is forecasting an overall underspend on our budgets, and the Executive have approved the use of 'one-off' underspends to invest in our service delivery assets through the capital programme.

10.18 CIPFA have published an updated financial resilience index, explored in further detail elsewhere in the budget book, and considers key measures to assess the financial health of English local authorities. This demonstrates the sound financial position of the Council.

Financial Risks

10.19 There are a number of financial risks that are monitored on an ongoing basis and form the basis of the evaluation of the adequacy of contingency budgets and general reserves we hold each year and earmarked reserves to support the volatile nature of some budgets.

10.20 These existing and on-going risks include:-

The realism of budget estimates for,–

- Pay awards

- Price increases including forecast levels of inflation
- Challenges of staff recruitment resulting in more costly agency costs
- Income, including higher risk areas such as capital receipts
- Provision for demand led services including: children's services, education travel, waste disposal, adult care, adverse weather, support for the council tax, etc.

Potential Losses including –

- Claims against the Council
- Bad debts or failure to collect income
- Major emergencies or disasters
- Failure to deliver budget savings
- Default on loans made by the Council for cash management purposes

The provision against these general financial risks include:-

- A corporate contingency budget which was increased in 2022/23 and will be set at the level of £6.0m in 2024/25. This level on contingency was set as a direct response to the growing inflationary increases around our cost of delivering services.
- The level of the Council's general reserves, which we maintain at a level of 2.5% - 3.5% of the council's total budget.
- Earmarked reserves to support areas of volatility.

10.21 There are a number of continued emerging risks that also need to be considered alongside the mitigations put into place, and the financial provisions in place to offset these risks.

Emerging Risks	Mitigations
Longer term impact of inflation and cost of living crisis on contract prices and demand for our services.	Transformation programme reviewing how our services are accessed and best support our residents. Maintaining adequate earmarked reserves to support future financial uncertainty.
Workforce and supply chain challenges increasing our contract costs, delivery cost of services and capital projects.	Increased corporate contingency to respond to pressures caused by price increases not budgeted for. Our People Strategy is prioritising recruitment and retention of staff.
Continued inflationary increases on supplies required to deliver services	Corporate contingency to respond to pressures caused by price increases not budgeted for.
Adult care reforms costing more than funding available to deliver them.	Continue to model costs and work with the sector to deliver a fair cost of care. Maintaining adequate earmarked reserves to support future financial uncertainty. Reviewing our systems and process to ensure Financial Assessments to

	establish contributions to care are undertaken in a timely manner
Delay in government reforms of local government funding.	Application of maximum available council tax levies when available. Maintaining adequate earmarked reserves to support future financial uncertainty.
Move to local taxation for funding with a starting position of a low spend per head of population and low council tax base.	Continue to make representation for a fairer funding settlement for rural local authorities. Maintaining adequate earmarked reserves to support future financial uncertainty.
Need for future savings to balance our budget.	A longer term savings strategy has been adopted to deliver efficiencies. Maintaining adequate earmarked reserves to support future financial uncertainty.
Planned transformation efficiencies not being delivered.	The governance of the Transformation Programme includes regular reporting of costs and benefits to ensure on-going accountability for their delivery.

10.22 As many of these financial risks are mitigated by having an adequate level of general and earmarked reserves, it is important that these reserves continue to be maintained at a level to adequately support the on-going uncertainty in our funding and volatility in our costs.

Adequacy of Reserves

10.23 Our Financial Strategy sets out our reserves requirement over the medium term which takes into consideration the council's current and emerging financial risks. The strategy for the general reserve is that it will be maintained to a level within a range of 2.5% to 3.5% of the annual budget requirement.

10.24 The council also holds a number of earmarked reserves. In recognition of a number of volatile elements to our income base, the council has previously established an earmarked reserve to deal with funding risk. This reserve, known as the Financial Volatility Reserve, has a current value of £46.922m. The recommendations set out in the budget papers do not plan to draw down on this reserve for the year 2024/25, however based on current assumptions this reserve will be needed to support the following financial years over the medium term plan period.

Conclusion

10.25 Taking into account all these factors I am satisfied that the budget for 2024/25 is realistic and reflects our expected service delivery requirements and that the current level of reserves is adequate to mitigate the current financial risks.

10.26 Any use of these reserves earmarked for financial volatility and future sustainability as part of the budget approved by Council, should look to be replenished at the end of the current financial year to maintain the financial security and resilience of the council.

10.27 The medium term financial strategy will continue to be updated and reviewed to consider the impact beyond 2024/25 of changes to the funding of Council and the continued cost pressures and demands on our services.

Andrew Crookham CPFA

11. CONSULTATION AND ENGAGEMENT

11.1 Individual Scrutiny Committees have received a report and presentation on their respective budget areas and have had chance to comment on their appropriateness. The Overview and Scrutiny Management Board also considered the budget proposals as a whole. These comments were collated and presented to the Executive when it considered the Council's budget on 6 February 2024.

11.2 Businesses, Trade Unions and other public organisations were invited to a budget consultation meeting on 26 January 2024. Comments from participants made at this meeting were collated and presented to the Executive when it considered the Council's budget on 6 February 2024.

11.3 The Council also invited the public to comment via an online survey on the Council's budget proposals outlined in the 9 January 2024 Executive report. It also welcomed email submissions, of which some have been received and added to the other consultation analysis.

11.4 A summary of all comments received via the consultation process can be found at Appendix D.

REVENUE BUDGET 2024/25 — APPENDIX A

2023/24 Budget (£)	REVENUE BUDGETS	2024/25 Change (£)	2024/25 Budget (£)
	CHILDREN'S SERVICES		
14,499,701	Children's Education	663,157	15,162,858
89,469,460	Children's Social Care	9,075,250	98,544,710
	ADULT CARE & COMMUNITY WELLBEING		
142,706,661	Adult Frailty & Long Term Conditions	11,780,080	154,486,741
101,335,220	Adult Specialities	12,980,000	114,315,220
29,292,132	Public Health & Community Wellbeing	474,161	29,766,293
6,065,541	Public Protection	185,000	6,250,541
(61,412,354)	Better Care Fund	(2,744,095)	(64,156,449)
(35,544,000)	Public Health grant income	(474,161)	(36,018,161)
	PLACE		
96,833,149	Communities	3,935,517	100,768,666
508,383	Lincolnshire Local Enterprise Partnership	-	508,383
2,856,744	Growth	303,000	3,159,744
48,339,369	Highways	509,500	48,848,869
	FIRE & RESCUE		
24,704,397	Fire & Rescue	322,702	25,027,099
	RESOURCES		
8,714,908	Finance	145,000	8,859,908
17,512,781	Organisational Support	(138,600)	17,374,181
3,189,063	Governance	(400,000)	2,789,063
19,957,384	Corporate Property	(1,314,486)	18,642,898
9,085,502	Commercial	(631,824)	8,453,678
6,821,712	Transformation	209,440	7,031,152
16,702,430	IMT	1,186,417	17,888,847
3,054,260	Corporate Services	-	3,054,260
544,692,443	**SERVICE TOTAL**	**36,066,058**	**580,758,501**
	OTHER BUDGETS		
6,500,000	Contingency	(500,000)	6,000,000
43,056,480	Capital Financing Charges	-	43,056,480
13,227,650	Other Budgets	5,960,137	19,187,787
62,784,129	**OTHER BUDGETS TOTAL**	**5,460,137**	**68,244,266**
	SCHOOLS BUDGETS		
550,838,289	Schools Block	30,000,127	580,838,416
125,371,876	High Needs Block	4,630,842	130,002,718
3,223,169	Central School Services Block	(65,767)	3,157,402
43,759,342	Early Years Block	25,596,360	69,355,702
(725,868,591)	Dedicated Schools Grant	(60,161,562)	(786,030,153)
(2,675,915)	**SCHOOLS BUDGETS TOTAL**	**-**	**(2,675,915)**
604,800,657	**BUDGET REQUIREMENT (pre-reserves)**	**41,526,195**	**646,326,852**
7,000,000	Highway maintenance additional spend (2023/24)	(7,000,000)	-
(7,543,384)	Transfer to/from Earmarked Reserves	7,543,384	-
-	Amount to be distributed at Full Council	7,793,060	7,793,060
604,257,272	**BUDGET REQUIREMENT**	**49,862,639**	**654,119,911**
	FUNDING		
(365,554,704)	County Precept (4.99% increase)	(22,715,306)	(388,270,010)
(141,324,175)	Business Rates	(11,343,791)	(152,667,967)
(40,984,265)	Non-Specific Government Grants	1,667,336	(39,316,929)
(56,394,128)	Social Care Grants	(17,470,878)	(73,865,006)
(604,257,272)	**TOTAL FUNDING**	**(49,862,639)**	**(654,119,911)**

COUNTY PRECEPT 2024/25 **APPENDIX B**

Council Tax Requirement	**£**
Total Budget Requirement	654,119,911.39
less Government grants and other funding	265,849,901.77
County Precept	388,270,009.62
less net surplus on Council Tax element of collection funds	2,006,843.94
Council Tax Requirement	386,263,165.68

Precepts to be levied on District Councils

Precepts to be levied on District Councils	Number of Band D Equivalent Properties	Council Tax Requirement £	Council Tax Collection Fund +Surplus/- Deficit £	County Precept £
City of Lincoln	25,669.23	40,523,756.71	(524,241.62)	39,999,515.09
Boston	20,302.00	32,050,564.38	(289,372.84)	31,761,191.54
East Lindsey	47,222.00	74,548,899.18	853,395.91	75,402,295.09
West Lindsey	32,093.99	50,666,461.07	1,381,100.00	52,047,561.07
North Kesteven	39,400.00	62,200,386.00	470,962.40	62,671,348.40
South Kesteven	49,710.00	78,476,679.90	(208,705.00)	78,267,974.90
South Holland	30,276.00	47,796,418.44	323,705.09	48,120,123.53
Total	**244,673.22**	**386,263,165.68**	**2,006,843.94**	**388,270,009.62**

County Council Element of Council Tax by Property Band

Property Band	Proportion of Band D	Council Tax per Property (£)
Band A	6 / 9	1,052.46
Band B	7 / 9	1,227.87
Band C	8 / 9	1,403.28
Band D	9 / 9	1,578.69
Band E	11 / 9	1,929.51
Band F	13 / 9	2,280.33
Band G	15 / 9	2,631.15
Band H	18 / 9	3,157.38

Equality Impact Analysis

Purpose

The purpose of this document is to:

(i) help decision makers fulfil their duties under the Equality Act 2010 and

(ii) for you to evidence the positive and adverse impacts of the proposed change on people with protected characteristics and ways to mitigate or eliminate any adverse impacts.

Using this form

This form must be updated and reviewed as your evidence evolves on proposals for a:

- project
- service change
- policy
- commissioning of a service
- decommissioning of a service

You must take into account any:

- consultation feedback
- significant changes to the proposals
- data to support impacts of the proposed changes

The key findings of the most up to date version of the Equality Impact Analysis must be explained in the report to the decision maker. The Equality Impact Analysis must be attached to the decision-making report.

****Please make sure you read the information below so that you understand what is required under the Equality Act 2010****

Equality Act 2010

The Equality Act 2010 applies to both our workforce and our customers. Under the Equality Act 2010, decision makers are under a duty, to have due (that is proportionate) regard to the need to protect and promote the interests of persons with protected characteristics. The duty cannot be delegated and must be discharged by the decision-maker.

Protected characteristics

The protected characteristics under the Act are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation

Section 149 of the Equality Act 2010

Section 149 requires a public authority to have due regard to the need to:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Act
- Advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share those characteristics
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The purpose of Section 149 is to get decision makers to consider the impact their decisions may or will have on those with protected characteristics. By evidencing the impacts on people with protected characteristics decision makers should be able to demonstrate 'due regard'.

Decision makers duty under the Act

Having had careful regard to the Equality Impact Analysis, and also the consultation responses, decision makers are under a personal duty to have due regard to the need to protect and promote the interests of persons with protected characteristics (see above) and to:

(i) consider and analyse how the decision is likely to affect those with protected characteristics, in practical terms.
(ii) remove any unlawful discrimination, harassment, victimisation, and other prohibited conduct.
(iii) consider whether practical steps should be taken to mitigate or avoid any adverse consequences that the decision is likely to have, for persons with protected characteristics and, indeed, to consider whether the decision should not be taken at all, in the interests of persons with protected characteristics.
(iv) consider whether steps should be taken to advance equality, foster good relations and generally promote the interests of persons with protected characteristics, either by varying the recommended decision or by taking some other decision.

Conducting an impact analysis

The Equality Impact Analysis is a process to identify the impact or likely impact a project, proposed service change, commissioning, decommissioning or policy will have on people with protected characteristics listed above. It should be considered at the beginning of the decision-making process.

The Lead Officer responsibility

This is the person writing the report for the decision maker. It is the responsibility of the Lead Officer to make sure that the Equality Impact Analysis is robust and proportionate to the decision being taken.

Summary of findings

You must provide a clear and concise summary of the key findings of this Equality Impact Analysis in the decision-making report and attach this Equality Impact Analysis to the report.

Impact

An impact is an intentional or unintentional lasting consequence or significant change to people's lives brought about by an action or series of actions.

How much detail to include?

The Equality Impact Analysis should be proportionate to the impact of proposed change. In deciding this ask simple questions:

- who might be affected by this decision?
- which protected characteristics might be affected?
- how might they be affected?

These questions will help you consider the extent to which you already have evidence, information and data. It will show where there are gaps that you will need to explore. Ensure the source and date of any existing data is referenced.

You must consider both obvious and any less obvious impacts. Engaging with people with the protected characteristics will help you to identify less obvious impacts as these groups share their perspectives with you.

A given proposal may have a positive impact on one or more protected characteristics and have an adverse impact on others. You must capture these differences in this form to help decision makers to decide where the balance of advantage or disadvantage lies. If an adverse impact is unavoidable, then it must be clearly justified and recorded as such. An explanation must be stated as to why no steps can be taken to avoid the impact. Consequences must be included.

Proposals for more than one option

If more than one option is being proposed, you must ensure that the Equality Impact Analysis covers all options. Depending on the circumstances, it may be more appropriate to complete an Equality Impact Analysis for each option.

The information you provide in this form must be sufficient to allow the decision maker to fulfil their role as above. You must include the latest version of the Equality Impact Analysis with the report to the decision maker. Please be aware that the information in this form must be able to stand up to legal challenge.

Background information

Details	Response
Title of the policy, project or service being considered	Council tax rate increase proposal for 2024/25 financial year
Service area	All
Person or people completing the analysis	Michelle Grady (Assistant Director – Finance)
Lead officer	Andrew Crookham (Executive Director of Resources and Deputy Chief Executive)
Who is the decision maker?	Full Council
How was the Equality Impact Analysis undertaken?	Desktop Exercise
Date of meeting when decision will be made	23/02/2024
Is this a proposed change to an existing policy, service, project or is it new?	Direct change to an existing policy which also impacts upon the level of service delivery
Version control	1
Is it LCC directly delivered, commissioned, recommissioned, or decommissioned?	Yes
Describe the proposed change	As part of the budget setting proposal, the Council is required to set the rate of council tax for the forthcoming financial year. As set out in the proposed budget for 2024/25, there are multiple factors which influence the setting of the rate. This includes; the council tax setting framework set by Government; the economic context; the change in its cost base because of demand, inflation, policy change, savings and other changes; the change in non-council tax funding set out in the finance settlement, and; the medium term financial outlook for the Council. For 2024/25, the original budget proposal assumed that the County Council will increase council tax by up to 4.99%. As set out in the report, the preferred option is now to raise council tax by 4.99% in 2024/25. The Government sets the framework for council tax setting decisions, which includes limits on how much council tax can increase by. The national position on council tax increases has changed significantly since 2010. In the early part of the previous decade, the Government utilised policy tools to limit council tax increases, and actively incentivised Council's to freeze council tax rates. Since then, the Government adapted their position and altered the framework to enable larger increases, partly in recognition of escalating social care costs. In effect, this shift amounted to an expectation

Details	Response
	from the Government that local tax payers would need to contribute more to fund the increasing cost of local public services. The two key areas of cost pressure for the Council relate to inflation and demand pressures. In respect of the former, the rate of inflation has remained higher for longer, with permanent cost base implications. In respect of demand, the Council continues to see increases in quantum and complexity of demand. Taken together, both represent key areas of ongoing risk for the Council. In the Local Government finance settlement, the Government decided to not increase the level of resources for the sector above the level previously indicated twelve months ago. As costs have increased in that time, this means that the Council's spending power has reduced in real terms. This informs the proposal to increase council tax by up to 4.99%. It must be noted that the Council strives to keep council tax as low as possible, evident by it having the seventh lowest council tax rate when compared to other shire counties, placing it fractionally above the bottom quartile. With the fire and rescue precept excluded, the County precept is third lowest and placed in the bottom quartile. This is despite significant reductions in grant funding between 2011/12 and 2019/20 combined with significant cost pressures since 2011/12 necessitating the achievement of significant savings. It is acknowledged that maximising the rate of council tax places a greater burden on residents, at a challenging time due to the increased cost of living. However, doing so is expected to enable the Council to provide better quality services for a longer duration if austerity is to return from 2025/26. The council tax system requires each billing authority (i.e. district council) to establish and maintain a local council tax support scheme which is a means tested system to allow those on low income to gain financial support to meet their council tax bill either in part or in full. Schemes vary within the county but some schemes positively favour certain classes of council tax payers with protected characteristics (e.g. disability). These schemes are themselves the subject of equality impact assessments undertaken by the individual district council concerned. The County Council is consulted each autumn by the Districts on any changes to their council tax support schemes.

Evidencing the impacts
In this section you will explain the difference that proposed changes are likely to make on people with protected characteristics.

To help you do this, consider the impacts the proposed changes may have on people:

- without protected characteristics
- and with protected characteristics

You must evidence here who will benefit and how they will benefit. If there are no benefits that you can identify, please state 'No perceived benefit' under the relevant protected characteristic.

You can add sub-categories under the protected characteristics to make clear the impacts, for example:

- under Age you may have considered the impact on 0-5 year olds or people aged 65 and over
- under Race you may have considered Eastern European migrants
- under Sex you may have considered specific impacts on men

Data to support impacts of proposed changes
When considering the equality impact of a decision it is important to know who the people are that will be affected by any change.

Population data and the Joint Strategic Needs Assessment
The Lincolnshire Research Observatory (LRO) holds a range of population data by the protected characteristics. This can help put a decision into context. Visit the LRO website and its population theme page.

If you cannot find what you are looking for, or need more information, please contact the LRO team. You will also find information about the Joint Strategic Needs Assessment on the LRO website.

Workforce profiles
You can obtain information on the protected characteristics for our workforce on our website. Managers can obtain workforce profile data by the protected characteristics for their specific areas using Business World.

Positive impacts

The proposed change may have the following positive impacts on persons with protected characteristics. If there is no positive impact, please state *'no positive impact'.*

Protected characteristic	Response
Age	Increasing the council tax adds a permanent and sustainable income stream to the funding of the Council. In so doing it thereby assists in limiting potential cuts in service provision over the wide range of services provided by the Council. Many of those services provide key support to those with protected characteristics.
Disability	As for Age above.
Gender reassignment	As for Age above.
Marriage and civil partnership	As for Age above.
Pregnancy and maternity	As for Age above.
Race	As for Age above.
Religion or belief	As for Age above.
Sex	As for Age above.
Sexual orientation	As for Age above.

If you have identified positive impacts for other groups not specifically covered by the protected characteristics in the Equality Act 2010 you can include them here if it will help the decision maker to make an informed decision.

Positive impacts
The benefits outlined above in terms of limiting wider service reductions apply to all those who use Council services and not just to those with protected characteristics.

Adverse or negative impacts

You must evidence how people with protected characteristics will be adversely impacted and any proposed mitigation to reduce or eliminate adverse impacts. An adverse impact causes disadvantage or exclusion. If such an impact is identified please state how, as far as possible, it is:

- justified
- eliminated
- minimised or

- counter-balanced by other measures

If there are no adverse impacts that you can identify, please state 'No perceived adverse impact' under the relevant protected characteristic.

Negative impacts of the proposed change and practical steps to mitigate or avoid any adverse consequences on people with protected characteristics are detailed below. If you have not identified any mitigating action to reduce an adverse impact, please state *'No mitigating action identified'*.

Protected characteristic	Response
Age	The proposed increase in the council tax rate of 4.99% will impact on all council tax payers who are responsible for the council tax levied on their property. The level of income of the council tax payer and their ability to afford the increase in the annual charge will be the key issue. To the extent to which those with a protected characteristic are council tax payers then they will be potentially impacted by this change. To the extent that any of the protected characteristics impact disproportionately on income generating capacity compared to people without that protected characteristic there is the potential for the council tax increase to impact adversely to a greater extent on individuals with the protected characteristic. As mentioned earlier this differential impact is mitigated by financial support made available from schemes operated by district councils to assist in meeting council tax bills for low income individuals.
Disability	As for Age above.
Gender reassignment	As for Age above.
Marriage and civil partnership	As for Age above.
Pregnancy and maternity	As for Age above.
Race	As for Age above.
Religion or belief	As for Age above.

Protected characteristic	Response
Sex	As for Age above.
Sexual orientation	As for Age above.

If you have identified negative impacts for other groups not specifically covered by the protected characteristics under the Equality Act 2010 you can include them here if it will help the decision maker to make an informed decision.

Negative impacts
The ability to afford the proposed council tax increase applies to all individuals who are responsible for paying a council tax bill.

Stakeholders

Stake holders are people or groups who may be directly affected (primary stakeholders) and indirectly affected (secondary stakeholders).

You must evidence here who you involved in gathering your evidence about:

- benefits
- adverse impacts
- practical steps to mitigate or avoid any adverse consequences.

You must be confident that any engagement was meaningful. The community engagement team can help you to do this. You can contact them at engagement@lincolnshire.gov.uk

State clearly what (if any) consultation or engagement activity took place. Include:

- who you involved when compiling this EIA under the protected characteristics
- any organisations you invited and organisations who attended
- the date(s) any organisation was involved and method of involvement such as:
  - EIA workshop
  - email
  - telephone conversation
  - meeting
  - consultation

State clearly the objectives of the EIA consultation and findings from the EIA consultation under each of the protected characteristics. If you have not covered any of the protected characteristics, please state the reasons why they were not consulted or engaged with.

Objective(s) of the EIA consultation or engagement activity
The proposed council tax increase is one of the proposals to enable the Council to set a balanced budget for 2024/25. The other key aspect is a range of across the board efficiency savings totalling £9.4m. The Council is currently undertaking a public engagement exercise on the budget proposals, which is due to close 30th January 2024 (after publication of this report). There will also be more formal consultation with the Scrutiny Committees of the Council and with key stakeholders such as business, public sector partners and trade unions. Comments available at the time of publishing the report will be made available in the report, with comments available after this point to be tabled at the meeting.

Who was involved in the EIA consultation or engagement activity?
Detail any findings identified by the protected characteristic.

Protected characteristic	Response
Age	The details of public and wider engagement are described above. This is undertaken at the level of the whole suite of budget proposals rather than specific concentration on one aspect such as the proposed council tax increase. The nature of this proposal combined with the mitigation available through local council tax support schemes means that though there may be a differential impact between those people with a protected characteristic and those who do not share that characteristic this impact is mitigated.
Disability	As for Age above.
Gender reassignment	As for Age above.
Marriage and civil partnership	As for Age above.
Pregnancy and maternity	As for Age above.
Race	As for Age above.
Religion or belief	As for Age above.
Sex	As for Age above.
Sexual orientation	As for Age above.
Are you confident that everyone who should have been involved in producing this version of the Equality Impact Analysis has been involved in a meaningful way?	Yes on the basis that the proposal has received publicity and has been undertaken to invite feedback from all key stakeholders. The main mitigation of the impact of the proposal rests in the Council Tax Support Schemes operated by District Councils. These scheme themselves are the subject of equality impact assessments undertaken by the District concerned.

Protected characteristic	Response
The purpose is to make sure you have got the perspective of all the protected characteristics.	
Once the changes have been implemented how will you undertake evaluation of the benefits and how effective the actions to reduce adverse impacts have been?	Feedback is received periodically from the Districts on the take up of the County Tax Support Schemes not least because the County Council funds around 75% of the cost of such schemes.

61

Further details

Personal data	Response
Are you handling personal data?	No
If yes, please give details	N/A

Actions required	Action	Lead officer	Timescale
Include any actions identified in this analysis for on-going monitoring of impacts.	None	N/A	N/A

Version	Description	Created or amended by	Date created or amended	Approved by	Date approved
V1	Council tax rate increase proposal for 2024/25 financial year	Michelle Grady	23/01/2024	Andrew Crookham	26/01/2024

This Appendix provides details of the budget engagement events which have taken place in January 2024.

Statements on Budget Proposals for 2024/25 from Overview and Scrutiny Committees

The following statements have been received from Scrutiny Committee meetings which have taken place during January 2024:

Adults and Community Wellbeing Scrutiny Committee – 17 January 2024

The Adults and Community Wellbeing Scrutiny Committee supports the Revenue and Capital Budget Proposals 2024/25 for the Council's Adult Care and Community Wellbeing Services.

(1) The Committee would like to emphasise to the Executive the financial pressure of £9.4 million, which is the result of increasing demand for services, such as residential care where for the first time since the pandemic, more 'self-funders' seek support from the Council owing to their reducing capital, representing a 21% increase in this group of clients. At the same meeting, the Director of Public Health presented his report for 2023 entitled *Ageing Better in Lincolnshire Adding Life to Years*, which details some of the challenges in Lincolnshire. For example, 23% of Lincolnshire's population is aged over 65, compared to an England average of 18%. The Committee supports the continued emphasis on prevention services, so that people can live as independently as possible for as long as possible.

(2) The Committee has been advised that an Adult Care and Community Wellbeing Improvement Plan is being compiled, which in addition to actions in response to the Care Quality Commission's 2023 assessment will also include service transformation activities. Some of these activities may contribute efficiencies. The Committee would also like to explore how existing buildings and infrastructure can be used to create community hubs, from which several providers could offer services, reducing their overhead costs.

Children and Young People Scrutiny Committee – 12 January 2024

The Children and Young People Scrutiny Committee unanimously supported the budget proposals for Children's Services for 2024/25 and was satisfied that the cost pressures were being tackled within Children's Services.

The Committee made the following comments:

1. The Committee recognised that Children's Services had very little control over the rising cost pressures due to the unprecedented market conditions, increasing demand, and rising prices, which were causing the 10% increase in the overall budget for Children's Services. Assurance was provided that Children's Services was working hard to mitigate the impact through early intervention and by making sure it remained competitive within a market. In addition, Children's Services was investing in new children's homes so that it was less reliant on the market and could use its own provision.

2. The Committee acknowledged that Children's Services had invested in special educational needs and disabilities (SEND) school provision through the Building Communities of Specialist Provision Strategy programme which started five years ago. It was clarified that since this started, the market had changed considerably for specialist placements and the SEND system had also changed extensively due to the increased demands. The programme had mitigated the worst impact of those changes, and national data indicated that the Council was bucking the trend around the increases in SEND being seen elsewhere. However, it was not immune to those increases which would come with significant costs. The programme had mitigated significant costs, provided local education for children with SEND, and once completed, the Council would see a positive impact on home to school transport cost pressures for children with SEND when placed in their local special schools. Consideration was now turning to Phase Two of the programme which included a new Social, Emotional and Mental Health (SEMH) school, which has funding provisionally earmarked in the Council's capital budget, and identifying what other options were available to increase the Council's own SEND provision to reduce costs further. It was anticipated that the Council would continue to see pressures on the high needs block over the next few years.

3. The Committee raised concerns about the increasing costs for alternative provision, which were very high for the number of children and young people it served. It was confirmed that Children's Services was working with schools to make sure they were inclusive and responded to the needs of children, and that children were kept within mainstream settings wherever possible as this enhanced their academic and long-term outcomes. To respond to the market, there were plans in place to expand provision with the alternative provision provider at Myle Cross in Lincoln to meet current demand.

4. Concerns were also raised about the increasing number of children in care and the costs of placements, which had seen a 23% average increase in Lincolnshire. It was clarified that unaccompanied asylum-seeking children (UASC) were included in the children in care figures, but these were grant funded and would not usually go into high cost placements as there was an efficient way of supporting them in place. If the number of UASC were removed from the figures, the number of children brought into care would be fairly stable. According to the latest measurement from April 2023, the number of children in care per 10,000 had fallen by 2%. This was contrary to the national and statistical neighbour figures which had both risen. The significant factor in the high cost for placements was due to market costs and not the increasing number of children in care. Assurance was given that the right children were being brought into the care of the local authority to safeguard them.

5. It was suggested that the Council should contact local MPs to lobby for more funding for local government or for a relaxation of, or update to, councils' statutory duties as the current situation was not sustainable or practical. It was highlighted that the home to school transport legislation which governed the Council was established in 1944.

6. The Committee was pleased to hear of the proposal for a new SEMH school. It was confirmed that this was at a very early stage in the process and was included in the Council's budget proposals. Children's Services has identified capital funding requirements for this scheme over the next period and the need to have these funds earmarked. The full business case would come through a future meeting of the Committee.

7. The Committee questioned the cost pressure of £0.500m for social care transport costs for supervised family time, and it was clarified that this was mainly due to the increase in the national living wage and unfavourable market conditions. To address these cost pressures further, there was a new automated system for planning routes in place and a move away from short term contracts, and Children's Services was working with the courts to ensure that family time was agreed in an efficient way to minimise cost and disruption.

Environment and Economy Scrutiny Committee – 16 January 2024

The Environment and Economy Scrutiny Committee unanimously supports the Revenue and Capital Budget Proposals 2024/25 for the Council's Environment and Economy Services.

(1) The Committee raised a concern about the potential impact of market price changes, specifically in the sale or disposal of waste materials, and inquired about the preparedness for changes resulting from the Environment Act, expressing apprehension over funds being allocated for flood incident response and prevention. Officers acknowledged the volatility in waste markets, especially with upcoming changes due to the Environment Act, and highlighted ongoing work with Defra on separated food waste; and addressed concerns about funding for flood incidents, mentioning the £4 million approved by the Executive to support flood alleviation work.

(2) The Committee expressed trepidation about the anticipated reduction in government funding and the perceived necessity to optimise Council Tax. They sought additional details regarding medium-term mitigation strategies concerning the escalating cost of financing, specifically in light of the elevation in the bank finance base rate. Officers provided insights into detailed work on contingency planning for inflation in various spending areas, discussed forecasting efforts, a medium-term financial plan, and increased contingency to address uncertainties, especially in social care and school transport. Lastly, it was emphasised that the Treasury strategy was scrutinised by the Overview and Scrutiny Management Board, further highlighting that internal cash balances and revenue underspends were being used to mitigate the impact of borrowing and rising interest rates.

Highways and Transport Scrutiny Committee – 29 January 2024

On 29 January, the Highways and Transport Scrutiny Committee considered the above report and agreed to support the recommended budget proposals for 2024/25 to the Executive. The following points were highlighted in discussion:

- Members referenced the £12 million cut in the government budget for highways in 2021-22. Officers explained that the Council had decided to reinstate the £12 million through local taxation, but the Department for Transport (DfT) had only announced a partial restoration of around £5 million in the autumn budget.

- Members inquired about the £4 million allocated for flooding issues, questioning its sufficiency. Officers clarified that the £4 million came from underspends in the current year's budget and was moved to the reserve and capital programme by the Executive. They acknowledged that the services were still determining the impact and emphasised that further discussions and reviews would likely take place in subsequent meetings.

- Concerns were raised about the impact of inflation, particularly in contracting and staffing costs, on the proposed budget for Highways and Transport services. Officers explained that the government funding, including the revenue support grant, was designed to cover inflation, and the budget-setting process involved a detailed analysis of individual contracts, taking into account anticipated inflation. Contingency measures, such as a £9 million reserve, to address any unforeseen inflationary pressures during the year were mentioned by Officers, whilst acknowledging the challenge posed by a higher-than-anticipated national living wage increase for the next year's budget. Assurance was given that government grants and a recommendation for a full Council tax amount were intended to cover these additional costs.

- Finally, the escalating costs in the educational transport budget, particularly due to inflation, and inquired about future considerations and contingencies for addressing this issue were discussed. Officers clarified that there was not a specific contingency designated solely for transport in the future, as the current year had a contingency to ensure accurate budget levels. Budget increases were attributed not only to inflation but also to growing demand and the complexity of requirements. Reassurance was given that ongoing efforts within the service area were focused on understanding and managing these budgetary challenges and Officers expressed confidence that the £6 million contingency set aside for the future should be sufficient to cover potential challenges in the transport area and other general issues.

Overview and Scrutiny Management Board – 25 January 2024

<u>“Council Budget 2024/25” report (agenda item 8)</u>

On 25 January 2024 the Overview and Scrutiny Management Board considered a report on the budget proposals for 2024/25 previously sanctioned by the Executive on 09 January. The Board unanimously supported the proposed budget proposed.

Key points referenced in the debate included:

- Members welcomed the government’s announcement of an extra support package, in addition to the provisional settlement funding, to aid local authorities in delivering essential services. Some concerns were raised about the potential need for a Council tax increase amid the cost-of-living crisis, citing ongoing challenges such as the national living wage and service demands. Officers stressed the importance of fact-based decision-making, suggesting that discussions about using the extra one-off money should wait until the final settlement is received. It was assured that Council tax base information and business rate collection figures, expected by 31 January, would be debated on 06 February.

- Members acknowledged the potential need for the Council to transition to a lower cost base due to budget deficits and sought clarification on associated risks and service implications; inquired about the yearly increase in working age adults needing care, specifically in mental health, and requested details on the cost implications; and questioned the impact of financial savings by unpaid carers and whether certain benefits, like war pensions, were considered in income assessments. The discussion also covered cost pressures related to Children in Care

(CiC), especially those under the National Transfer Scheme (NTS). Officers responded by outlining the use of the financial volatility reserve, addressing care demands, and explaining NTS financial dynamics. They committed to providing more information on specific benefit considerations. The Leader emphasised the need for wise use of funds and highlighted the Council's stable financial position compared to other authorities, considering the government's expectations and conditions tied to additional funding for social care services.

- Members expressed concern over the surging cost pressure of £3.2 million for educational transport, describing it as a significant financial challenge. They queried if lobbying, particularly by the County Council Network (CCN), had sought to impose a cap on these costs. The Chief Executive acknowledged CCN's attention to the issue in a commissioner report, proposing potential solutions and advocating for a review of outdated home-school transport legislation. While recognising the escalating costs, the discussion also highlighted internal efforts to transform the system and manage expenses. The Chief Executive stressed the importance of exploring means testing and noted the inclusion of educational travel processes in the Business Performance Improvement Program for increased efficiency

<u>“Service Revenue and Capital Budget Proposals 2024/25” report (agenda item 9)</u>

- On 25 January 2024 the Overview and Scrutiny Management Board considered a report on the Service Revenue and Capital Budget Proposals 2024/25. The Board unanimously supported the proposals which were extensively discussed as part of the debate on the Council Budget for 2024/24 that was also approved in the same meeting.

Public Protection and Communities Scrutiny Committee – 30 January 2024

The Public Protection and Communities Scrutiny Committee supported the budget proposals for Public Protection and Communities services for 2024/25. It was noted that Councillor K Lee abstained.

The Committee made the following comments:

(1) Concerns were raised about the lack of an increase in the revenue budget for a number of service areas and whether this would be feasible. It was clarified that the relevant directors and assistant directors had been consulted with on their budgets, and the only items not included in those service budget proposals was the pay inflation for 2024/25. These had been budgeted for in the Council’s contingency budget to ensure that when those pay awards were given, they could then be added into the service budgets.

(2) Disappointment was expressed regarding the late announcement of the additional £500m funding for councils from the Government which could have provided more certainty around the Council’s financial position earlier in the budget setting process. It was confirmed that no information had been received yet regarding how much additional funding the Council would be receiving from the Government and it was hoped that more information would be included in the final settlement which was due shortly. The challenge for the Council going forward was that the additional funding was only for 2024/25 whereas the cost pressures were being built into the base budget and would be a constant year on year cost which needed to be planned for accordingly.

(3) In response to a query regarding the budget for the Fire Fleet and Equipment capital scheme, it was confirmed that it was difficult to estimate the cost for a new fire appliance as this would

depend on the standards and requirements needed and market research. When the contract goes out to tender in the future, there could be next generation replacement appliances available, and there could be a need to consider different capabilities which would be based on what the future risks were. For the previous contract, the cost was around £8m for 33 fire appliances, which meant that each one had cost approximately £242,000. However, it was clarified that there might not be a need to replace all the equipment depending on risk and usage, and it was anticipated that the costings would be different moving forward.

(4) The Committee questioned the £614,000 additional costs for the contract inflation on the libraries contract, and it was confirmed that this would be included in the base budget for the service moving forward. It was clarified that a report on the recommissioning of the libraries contract from April 2026 would be brought to a meeting of the Public Protection and Communities Scrutiny Committee over the next few months. Consideration was being given to the potential impact on the budget of recommissioning, and it would be approached in a way that would allow for some negotiation of the contract to ensure the Council could maintain an affordable and deliverable library service.

The Committee explored whether there were any future risks to the Public Protection and Communities services which could impact on the budget. It was clarified that there was a contingency of £6m planned for next year to deal with some of the volatility around prices, particularly for the contracts which were easier to forecast as they tended to be a year behind and could be built in. In addition, there were some general reserves which could support any unplanned cost pressures.

Meeting with businesses, trade unions and other public bodies – 26 January 2024

A list of attendees is detailed at the end of these notes.

Councillor M A Whittington, Executive Support Councillor for Resources and Communications welcomed everyone to the meeting. Attendees were informed that this meeting was part of the normal consultation process which the authority undertook when setting its budget and provided the opportunity for partners and other organisations to take part in the consultation. The proposed budget was also examined by each of the County Council's scrutiny committees who would look in more detail at the budget for individual service areas. Recommendation would then be made to the full Council at its meeting on 23 February 2024, where the budget would be formally approved.

Michelle Grady, Assistant Director – Finance and Adam Hopley, Strategic Finance Lead (Corporate), introduced a presentation on "Budget Engagement Meeting with Key Stakeholders – 26 January 2024", which was a consultation exercise led by the County Council to highlight the Council's current budget and financial outlook for public services over the coming year. The presentation highlighted the following main points:

- In terms of the economic and financial context there were a number of factors that were influencing the budget and the Council's spending, including the higher levels of inflation, although these were now falling.

- In relation to the Autumn Statement 2023 and the local government headline, it was reported that tax receipts had been higher that forecast in March 2023 which had been used to provide a cut in national insurance for employees and the self-employed, as well as incentives for business investment. It was noted there was no additional funding for Local Government as departmental spending limits were maintained from the Statement in 2022. Departmental spending limits would increase by 1% a year in real terms from 2025/26 onwards, however this was a reduction from recent increases. Due to larger increases in priority areas (health, defence, schools) there could be a decrease in funding for local government. Finally, it was highlighted that the standard Business Rates multiplier would be increased by inflation, whilst the small multiplier would be frozen.

- In terms of the provisional local government finance settlement for Lincolnshire County Council, it was noted that the Government predicted a Core Spending Power increase of £45.1m, assuming a council tax increase of 5% (£23.1m). In relation to grants, the revenue support grant had been inflated by £1.5m or 6.6% (September CPI), with an additional adjustment rolling in the Fire Pension grant of £1.4m, therefore a net nil change. Business rate baseline funding and multiplier compensation grant was forecast to increase by £8.7m or 6.5%. The Council would also receive an additional one-off New Homes Bonus grant of £1.0m. In terms of other grants, the rural services delivery grant would be maintained at £8.1m, the social care grant would increase to £66.8m, the Adult Social Care (ASC) market sustainability and improvement fund would increase to £14.7m, ASC discharge fund would increase to £8.0m, the Services Grant would reduce by £3.8m. It was highlighted that the Council would not benefit from the funding guarantee due to its core spending power increasing by more than 3%.

- The Council funded a number of major services and functions including Adult Social Care, Children’s Social Care, Public Health, Highways, Transport, education (including school transport), environmental services (including waste disposal, waste collection was a function of the district councils), economic regeneration and Fire and Rescue Services.

- In terms of sources of finance for 2023/24, it was noted that the Council had a net budget of £1.6bn, with 45% of this being the dedicated schools grant, Council tax accounting for 22% of funding and Business rates were 9%. 17% of the councils funding was provided by grants and contributions.

- In terms of expenditure on services, the Council spent £745.5m on schools, £363.7m on Adult Care and Community Wellbeing and £133m on Children’s Services. £176m was spent on Place, which included transport and highways services.

- In relation to the current budget strategy and resilience it was explained that delayed reforms to local government finance and short term funding certainty combined with the economic context were detrimental to financial planning. There was heightened financial risk and a medium term prospect of a second round of austerity. However, the Council had a good record of delivering savings and operating within budget, with a blend of savings and the prudent use of reserves being applied for the last few years to maintain a balanced budget. Underspends had been prudently managed to establish reserves to support financial resilience, as well as being used to fund schemes which would lead to reduced revenue costs in future years. Lincolnshire was, and aimed to continue to be in the lower quartile of Council Tax levels.

- Key financial trends highlighted the reduction in the general government grant since 2011/12 and the increase in other government grants received as the government moved to providing funding for specific services and purposes. it also highlighted the change in government approach towards council tax increases following additional funding being offered to Councils who froze council tax between 2011 and 2015, towards an approach now where councils were more reliant on the income from Council Tax.

- The LCC Medium Term Financial Position demonstrated that the Council could see its budget shortfall increase year on year between 2024/25 and 2027/28 from £7.2m per year to £15.5m per year. However, it was noted that this assumed a council tax increase of 2.99% for each year. These budget shortfalls were driven by higher cost pressures including increased demand due to an increased number of people needing to access the services as well as increased complexities in meeting those needs.

- Cost pressures highlighted for 2024/25 included the 2024/25 pay award (4%) and legacy pension costs; contract inflation for commissioned services; inflation within social care and all other services; increases in demand for Adult Social Care services, including previous self-funders approaching the council for funding due to diminishing capital; new costs associated with additional funding (ASC discharge fund and ASC market sustainability and improvement fund);increase in the numbers and complexity of children in care and the need for specialist placements; and increases in the cost of Home to School transport – inflation, service demand and challenging market conditions.

- However, there were also savings for 2024/25 which included a reduction in energy costs across the Council's estate following a fall in energy prices from last year; reduction in cost following the triennial review of pension contributions; anticipated realisation of efficiencies from insourcing services; cost reductions following the retendering of the insurance contract; increase in income through the review of fees; increases in anticipated income through the generation and sale of electricity at the Energy from Waste plant; savings realised from investment in Children's Homes and Separated Paper and Card collections; decommissioning of legacy IT systems; removal of one of funding in highways; and a slight reduction in the contingency budget due to an anticipated slightly reduced risk for the year ahead.

- In relation to Reserves, the Council had two types of reserves – the General Reserve (currently at £16.4m) and Earmarked Reserves (£238.120m) at the start of 2023/24. It was noted that that £72.019m of earmarked reserves were forecasted to be used during 2023/24. It was also highlighted that earmarked reserves included money that did not belong to LCC (i.e. Schools) and also grants or other contributions which were for specific purposes. Other Earmarked Reserves held by the County Council included the Financial Volatility Reserve of £46.922m.

- The Capital Programme had been costed over a 10 year period from 2024/25 with a gross value of £511m ((net - £339m), and included investment in Schools, Highways, property and IT assets. The volatility of capital financing charges over the medium term was managed via an earmarked reserve.

- Some of the schemes included in the Capital Programme included delivery of SEND schools provision, maintenance and improvement to council buildings, replacement of Fire and Rescue Fleet and equipment, local flood protection schemes, separated paper and card recycling scheme, North Hykeham Relief Road, Spalding Western Relief Road – Section 1 and Section 5 and local highway improvement schemes (pinchpoints).

- In year revenue underspend would be used to fund capital investment in Waste Transfer Stations, Cross Keys Bridge electrification, LED streetlights swap out and Flood investigation and alleviation. It was also noted that the capital contingency had been built up over recent years and it was proposed that this would fund a number of projects including Grantham fire station works, Lincolnshire Secure Children's Home, Lincolnshire Fire and Rescue Control Room, RAF Woodhall Spa Redevelopment, County Farms solar schemes and subsidence and schools mobile classroom replacement.

- There were three council tax options being considered for 2024/25:
  - Option A (2.99% increase)
  - Option B (3.99% increase)
  - Option C (4.99% increase)

- In relation to council tax, the Council expected to maintain its position in or around the lowest quartile of all 26 English shire counties. The different options would generate different levels of income and would have differing impacts on Band D taxpayers (A - £45, B - £60.03, C - £75.06 per annum).

- For 2023/24 LCC was in a pool with all seven district councils for Business Rates. This was currently forecasted to generate £3m in additional funding. LCC would continue to be in a Pool with the seven district councils for 2024/25 and a pooling gain of £2m was expected.

- In terms of next steps, the updated budget proposals would be considered by the Executive on 6 February 2024 and the budget would then be recommended to Council for approval on 23 February 2024.

During the course of discussion, the following points were noted:

- The presentation had given a thorough run through of the context in which the budget was being set. The Executive at its meeting on 9 January 2024 had considered the options and pressures facing the Council and had proposed a 4.99% increase for Council Tax was set. This was the view taking into account the current demand for services and the uncertainty around government support for those services.

- It was queried that as Lincolnshire was the third lowest shire county in terms of council tax, which authorities were lower. It was confirmed that only Worcestershire and Suffolk had lower council tax rates than Lincolnshire.

- In relation to reserves, it seemed like significant amounts were going to be used, and it queried whether there would be sufficient funds in the event of any unforeseen events (e.g. another pandemic). It was noted that reserves were prudently kept, and there was also a level of contingency in the base budget. In 2023/24 the Council agreed to increase its contingency fund due to rising inflation and this was used. The reserves being used were to fund highways works etc and these was a planned usage of the reserves.

- It was noted that if there was a national incident, e.g. when the pandemic happened, the government did provide additional funding to local authorities. Also, in response to the recent flooding, the government have provided additional grants to support residents. The Executive was very aware of the issues around flooding and what more the authority could do to support residents.

- With a number of local authorities expected to issue Section 114 notices in the coming year, it was queried whether this was something that Lincolnshire would be considering. Officers were clear that this was not something that LCC was at risk of. It was noted that many of the authorities that have had issues had made decisions to plug gaps in their funding through external/commercial types of investment. Lincolnshire has invested in service delivery and service improvement, to reduce future revenue costs e.g. building children's homes to avoid expensive out of county placements for children in care.

- A discussion had taken place several years ago with the Executive, where the decision had been made that getting involved in external commercial activity was not the direction that the County Council wanted to take.

- Financial resilience and sustainability was key for the provision of good services. The Council's focus was looking at how services were delivered and if they were meeting the needs of the people who needed them.

- It was highlighted that the Council had taken the decision to not close its Children's Centres as the prevention work carried out by them could save money in the longer term,

- In terms of the capital programme, the Council had aimed to develop and invest in schemes that would save money.

- Clarity was sought regarding the schools balances and whether academies had access to that funding, officers advised that £76m had been invested into schools and the Council received a general grant for providing schools places, and had to make the provision available. Often new primary schools would become academies once they were built. It was also noted that the balances of the earmarked reserves were for maintained schools.

- In terms of the future, and the knowledge that there would be a general election within the year, it was queried if there was any view on what may happen if there was a change of government. It was commented that there was recognition that there was a need for greater security for local government in terms of funding, but there was a view that if there was a change in government, it was likely that there would be a plan to maintain the status quo and then work with the sector on increasing the funding.

- Attendees expressed thanks for the great work the council did and for providing detailed answers to questions. There was support for the current budget proposals.

The list of external attendees are as follows:

Present	**Representing**
Henry Breese	Lincolnshire Co-op
Elizabeth Lowe	Unison

Ken Rustidge	NEU
Paula Stephens	Unite the Union
Jessica Williams	City of Lincoln Council

2024/25 Budget Consultation

1. Executive Summary

Lincolnshire County Council launched its 2024/25 consultation on Tuesday 9 January 2024. The consultation received over 1100 completed surveys, including over 700 comments, in comparison to its 18 comments last year. Key results include:

- 56.7% of respondents want to see the smallest proposed rise of 2.99% and full use of reserves to minimise pressure on household budgets
- 19% of respondents want to see the largest rise, and Executive preference of 4.99%, to ensure quality services can be provided and reserves are protected
- The other 24.3% wish to see a 3.99% rise as a compromise to help households and council service delivery
- An additional 32 people wish to see no rise, although this was not a consultation option

The Executive will consider the responses, along with budget and need forecasts and the impacts on all to agree how the county council element of the 2024/25 council tax bill will change.

2. Introduction

The council sets out its proposed budget every year and asks residents for their views on the proposals. There has been little change in budgets in recent years, but there are a number of considerations that mean things might look a little different in future.

- continued cost of living pressures on households
- financial uncertainty with fluctuating inflation and poor retail performance
- hints of a return to austerity
- forecasts of around 20% of local councils issuing section 114 notices
- ageing population requiring more support – most cost pressures come from social care
- national concerns over road conditions
- potential devolution on the horizon

Consultation undertaken on Let's talk for 2022/23 and 2023/24 budgets has forced platform registration and yielded very few responses. This year an anonymous survey was used and response rates were much higher with more than 1100 responses

3. Stakeholders

All council tax payers have an interest in this matter. Promotion was via new release and direct mailshot with additional mention in a database newsletter promoting other engagement. Sending information to organisations representing seldom heard groups aimed to reach people of different ages, ethnicities and geographies.

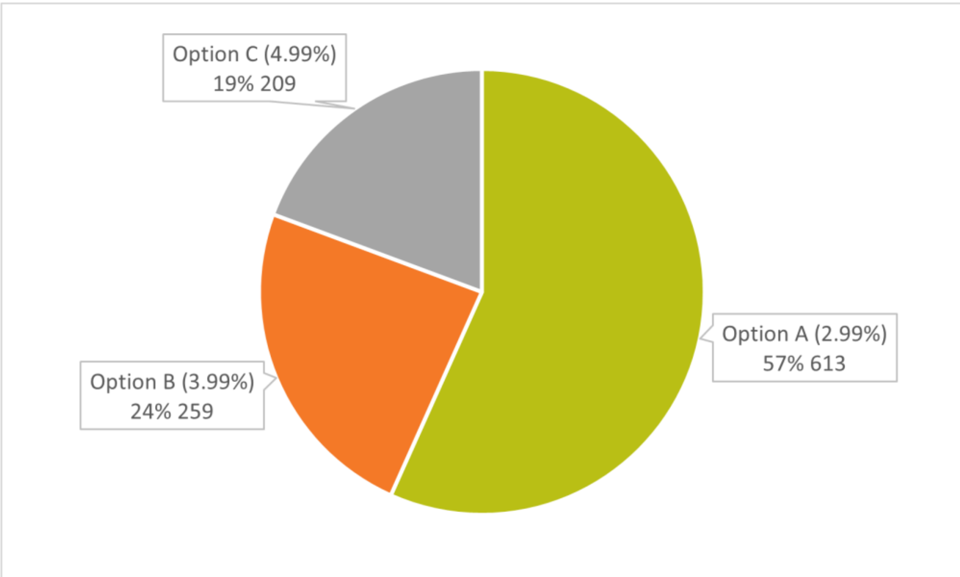
Almost 2,000 people visited the budget page on Let's talk Lincolnshire (1885 unique visitors) and nearly 6 in 10 completed the survey (1103, 58.5%), which is a very high conversion rate

4. Methodology

- News release following Executive meeting to promote consultation, 9/1 resulting in 24 pieces of media coverage
- Newsletter inviting participation to over 3000 individuals and organisations on LCC database, 10/1
- County Catch up newsletter article, 18/1
- Online two-question survey on Let's talk Lincolnshire, 9-30/1
- Postal and email address to send comments direct to Finance, 9-30/1
- Internal comms message to encourage responses, 24/1
- Meeting for businesses and organisations held in Lincoln, 26/1
- Record of council tax mentions at devolution roadshow events, 10-25/1

5. Findings

The response rate has been much higher this year than previously. There were 1103 responses and (1081) answered question one about preferred council tax increase options.



More than half (56.7%, 613) of respondents answering question 1 want to see a small increase in council tax (2.99%) and the use of reserves in recognition of personal and household financial pressures. There were 447 comments left by people who selected option A. They suggested:

  - make savings on
  - staff costs (salaries, pensions and heating offices)
  - councillor costs
  - contracted service overcharging
  - making proper road repairs to avoid re-fixing
  - the Police and Crime Commissioner, purple lid bins were identified as areas of non-LCC spend that could be reduced
- campaign for more funding from national government
- Local Government Reorganisation to remove unnecessary layers

- tax income only so those who earn more pay more, those with a fixed income don’t see significant increases and the system is more affordable and more uniform
- cut services and force those who need more pay more - only pay for what you use

Nearly one quarter (24%) of respondents thought that 3.99% was a fair increase because it recognised the pressure on households and service providers. They felt:

- both parties should share financial burden because services for the vulnerable must be provided, but many households cannot afford any increase in outgoings
- a middle ground should be found and option B represents that with use of reserves, increased revenue and not putting all of the burden on individuals and families
- fairness was key when considering how to proceed. The increase reflects inflation and the associated increased cost
- quality services are vital so the council should reduce expenditure (consultants, red tape) and invest in efficiency to meet needs

Almost one fifth (19.3%, 209) would like to see the maximum increase applied (4.99%) and gave the following reasons:

- higher council tax means more support and quality services for those who need it most
- increase should go towards children with additional needs and adult care
- the figure is below the average inflation rate over the last 12 months
- necessary to plug the gap in government funding
- reserves should be saved for emergencies, such as increased flooding risk, reduced income from government and to avoid issuing section 114 notices to future proof service provision

They also suggested:

- campaign to national government for fairer funding
- cut backs/waste reduction to save money and ensure essential services are maintained
- means testing to ensure affordability for all households
- explain in more detail the need for and purpose of reserves so the public understand

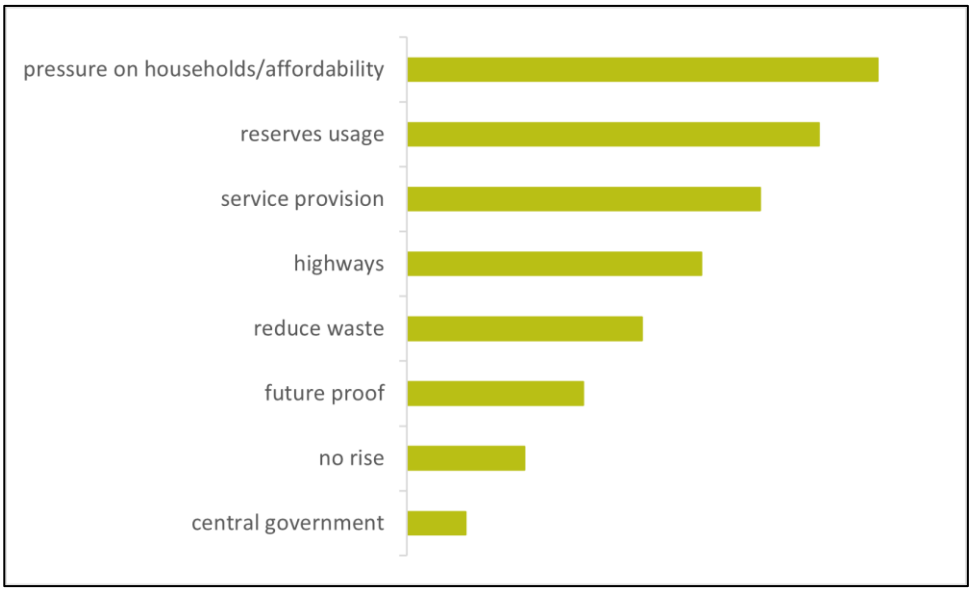
More than 30 people said they didn’t want to see a rise at all. This related to:

- affordability and existing financial pressure on household budgets
- service provision not being of the quality and level expected, for example bin collection frequency and pot holes
- need to raise more funds from government or reduce costs and waste

Feedback from the event was supportive and comments included:

- ‘Excellent presentation. Good answers. Thank you’
- ‘Lincolnshire is one of the best managed areas’
- ‘Very supportive [of proposals]’
- ‘All seems very sensible and prudent management of the finances in a volatile environment. A very clear presentation. Thank you.’

The most frequent comments are shown below. Vulnerable people and those with protected characteristics were mentioned 24 times, both positively and negatively affected by changes. This was in context of being most likely to need services, but also to feel the impact of increased costs.



6. Conclusion and Next Steps

The largest proportion of respondents felt that the lower increase (2.99% in option A) should be chosen with the highest use of reserves. Their reasoning related to affordability among households and perceived waste in spending or 'sitting on' money.

The smallest proportion supported Executive's preference for the largest increase (4.99% in option C). Their reasoning was that vulnerable people need support and the county is better with quality services that receive investment.

The rest felt a middle ground was the best compromise to suit all pockets and needs with a 3.99% increase (option B).

32 people felt there should be no rise at all.

A number of comments asked for more detail or clarity on some elements so a breakdown of how much and why the two types of reserves are needed and a clear image of changes in costs provided alongside the next consultation might be beneficial. This explanation was provided and very positively received at the meeting on 26 January so extending the invite for this event might be a positive move.

The County Views survey could be used to identify priorities prior to future budget setting. The survey can be included in County News and sent to every household to further increase reach and representation.

Addendum

The Council also received the following email responses.

Response 1 by email

Preferred option would be 3.99% with 3.5 million from reserves
LF (name redacted)

Response 2 by email

Go for option C
4.99%,and hold reserves for a rainy day, which is bound to happen.
Consideration must be given to the farmers who now regularly lose crops and livelihoods to flooding;we need these farmers to provide much of our food and stop supermarkets robbing these growers, to purely increase their profits and payouts to shareholders.
Thankyou
Bassingham.

Response 3 by email

2.99 % please. Everyone is struggling these days.
MA (name redacted) TPC

Response 4 by email

Please stop increasingly putting up this tax! And stop wasting hundreds of thousands of pounds of the money we have to pay only for you to build stupid pathetic monuments and other wasteful spending that the vast majority of residents do not see, use, or enjoy! The university buildings and tank sculpture now make that part of the city a disgrace! Cheapens the city! With many found going bankrupt its time local councils became centrally governed by our government! And any council who goes bankrupt deserve to go to jail! Poor budget management is a pathetic excuse not to be sent to prison! Central gov need weekly feedback of all accounts to prevent, sub-standards in accounts! Stop wasting the money we pay! Potholes wreck our cars! No street lights, no police, in those properties who pay the most tax!! Other than the bins collected what other services are the council providing for us in dark, areas, very poor mobile reception and when we report crime nothing is done! Focusing on the city centre using the money we pay as well as paying fat cat leaders immense salaries is a disgrace! Sort your acts out! It's not good enough, not value for money, not fair!.
RP (name redacted)

Response 5 by email

Good Afternoon.....

Before the week gets under way can I please give you the consensus of Wainfleet St Mary Parish Council.

It is a majority decision (8) to consider Options B and C (I vote for Option A)
Kind regards
Wainfleet St Mary Parish Council

Response 6 by email

Good afternoon,

Councillors would like to express their gratitude for receiving this information and having the opportunity to express their views on Lincolnshire County Council's Budget Proposal.
The majority of Councillors are of the opinion that Option B would be the most appropriate.

Kind regards,

East Keal Parish Council

Response 7 by email

After consideration, Navenby Parish Council would like to put forward the following considerations:

"middle option is preferred.

Continue to be disappointed that LCC and NKDC no longer feel able to have a face-to-face with the public (the electorate who put them in post and expect them to look after their best interests). we would be interested to know how much was put into reserves last FY and how much they anticipate putting back into reserves FY24/25."

Regards

Navenby Parish Council

Response 8 by email

Good Afternoon

Following a meeting of Cowbit Parish Council yesterday, Option C, 4.99% was their recommendation.

Kind regards

Cowbit Parish Council

Response 9 by email

Rauceby Parish Council has considered the proposals and the majority opinion is that Option B (3.99%) is the most appropriate.
Regards

Rauceby Parish Council

Response 10 by email

Good evening,

Stickford Parish Council on a majority view on the proposed budget, would opt for option C 4.99% increase with no use of reserves.

This would appear to be a strategic need at the current time to safeguard services for residents.

Regards

Stickford Parish Council

Response 11 by email

Good morning

Councillors at Barrowby Parish Council prefer Option C.

Kind regards

Barrowby Parish Council

Response 12 by email

I'm reporting Swinstead in South Kesteven's Parish Council choice of option for the above budget. We had a unanimous vote for option B.

Apologies for being late for the response deadline. Many thanks,
Swinstead Parish Council

1. Corporate Plan and Financial Strategy

1.1 The aim of the financial strategy is to enable the delivery of the council's overall strategic aims. It seeks to ensure that the authority has the financial capacity and capability to meet the aspirations over the delivery period of our corporate plan, and in doing so maintaining the longer term financial sustainability of the organisation.

Corporate Plan – Our Vision: Working for a better future

1.2 Our Corporate Plan underpins our 'One Council' approach which ensures all services are working towards shared goals and will help different areas of the council work together more effectively.

1.3 Our corporate plan looks over a longer timeframe, and we are identifying key priorities for this council to support our ambitions for Lincolnshire in that our people and communities will have:

- High aspirations;
- The opportunity to enjoy life to the full;
- Thriving environments; and
- Good value Council services.

1.4 To make sure we continue to provide good services but also work towards meeting the wider needs of Lincolnshire, we are committed to:

- **Being customer focused** – understanding the key issues for Lincolnshire's people and places, to help shape services.
- **Working collaboratively** – recognising our challenges and developing plans to deliver improvements, together with communities and partners.
- **Connecting our communities** – using infrastructure to connect people and places, including digital communications, rail and road networks.
- **Advocating for Lincolnshire** – working with our partners to passionately advocate for Lincolnshire, attracting additional investment to strengthen our communities
- **Making money go further** – providing cost effective, high quality services.
- **Working creatively** – tackling our challenges and making the most of all opportunities an innovation.

1.5 The Council has embarked on a programme of transformation to support the delivery of the corporate plan and to consider how we can best deliver services in Lincolnshire. The Financial Strategy will underpin the Corporate Plan by ensuring that resources are identified and made available to deliver its ambitions and programme of transformation.

1.6 Performance data and business insights are regularly reviewed and being further developed to ensure we meet our corporate plan ambitions and our statutory duty of continuous improvement via best value in delivery of services.

1.7 Key factors in considering our long term financial strategy also include:

- The nature, level and volatility of sources of income financing the council's services. E.g. the council tax base; government grants, local fees and charges and commercial income.
- The cost base and nature of costs of delivering services and factors that impact on these costs, e.g. inflation, National Living Wage, general cost of goods and services and availability of supply.
- Anticipated changes in assets and liabilities effecting the balance sheet of the authority. E.g. capital financing and debt.
- Planned capital investment.
- External factors such as government elections, policy, legislation and reforms.

1.8 As part of setting our budget and considering the longer term impacts of these key factors, we have developed sensitivity analysis to understand the potential impact of the financial sustainability of the authority, and will look to further scenario plan to develop this understanding further.

1.9 Our medium term financial strategy forecasts out budget plans, to incorporate these factors over the medium term.

MEDIUM TERM FINANCIAL STRATEGY

2. Introduction

2.1 The Medium Term Financial Strategy (MTFS) sets out how we plan to manage our finances for the period 2024/25 – 2027/28 and supports achieving the longer term ambitions set out in our financial strategy. The MTFS will be refreshed annually to take account of the current circumstances and context affecting our financial resources.

2.2 Although recent budget settlements have provided an increase in government grant funding (particularly for social care), Local government has seen its government funding reduced significantly in real terms since 2010 with more reliance on one-off specific grants and on local taxation to fund essential services.

2.3 The government review of Local Government funding and business rates retention has not been undertaken and indications are that this will not be undertaken before the next general election. This has meant that in 2024/25 we have continued to have a single year financial settlement. Indications are that growth in public spending will slow from 2025/26, and indeed show likely reductions for Local Government funding, so we continue to have uncertainty in our longer-term financial envelope.

2.4 The ongoing impact of inflation and demand for services continues to be a challenge and an on-going risk for the council's financial strategy particularly in the areas of social care and education transport which is likely to continue into future years.

2.5 The Council has a strong record of good financial management and delivery of savings and efficiencies with a level of reserves that demonstrates financial resilience.

2.6 In this context, it is essential that we plan for the future to maintain our strong financial position and ensure our financial sustainability going forward. This Medium Term Financial Strategy (MTFS) aims to help us do this.

3. Objectives of the Medium Term Financial Strategy

3.1 The MTFS is a flexible strategy which will allow us to forecast our future financial resources and then plan to use these to both deliver core services and to invest in future improvements to service delivery. The objectives of the strategy are to:

a) Ensure that we are financially resilient now and in the future and can respond positively to adverse financial impacts;
b) Support the provision of Value for Money services to our communities;
c) Support sustainable service delivery using a combination of Revenue and Capital Budgets and Reserves;
d) Maintain Council Tax in the lowest quartile for county councils;
e) Support other Council strategies;
f) Deliver assets to improve and maintain services and also to achieve future savings;
g) Enable the setting of an annual balanced budget. The annual Revenue Budget must be affordable and can be supported by the use of Reserves, but only as part of a medium term plan moving towards a future budget which is balanced without the support of reserves;
h) Support good decision making;
i) Recognise financial risks and identify how these will be managed; and
j) Allow for emerging opportunities to be exploited within the affordable budget.

3.2 Appended to this strategy is our Medium Term Financial Plan (MTFP), which will set out our forecast budget requirement for the medium term financial years 2024/25 – 2027/28. We will continue to develop our longer term financial strategy in the midst of this funding uncertainty to ensure our approach supports the council's financial sustainability.

4. The Current Financial Context

4.1 The period from 2010 has been a time of austerity for councils, with Government funding reducing significantly over this period. Councils like ours, with Social Care responsibilities, have seen new Government grants introduced to help deal with increasing Social Care pressures and the last four years has seen an increase in specific grants received. However, over this time the balance of our sources of funding has changed and we are now more reliant on Council Tax and Business Rates funding to support the provision of services. This has been an intentional shift by the Government.

4.2 The table below shows a summary of how the funding base which has supported the Council's net budget requirement has changed over the period 2011/12 to 2023/24:

Year	General Government Grant £m	Social Care Grant £m	Total Government Grant income £m	Business Rates £m	County Precept £m	Total Funding £m
2011/12	211	0	**211**	0	252	**463**
2012/13	195	0	**195**	0	253	**449**
2013/14	161	0	**161**	98	224	**483**
2014/15	140	0	**140**	102	226	**469**
2015/16	111	0	**111**	106	237	**454**
2016/17	88	0	**88**	104	254	**445**
2017/18	65	0	**65**	107	265	**437**
2018/19*	7	0	**7**	163	281	**451**
2019/20	70	6	**76**	110	289	**475**
2020/21	56	20	**76**	123	315	**514**
2021/22	51	26	**76**	121	320	**517**
2022/23	42	35	**77**	123	345	**545**
2023/24	41	56	**97**	141	366	**604**

* please note that Lincolnshire authorities became a pilot for increased business rates retention in 2018/19, and accordingly received more of their funding through business rates. This was offset by reduction in core grant funding (e.g. RSG), and is why grant funding is shown as significantly reduced in that year.

4.3 As can be seen above, the Council used to fund around half of its spending through Government grant funding. In 2011/12, this peaked at 46%. As the years have progressed, this has been significantly reduced, with grant funding falling to as low as 14% of the Council's funding base which supports the net budget requirement.

4.4 There are several factors to consider:

- The localisation of business rates from 2013/14 – in order to incentivise local authorities to grow the economy, it changed the funding model so that it provided less in grant to the sector, and enabled the sector to retain a share of business rates. This shift can be seen in the table above.

- Increased importance of council tax – the Government stance on increasing council tax has changed over the timeframe considered. In the early years, restraint was encouraged. From around 2016 onwards, increasing council tax became a Government approach to increasing resources from the sector.

- Austerity – from 2010 to 2015, local authorities were subject to significant reductions in funding as the Government looked to reduce public spending. While some funding was notionally moved to other sources, the overall quantum did not increase in line with inflation which has necessitated the achievement of ongoing savings and efficiencies.

- Shift to specific grant funding – the Government have consciously sought to reduce non-specific grant funding, to increase the proportion funded through local taxation. In recent years, pressures across social care have meant that the Government have needed to provide additional grant funding to prevent above referendum limit council tax increases being necessary, and opted to do so via specific grant funding (e.g. social care grant). This has enabled increased spending in those areas.

4.5 It should be noted that the Council receives service specific grant funding outside of the funding considered above (e.g. improved better care fund, public health grant). These are directly offset by additional cost in those areas, and therefore do not get considered in 4.2.

4.6 In response to an increasing cost base and declining grant funding, the Council has had to achieve efficiencies and increase the council tax rate. In addition, it has also needed to utilise reserves, as shown below:

Year	Total Funding £m	Savings & Other £m	Cost Pressures £m	Council Tax Increase %	Planned Use of Reserves £m
2011/12	463	57	52	0.00%	0
2012/13	449	51	23	0.00%	0
2013/14	483	28	61	0.00%	12
2014/15	469	40	22	0.00%	8
2015/16	454	31	31	1.90%	22
2016/17	445	42	31	3.95%	20
2017/18	437	39	26	3.95%	18
2018/19	451	23	30	4.95%	5
2019/20	475	16	26	4.95%	3
2020/21	514	15	45	3.50%	0
2021/22	517	12	31	1.99%	2
2022/23	545	10	54	4.99%	-2
2023/24	604	16	70	4.99%	8

4.7 The current regime for funding councils has been in place since 2013 and is now out-dated. The Government had proposed two major reforms to the system: the Review of Relative Needs and Resources (formerly known as the Fair Funding Review) and the Business Rates Retention Review and reset. These reforms were delayed due to Brexit, then by the Covid-19 pandemic and are now further delayed whilst the government responds to the cost of living crisis. Indications are that any review of needs and resources will be deferred until after the next general election.

4.8 During 2021 the government set out its new plan for adult social care reform in England. This included a lifetime cap on the amount people in England will need to contribute to their personal care and a more generous means test for local authority financial support. The government also announced that it would be providing funding to support local authorities move towards paying providers a fair rate of care. During 2022 the government rescinded the Health and Social Care Levy introduced to fund these changes and has also deferred elements of the proposed Adult Care reforms until October 2025. The government continues to allow Local Authorities with Social Care responsibilities the ability to levy an Adult Social Care precept on local tax payers, which was initially introduced in 2016/17.

4.9 Inflation – price increases on items such as consumer goods saw the consumer price index (CPI) peak at 11.1% in October 2022. It has been reducing at a steady rate since then (recently reported as 4.6%) however, it is not expected to return to below the 2% target until 2025 which continues to put pressure on our cost base.

5. The Medium Term Forward View

5.1 In November 2023, the Chancellor announced his Autumn Budget which contained policy measures relevant to Local Government, this was followed by a draft finance settlement for a single year of 2024/25.

5.2 The autumn statement and provisional settlement are in line with expectations and previous budget forecasts, however, the level of increase in the National Living Wage has created an unplanned pressure and budget deficit position for 2024/25, which has not been met by government funding. The late announcement of funding via an extraordinary written statement, prior to the Final Settlement, may partially mitigate this in the short-term.

5.3 We have been through a detailed budget exercise during the year, reviewing our cost pressures and budget assumptions. In some areas additional income and efficiencies have been included in the MTFP, which can be delivered without having a negative impact on service delivery.

5.4 We have adopted a longer-term savings strategy of business performance improvement to deliver efficiency savings. We also aim to manage future demand, reduce processing time and ensuring back office functions are fully optimised. This will in the main be delivered through the councils' transformation programme and whilst is challenging, will allow the council to continue to invest in valued front line services at a time when other councils are still reducing theirs.

6. Delivering the Medium Term Financial Strategy

6.1 The Strategy provides a framework within which we can manage the financial resources available to deliver our priorities for our communities over the medium term. To deliver this successfully requires a culture of good financial management within the Council, which is led by the Section 151 Officer (the Deputy Chief Executive & Executive Director of Resources) and the Leadership Team, which includes our elected Members as well as Chief Officers. The Section 151 Officer has certain responsibilities for financial management which are set out in regulations and must follow CIPFA's Codes of Practice.

6.2 To support this culture, we have a set of financial regulations and procedures, as well as schemes of authorisation, which give guidance to Officers about their financial responsibilities.

6.3 The Strategy supports the Council's other key strategies, by setting the financial context for the Council and by clarifying the levels of investment that we can make in the future to deliver services and improve and maintain our assets.

6.4 We have an Earmarked Reserve, called the Financial Volatility Reserve, which can be used to support the Revenue Budget in any given year if the requirement to spend is higher than the resources available. Our strategy is that this will only be a temporary solution to balance the budget whilst we work towards finding budget savings or increased funding to ensure that our budgetary position is sustainable. We also have a Corporate Contingency and General Reserves which can be called upon to meet any unexpected financial pressures in the year, if these cannot be funded from any other source.

6.5 The Strategy is supported by financial performance indicators, which are approved by Council with the budget in February each year. These are monitored during the year and performance is reported at the end of the year.

6.6 During each financial year, the approved Revenue Budget and the approved Capital Programme are monitored, and performance against each is regularly reported to the Corporate Leadership Team and the Executive, with scrutiny applied by the Overview and Scrutiny Management Board.

7. Key Considerations for the Medium Term Financial Strategy

Council Tax

7.1 As part of its Settlement for 2024/25 the Government has proposed a referendum limit for general Council Tax of no more than 3%, and continues to allow the raising of local tax to support Adult Social Care with an additional 2% precept.

7.2 Our budget proposals are to implement a 2.99% general increase to support expected cost increases for all services and 2% Adult Social Care Council Tax increase for 2024/25. Our modelling assumes that beyond 2024/25 our Council Tax increases will be 2.99% each year.

Business Rates

7.3 Our Business Rates funding is made up of two elements, an amount actually collected by the seven District Councils in Lincolnshire, and a top up Grant from central Government, as the total Business Rates collected in Lincolnshire are not sufficient to cover Local Authority spending in the area.

7.4 Any surpluses or deficits on the Business Rates element of the Collection Fund are not received from the Lincolnshire District Councils until 31 January each year and can vary year on year. We have assumed a small deficit for the Business Rates element of the Collection Fund in our budget assumptions, which relates to part of the deficit from 2022/23 which was allowed to be spread over three years. It is worth noting that only 10% of the Business Rates collected locally are passed to Lincolnshire County Council and any share of surpluses or deficits will also be on this basis.

7.5 In addition to the above Business Rates funding, the Council receives Section 31 government grant as compensation of central government reliefs offered to business. The government has announced the freeze of the small business rates multiplier for 2024/25, having de-coupled the inflation path of the small and standard multiplier in the Autumn Statement, and we are expecting to be compensated for this and other rates reliefs offered.

7.6 We are planning to continue to be part of the Business Rates Pool with the District Councils whilst this continues to forecast benefits. Pooling should provide us with additional Business Rates growth income and we have assumed an income position of £2m for 2024/25.

Government Funding

7.7 We receive General Grant from the Government in the form of Revenue Support Grant. This grant has reduced from its level of £70.351m in 2016/17 to £26.378m in 2024/25 (which is inclusive of £1.437m rolling in of fire pension grant). The future of Revenue Support Grant is uncertain given the Government's funding reform agenda, but we have assumed that it will continue at the current level plus inflation for future years.

7.8 In addition to Revenue Support Grant we receive a number of other specific Government grants to support our expenditure, the largest of these being the Better Care Fund and the Public Health grants. For the purposes of forecasting our medium term position, where grants had been inflated for 2024/25 we have assumed a continuation of funding at current levels plus inflation for these grants unless the government has indicated that grants will be cash flat or reducing.

Fees and Charges

7.9 The charges made to service users form a significant part of our total gross income, making an important contribution to the funding of services with £102.575m planned income from these charges in 2023/24. This income relates to a number of our services, with over half of it coming from users of Adult Social Care services.

Reserves

7.10 We hold two types of reserves: General Reserves, which are held as a fund of last resort to cover unexpected and unbudgeted costs which cannot be funded from our Revenue Budget, and Earmarked Reserves, which are funds held for specific purposes and to cover future costs relating to those purposes. Earmarked Reserves are either created from grants and financial contributions received by the Council, or from underspends in the Revenue Budget at year end.

7.11 Our General Reserves currently stand at £16.400m, and our strategy is to maintain these reserves at a level which is between 2.5% and 3.5% of the budget requirement each year. The current level is 2.54% of the proposed budget requirement. To ensure our reserves are maintained within this range as we go forward, we are looking to increase this reserve by £3m from repurposing existing service reserves.

7.12 Our Earmarked Reserves are currently valued at £238.120m, which includes an Earmarked Reserve which is ring-fenced for Schools of £29.148m. The Council approves the creation of any new Earmarked Reserves. Our strategy is to regularly review Earmarked Reserves so that they are used for the purposes originally intended, or removed if no longer required, with the funding diverted for a new agreed purpose.

7.13 Within Earmarked Reserves there is a Financial Volatility Reserve which exists to deal with volatility in costs and to support the budget whilst savings are being delivered. There are a number of other Earmarked Reserves which are also used to cover volatility in costs and these support our financial resilience.

Flexible Use of Capital Receipts

7.14 In September 2016 the Council approved the Efficiency Plan, and the flexible use of Capital Receipts, to fund transformation for the three year period from 2016/17 to 2018/19. This plan allowed the Council to sign up to the four year funding deal offered by Government for the period 2016/17 to 2019/20. In December 2017, the Government set out further measures to support councils to deliver services. One of these measures was an extension to the use of Capital Receipts to help meet the Revenue costs of transformation for a further 3 years to April 2022.

7.15 Since 2020/21, we have not used Capital Receipts to fund transformation projects. Instead, we continue to use our Earmarked Reserves for this purpose. This allows us to use Capital Receipts to repay borrowing or to finance new Capital expenditure. This position has continued in the current year (2023/24) and is assumed to continue in future years.

Financial Performance

7.16 We have a strong financial foundation upon which to build future years' budgets. Indicators of this are:

- We have prepared for this eventuality by setting aside money in reserves to help smooth the transition to a lower budget base;
- We have a culture of proactive financial management which generally results in expenditure being contained within budgets;
- Prompt action has been taken to reduce budgets in the early years of austerity;
- A prudent approach has been taken to budgeting and this often results in underspends at the end of the year. This in turn has allowed for Earmarked Reserves levels supporting financial resilience to be maintained;
- The CIPFA Financial Resilience Index has indicated that this Council has a reasonable level of financial resilience;
- The Leader of the Council is the Executive Portfolio Holder for Finance and has a good understanding of financial issues. The Executive is involved in the budget process.
- During 2023, we commissioned an external assessment of our practice against the CIPFA Financial Management (FM) Code. The code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The review concluded in summary that “the council is operating in line with the requirements across all the criteria in regard to the substance of the arrangements and also the spirit in which they are intended”.

Governance, Risk and Opportunities

7.17 As set out in section 6 above, we have a strong culture of good financial management and this is supported by a governance framework as follows:

Constitution and Financial Regulations
All Council business is conducted in accordance with the policies and procedures set out in our Constitution, which defines how we operate, how decisions are made, and the procedures that must be followed.
Financial Procedures
In order to conduct our business efficiently, we need to ensure that we have sound financial management policies and procedures in place and this is done through our Financial Procedures. These set out the financial accountabilities of individuals and the procedures to be followed.

Council

The Council's financial affairs are operated through a number delegations set out in the Constitution. Decisions that cannot be delegated are taken at meetings of full Council.

The Executive

Each year, the Council agrees a policy framework and budget, and it is the responsibility of the Executive to implement the framework and budget.
The Executive has special responsibilities for financial matters

Scrutiny Committee

The Overview and Scrutiny Management Board reviews and scrutinises any decision made by the Executive, Executive Councillor or key decision made by an officer.

The key aim of scrutiny is to:

- Provide healthy and constructive challenge
- Give voice to public concerns
- Support improvement in services
- Provide independent review

Audit Committee

The Council's Audit Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done and make sure the right processes are in place. It works closely with both internal audit and senior management to continually improve the Council's governance, risk and control environment.

Internal Audit

The Council maintains an adequate and effective system of internal audit of the accounting records and the systems of internal control in line with the requirements of the Accounts and Audit (Amendment) (England) Regulations 2011.

External Audit

An external audit service to the Council is currently provided by Mazars, who report on an annual basis to the Audit Committee on their findings in respect of the Statement of Accounts and on the Council's Value for Money arrangements.

Chief Financial Officer

The Council has designated the Executive Director of Resources as the Chief Finance Officer under Section 151 of the Local Government Act 1972. He leads and directs the financial strategy of the Council. He is a member of the Leadership Team and has a key responsibility to ensure that the Council controls and manages its money well. He is able to operate effectively and perform his core duties, complying with the CIPFA Statement on the role of the Chief Finance Officer.

Monitoring Officer

The Chief Legal Officer is the designated Monitoring Officer, with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the Constitution.

The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by Members and co-opted Members of the authority.

Risk Management Strategy

The Audit Committee has overall responsibility for ensuring that the Council's risk management framework is robust, and provides assurance that strategic and operational risks which the Council faces have been identified and managed.

7.18 Our strategy is to take account of risk when preparing the MTFP. We have a number of budgets which are volatile because the amount we spend in each year depends on either demand for services or on other factors which we do not control e.g. the weather. We hold a corporate contingency budget to support these variables and can also support any unforeseen expenditure that we have not been able to plan for such as cost increases due to inflation or supply issues.

7.19 The assumptions and pressures impacting on our service budgets are looked at on an individual and detailed basis to best establish the required budget for the delivery of services and the level of risk in those calculations. This has been imperative to reflect the inflationary impacts on our budgets. We have also maintained our revenue contingency at £6m to mitigate any in year pressures from the current price and demand challenges.

7.20 We need to ensure that we can grow and develop as a Council, as well as maintain existing core services. To do this we need to be able to make the most of opportunities when they arise. Our financial planning includes a Transformation programme, that allows us to invest time and resource to look at how we can improve how we deliver our services ensuring they are as efficient and effective as possible. The following examples are part of our financial planning and MTFS to support transformation and continuous improvement:

- Council Directorates can carry forward up to 1% of their budgets to the following year to the extent that they have delivered a budget underspend.
- We have a New Development Capital Fund which will be £5m per year. Officers can bid for funding from this to spend on new capital schemes.
- There are a number of earmarked reserves which can be used to fund investment in new opportunities.

8. Medium Term Financial Plan (MTFP)

8.1 Due to continued uncertainty in our levels of future funding, we are only setting a detailed budget for one year for 2024/25. To support our summary budget position the MTFP table below sets out our expected budget position for the period 2024/25 – 2027/28:

SUMMARY REVENUE BUDGET	2024/25 Budget (£)	2025/26 Budget (£)	2026/27 Budget (£)	2027/28 Budget (£)
EXPENDITURE				
Net Base Budget	604,257,273	646,326,852	663,823,489	684,318,298
Cost Pressures (including inflation)	67,854,883	21,026,925	23,160,783	28,353,724
Savings & Additional Income	(26,328,688)	(3,530,288)	(2,665,974)	(3,815,272)
Other Movements (e.g. service grant funding)	543,384	-	-	-
Total	646,326,852	663,823,489	684,318,298	708,856,750
Amount to be distributed at Full Council	7,793,060	-	-	-
Transfer to (+) / from (-) Earmarked Reserves	-	(7,193,862)	(6,231,604)	(8,437,074)
Transfer to (+) / from (-) General Reserves	-	-	-	-
BUDGET REQUIREMENT	**654,119,911**	**656,629,627**	**678,086,694**	**700,419,676**
FUNDING				
County Precept	(388,270,010)	(405,268,984)	(423,576,046)	(442,709,896)
Business Rates	(152,667,967)	(155,414,175)	(158,564,180)	(161,763,314)
Non-Specific Government Grants	(39,316,929)	(29,098,023)	(29,098,023)	(29,098,023)
Social Care Grants	(73,865,006)	(66,848,444)	(66,848,444)	(66,848,444)
TOTAL FUNDING	**(654,119,911)**	**(656,629,627)**	**(678,086,694)**	**(700,419,676)**

8.2 The MTFP table shows how our base budget each year during 2024/25 – 2027/28 is increased by cost pressures and reduced by savings or additional income. It also shows the total funding income in each of these years which determines the net budget requirement and use of reserves to balance the difference between the total income and total funding.

8.3 The table above shows that we are expecting a balanced budget in 2024/25 a modest contribution to reserves, although this is prior to council tax and business rates updates that will be provided by the District Councils. To reach a sustainable budget position for future years an assessment of further likely savings will need to be made during 2024/25. This can be supported by our Financial Volatility Earmarked Reserve to smooth the delivery of future savings required.

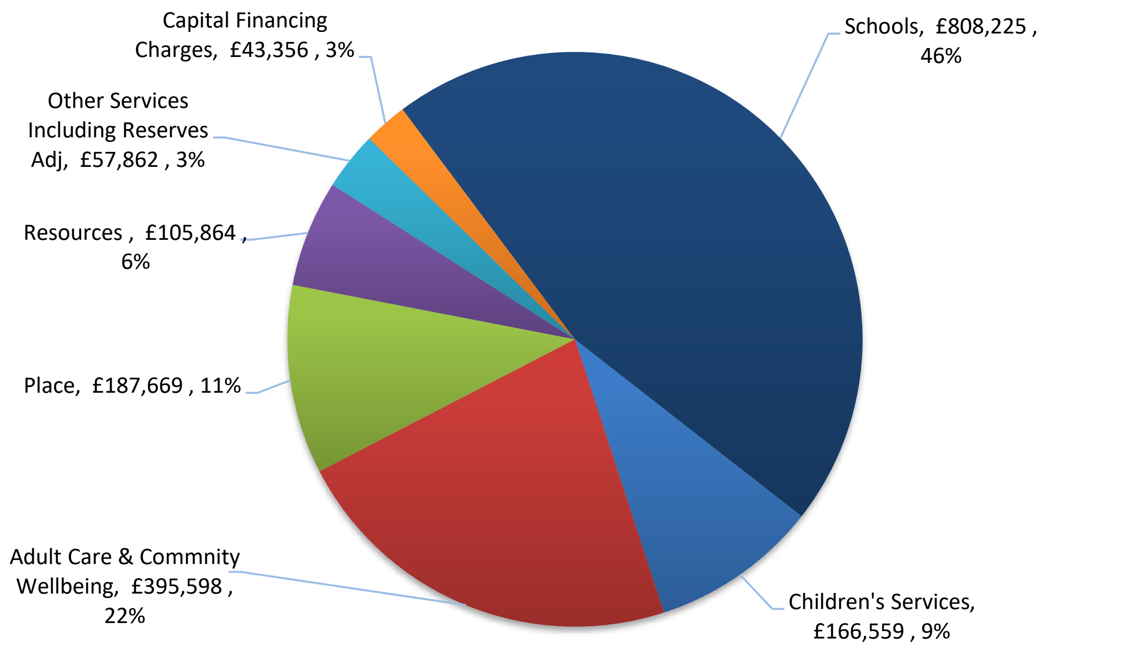
8.4 We have a ten year Capital Programme, which is a budget set aside to deliver new or improved assets and to maintain existing assets used to deliver services. The proposed Capital Programme is affordable over the longer term, within the context of our budget assumptions and in line with our Capital Strategy, which also covers a longer term period up to ten years. The table below is a summary of our proposed Capital Programme and its proposed funding:

Capital	2023/24	2024/25	2025/26	2026/27 - 2033/34
Total Investment	**193,154,943**	**144,706,440**	**61,399,701**	**318,025,694**
Funding				
External Funding	(86,990,799)	(50,081,176)	(31,917,089)	(95,434,529)
Borrowing	(63,787,606)	(89,424,519)	(24,284,291)	(187,230,871)
Capital Receipts	(5,000,000)	(5,000,000)	(5,000,000)	(35,000,000)
Revenue	(37,376,538)	(200,745)	(198,321)	(360,294)
Total Funding	**(193,154,943)**	**(144,706,440)**	**(61,399,701)**	**(318,025,694)**

KEY FINANCIAL HEALTH AND PERFORMANCE MEASURES **APPENDIX F**

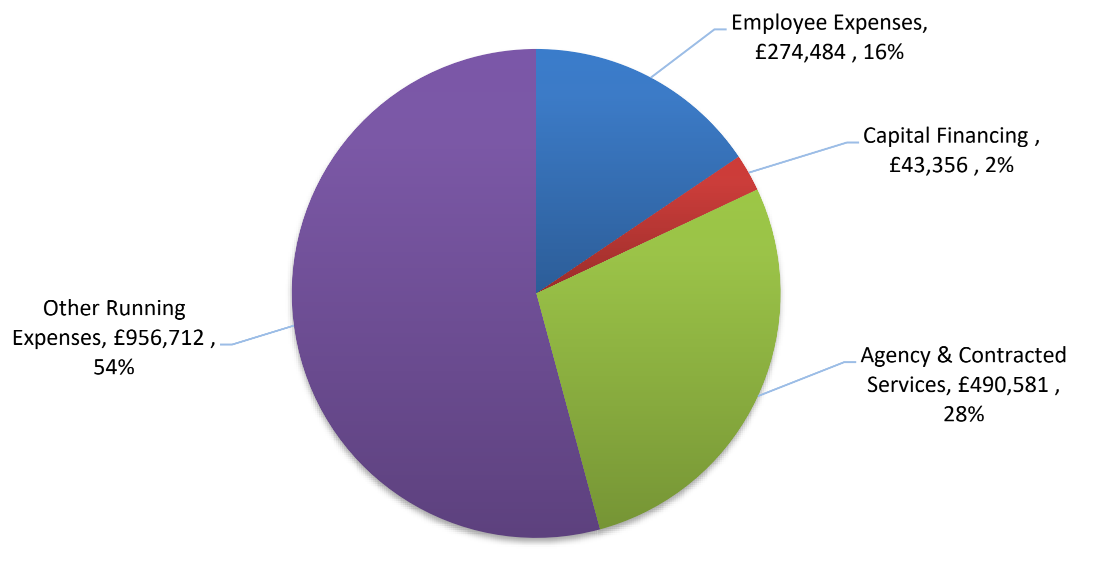
REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2023/24 Estimate	2024/25 Estimate
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 27 county councils)	Yes	Yes
2	Government grants	Lobby for annual increases in general government grants to be above the county average	N/A	N/A
3	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	4.95%	3.99%
4	Accounting	Unmodified external audit opinion	Yes	Yes
5	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requirement net of Dedicated Schools Grant	Within range 3.5%	Within range 3.5%
6	Internal control	None of the processes audited receive a "no assurance" opinion from internal audit	Yes	Yes
7	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	90%	90%
8	Treasury management	Risk adjusted return comparison	Weighted Benchmark	Weighted Benchmark

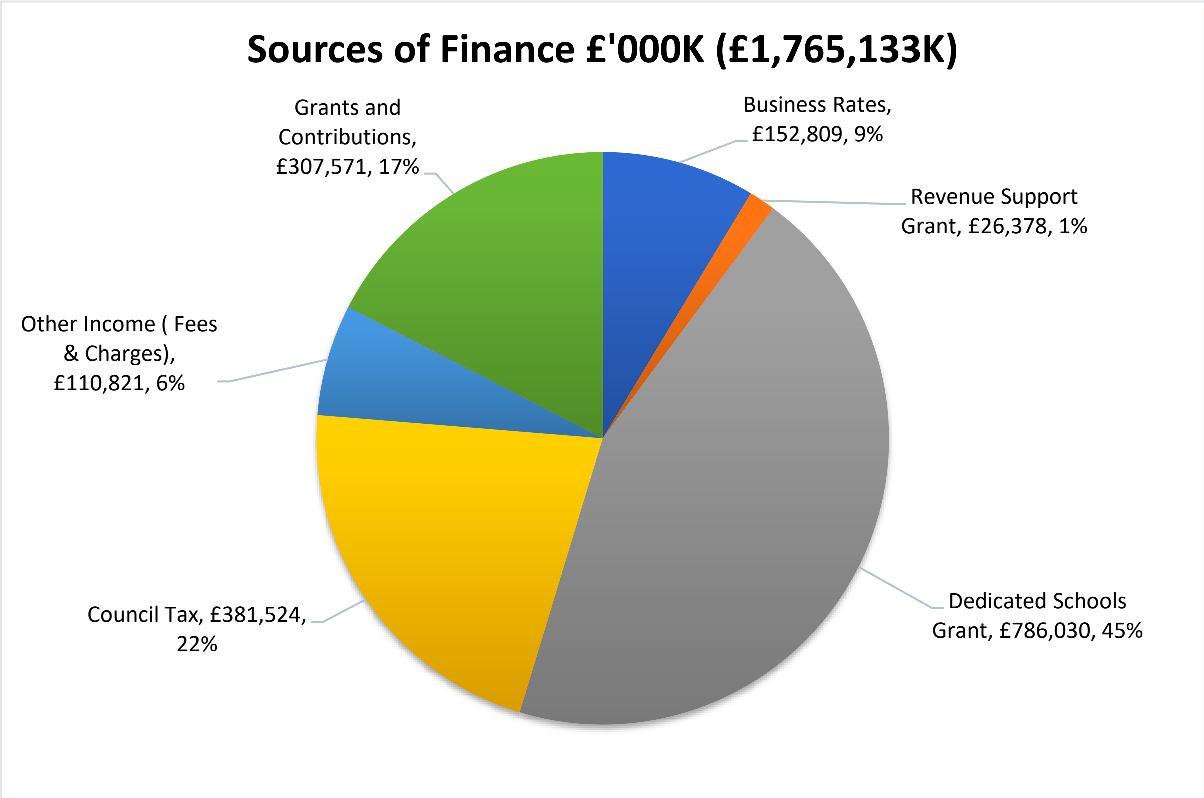
Gross Expenditure on Services £'000K (£1,765,133K)



Please refer to **Appendix S** for the key activities contained within each area.

Gross Expenditure Analysis £'000K (£1,765,133K)




Sources of Finance £'000K (£1,765,133K)
Grants and Contributions, £307,571, 17%
Business Rates, £152,809, 9%
Revenue Support Grant, £26,378, 1%
Other Income (Fees & Charges), £110,821, 6%
Council Tax, £381,524, 22%
Dedicated Schools Grant, £786,030, 45%

REVENUE GOVERNMENT GRANTS 2024/25 **APPENDIX H**

The revenue budget for 2024/25 includes the following government grants which have been allocated to the County Council:

Grants (broken down by type)	£'000
Council's Non-Specific Grants	
Social Care Support Grant	73,865
Revenue Support Grant	26,378
Rural Services Delivery Grant	9,418
Extended Rights to Free Travel	1,663
Homes Bonus Grant	952
Services Grant	778
Inshore Fisheries Conservation Authorities	128
Schools Budgets	
Dedicated Schools Grant (ring fenced) (*1)	786,030
Pupil Premium (*2)	12,855
Universal Infant Free School Meals Grant	3,297
PE and Sport Grant	2,883
Service Budgets	
Public Health Grant (ring-fenced)	36,018
Better Care Fund - Improved Element	34,257
Better Care Fund - Funding	29,900
Market Sustainability and Fair Cost of Care	14,733
Total Revenue Grants	**1,033,155**

(*1) Dedicated Schools Grant. Lincolnshire has been awarded £786.030m, which is for all schools in Lincolnshire including local authority schools and academy schools. Approximately 74% of all pupils attend academy schools, therefore it is expected that this figure will be revised down as this funding will be paid directly to academy schools. DSG is a ring-fenced grant that is passed directly through to schools.

(*2) Pupil Premium. The Pupil Premium allocation covers the allocation for local authority schools only. The figure for 2024/25 (£12.855m) is currently and estimate, based on October 2023 census data and has been calculated using the Department of Education funding rates per pupil for 2024/25. There have been no changes to the grant allocation methodology. The final allocation for 2024/25 is not expected to be announced until later in 2024.

REVENUE BUDGET COST PRESSURES AND SAVINGS (BY SERVICE) **APPENDIX I**

BUDGET BOOK LINE	2024/25 Cost Pressures (*1) £'000	2024/25 Savings / Additional Income £'000
Children's Education	1,479	(816)
Children's Social Care	13,299	(4,224)
Adult Frailty & Long Term Conditions	16,871	(5,091)
Adult Specialities	15,857	(2,877)
Public Health & Community Wellbeing	474	-
Public Protection	185	-
Better Care Fund	-	(2,744)
Public Health grant income	-	(474)
Communities	5,718	(1,783)
Lincolnshire Local Enterprise Partnership	-	-
Growth	303	-
Highways	3,010	(2,500)
Fire & Rescue	230	93
Finance	195	(50)
Organisational Support	-	(139)
Governance	-	(400)
Corporate Property	978	(2,293)
Commercial	302	(934)
Transformation	209	-
IMT	1,804	(618)
Corporate Services	-	-
TOTAL SERVICE BUDGETS	**60,915**	**(24,849)**
OTHER BUDGETS		
Contingency	-	(500)
Capital Financing Charges	-	-
Other Budgets	6,940	(980)
OTHER BUDGETS TOTAL	**6,940**	**(1,480)**
TOTAL EXPENDITURE	**67,855**	**(26,329)**

(*1) Please note that cost pressures also include inflation

CHANGE IN REVENUE BUDGET BETWEEN 2023/24 AND 2024/25 **APPENDIX J**

Cost Pressures	Impact on budget requirement £'000	%
Children's Education		
Children with disabilities	599	0.10%
Social Workers Workforce	94	0.02%
SEND	786	0.13%
Children's Social Care		
Children in Care	8,868	1.47%
Social Workers Workforce	2,011	0.33%
Fostering & Adoption Fostering Allowances	1,037	0.17%
Strategic Contracts	585	0.10%
Contact Service	500	0.08%
Special Guardianship Orders	299	0.05%
Adult Frailties		
Pre-Agreed - Inflation & Democratic Growth	14,576	2.41%
Increase in Demand	1,746	0.29%
Adult Care Charging - exclusion of enhanced benefit income	550	0.09%
Adult Specialities		
Increased demand within Adult Specialties across the Learning Disability and Mental health services	7,635	1.26%
Rate uplifts across Adult Specialties to reflect Inflation and NLW increases	7,162	1.19%
Growth in DOLS previously funded from non-recurrent Adult Care reserve	1,060	0.18%
Public Health & Community Wellbeing	474	0.08%
Public Protection	185	0.03%
Communities		
Transport Services	3,172	0.53%
Cultural Services	614	0.10%
Environment and Flood Management	116	0.02%
Sustainable Planning	350	0.06%
Waste Management	1,466	0.24%
Growth	303	0.05%
Highways		
Client and Contractual Management	3,010	0.50%
Fire & Rescue	230	0.04%
Finance	195	0.03%
Corporate Property		
Property Business Rates	64	0.01%
Outsourced Property Contracts inflation	612	0.10%
Staffing Establishment	195	0.03%
Grantham Library	25	0.00%
County Farms Estate	37	0.01%
Horncastle Business Centre	45	0.01%
Commercial	302	0.05%
Transformation	209	0.03%
Information Technology		
Price Changes	1,014	0.17%
Investment in security	476	0.08%
IT leadership function	315	0.05%
Other Budgets & Pension Liabilities		
Pay Negoiations	8,778	1.45%
Pension Liabilities	(1,920)	-0.32%
Council Tax Support	71	0.01%
Levy Payments	10	0.00%
TOTAL COST PRESSURES	**67,855**	**11.23%**

continued on next page

SAVINGS	£'000	%
Children's Education	(816)	-0.13%
Children's Social Care	(4,224)	-0.70%
Adult Frailties	(5,091)	-0.84%
Adult Specialities	(2,877)	-0.48%
Public Health & Community Wellbeing	0	0.00%
Public Protection	0	0.00%
Better Care Fund	(2,744)	-0.45%
Public Health grant income	(474)	-0.08%
Communities	(1,783)	-0.29%
GL LEP	0	0.00%
Growth	0	0.00%
Highways	(2,500)	-0.41%
Fire & Rescue	93	0.02%
Finance	(50)	-0.01%
Organisational Support	(139)	-0.02%
Governance	(400)	-0.07%
Corporate Property	(2,293)	-0.38%
Commercial	(934)	-0.15%
Transformation	0	0.00%
Information Technology	(618)	-0.10%
Corporate Services	0	0.00%
Other Budgets & Pension Liabilities	(1,480)	-0.24%
TOTAL SAVINGS	**(26,328)**	**-4.36%**

Other Movements	£'000	%
Use of Earmarked Reserve (change over previous year)	7,543	1.25%
Amount to be distributed at Full Council	7,793	1.29%
Reversal of Highway maintenance additional spend (2023/24)	(7,000)	-1.16%
Total Other Movements	**8,336**	**1.38%**

TOTAL CHANGE IN BUDGET REQUIREMENT:	**49,863**	**8.25%**

General Funding	£'000	%
Social Care Support Grant	17,471	2.89%
Services Grant	(3,730)	-0.62%
Business Rates Pooling	2,035	0.34%
Districts Business Rates AND Collection Fund Surplus (from District Council's NNDR1 form)	5,050	0.84%
Revenue Support Grant	2,987	0.49%
Section 31 Grant (Business Rates)	4,259	0.70%
Local Council Tax Support Grant	0	0.00%
Rural Service Delivery Grant	1,284	0.21%
Increase in other council general grants	262	0.04%
Reduction in other council general grants	(2,470)	-0.41%
Increase in Council Tax Base and Council Tax Collection Fund Surplus	22,715	3.76%
TOTAL CHANGE IN GENERAL GRANT AND COUNCIL TAX INCOME:	**49,863**	**8.25%**

RESERVE STATEMENT AND STRATEGY **APPENDIX K**

RESERVE STATEMENT	2022/23 (Actual)	2023/24 (Estimate)	2024/25 (Estimate)	2025/26 (Estimate)	2026/27 (Estimate)
GENERAL FUND	**16,400**	**16,400**	**19,400**	**19,400**	**19,400**
EARMARKED RESERVES:					
Corporate Reserves					
Financial Volatility Reserve	46,922	46,922	46,922	39,728	33,497
Development Fund	34,426	23,649	3,251	4	4
Q3 Forecast Underspend (Full Council)*	-	11,899	-	-	-
Insurances	6,775	6,775	6,775	6,775	6,775
Other Services	2,390	-	-	-	-
Total	90,513	89,245	56,949	46,507	40,276
Adult Care & Community Wellbeing					
Community Safety Reserve	50	50	50	50	50
Community Engagement Reserve	59	59	59	59	59
Total	108	108	108	108	108
Children's Services					
Schools Sickness Insurance Scheme	958	593	593	593	593
Families Working Together	599	485	271	114	-
Music Service Reserve (carry forward)	281	84	-	-	-
All Other	151	-	-	-	-
Total	1,989	1,162	864	707	593
Place					
Energy from Waste Lifecycles	3,877	3,127	2,377	1,627	877
Traffic Management Reserve	1,713	1,713	1,713	1,713	1,713
Growth Reserve	1,037	962	962	962	962
Cultural Services Reserve	295	123	123	123	123
All Other	948	928	928	928	928
Total	7,870	6,853	6,103	5,353	4,603
Resources					
Procurement	1,357	1,190	0	0	0
Legal	811	811	811	811	811
CSSC Transformation	564	0	0	0	0
Purchase of Employee Leave Scheme Reserve	305	252	171	89	35
Elections	288	588	-	300	600
All Other	25	25	25	25	25
Total	3,349	2,866	1,007	1,226	1,471
TOTAL EARMARKED RESERVES	**103,830**	**100,235**	**65,030**	**53,901**	**47,051**
REVENUE GRANTS:					
Children's Services	19,729	7,983	5,665	4,290	2,627
Place	8,972	7,191	6,191	6,191	6,191
ACCW	74,429	62,518	59,491	59,477	59,477
Other Budgets	1,628	1,628	1,628	1,628	1,628
Fire & Rescue	384	333	288	288	288
TOTAL GRANT RESERVES	**105,142**	**79,653**	**73,263**	**71,874**	**70,210**
SCHOOL BALANCES	**29,148**	**13,927**	**9,702**	**6,050**	**2,695**
TOTAL RESERVES	**254,520**	**210,214**	**167,395**	**151,225**	**139,357**

Reserve Strategy

1) The Chief Financial Officer of the authority is required, under section 25 of The Local Government Act 2003, to report to it on the adequacy of the proposed financial reserves. Section 26 of the same act places an onus on the Chief Financial Officer to establish a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined when finalising the proposed budget.

2) The Council adopts a risk led approach to the setting of reserves, seeking to ensure the amount set aside is sufficient to cover identified risk. This appendix sets out the Council's main risk factors (including scenario analysis), which in turn informs the level of reserves it plans to carry and the capacity available to support delivery of the Council Plan.

3) The Council holds reserves for three key purposes. They are held either; to responsibly manage risk, for a specific purpose, or on behalf of others. Reserves help the Council manage risks and challenges in several ways:

- Provide sufficient resilience to withstand funding or expenditure shocks,
- Facilitate transformation and provide additional capacity to transition to a financially sustainable council,
- Carry forward unapplied grant to cover costs which are expected to arise in future years.

4) This report, and the previous budget setting reports brought before the Executive, consider the uncertainty within the Council's operating environment brought about by: the current economic context, the potential for increased demand and more complex demand, and the short-term focus of Government in planning public service delivery. The increased uncertainty amounts to an increased risk of funding or expenditure shock, particularly beyond 2024/25. It's worth noting that an increasing number of local authorities are reporting significant financial distress.

5) The Council also considers the financial indicators published by the Office for Local Government (OFLOG) and the Chartered Institute of Public Finance and Accountancy (CIPFA), which aims to aid scrutiny and oversight of financial sustainability for each Council. The performance measures can be seen in Appendices W and X, and are regularly referred to as an external assessment of reserve levels.

6) The Council breaks down its reserves into three categories. Corporate reserves have the greatest flexibility and include the general fund and risk, recovery and transformation reserve. Earmarked and grant reserves are held to meet service/project specific costs and must be spent in line with any applicable 41 grant conditions. School reserves are held on behalf of schools, with their usage decided by schools themselves, subject to Council oversight.

<u>Corporate Reserves</u>

7) The Council holds a series of corporate reserves, which are each established for a specific purpose. Taking each in turn:

a. Financial volatility reserve – this reserve is the Council's primary means by which to provide capacity against expenditure or funding shocks. It can also be used to smooth the impact of funding reductions over a medium-term financial plan period.
b. Development fund – this reserve exists to support investment in Council priority areas and Council transformation, supporting the transition to a lower cost base (e.g. invest to save).
c. Insurance – the Council engages external specialists to review its approach to insurance provisions and reserves, which informs the need to hold a specific self-insurance reserve, to complement the provision to adequately cover insurance risk.

An underspend at outturn would also be managed via corporate reserves and be spent subject to Full Council approval.

8) In respect of the financial volatility reserve, the robustness of the estimates statement identifies the key risks contained within the budget proposal, in addition to mitigations. Some examples of the types of funding or expenditure shocks that could occur are as follows:

Element	**Analysis**
Business rates pooling	The Council operates as part of a Lincolnshire business rates pool, with an anticipated levy saving planned to be shared amongst all Lincolnshire local authorities. The Council is forecasting to receive £2m in 2024/25. If there was a significant reduction in the tax collection in any district, it may eridicate any pooling gain. In this situation, the Council would not receive the £2m it plans to.
Social care spending	Spend on social care accounts for 55% of the Council's spend on service delivery. A 1% increase in spending levels, which is entirely feasible given the risk factors (i.e. demand, complex demand, price), would increase cost by £3.2m instantly. Some authorities are reporting multiple percentage in-year increases, and it is clear for Lincolnshire that a relatively small percentage change could have significant cost implications.
Education transport	The cost of education transport has significantly increased locally and nationally, at rates well in excess of the rate of inflation. The Council has provided additional resources through the budget proposal for 2024/25 however recent precedent suggests that there is considerable risk that the cost may increase further, especially if offsetting savings cannot be realised. For context, the increase in 2023/24 was in excess of £10m, and the planned increase for 2024/25 is currently £3m. Whilst this is currently considered to be sufficient, there is a risk it may not be.
Schools high needs pressures	The demand and cost of alternative provision is increasing at a significant rate, which is reflected nationally. If the pressures cannot be contained to within high needs funding, there is a risk that Council resource may be required to support to ensure need is met. Given the size and scale of Lincolnshire, increases in SEND and AP can potentially lead to millions of pounds of additional costs being incurred.

Government grant	The Government have provided a series of one-off financial settlements, with recent cash increases helping to support with increasing costs. The Government's stated plan is to grow public spending at a slower rate from 2025/26 onwards, with bigger increases likely to be absorbed by priority areas. If another round of austerity was to occur, it could lead to flat grant settlements or even reductions in non-specific grant funding. The Council has acknowledged this risk within the medium term financial plan, but the short timescale between the draft settlement (December) and budget setting (February) means the Council could have limited time to react to reductions in grant funding.
Social care reform funding	Increased spend within social care has been supported through redistribution of social care reform funding. It remains unclear what would happen in the eventuality that the reforms resume.
Inflation	The recent high levels of inflation have been well considered through financial reporting. Whilst the rate is on a decreasing path, the budget proposal contains inflationary increases equating to 5.76% of the 2023/24 base budget. A further 1% increase would equate to in excess of £6m.

9) The Council's cost base can quickly change, especially due to the factors set out above. This emphasises the importance of needing to preserve capacity to buy the Council time to adjust to a funding or expenditure shock. Whilst the financial volatility reserve currently stands at £46.9m, the analysis above shows this could quickly deplete should the perfect storm materialise.

10) The budget proposal does not assume use of corporate reserves in 2024/25, although reserve usage beyond 2024/25 is assumed in line with the deficit projections contained within the medium term financial plan (refer to the table in para 8.1 in Appendix E).

Earmarked and Grant Reserves

11) There are some modest earmarked reserves and grant reserves, which must be spent in line with the conditions attached to the original allocations. The Council also has a public health reserve, which must be spent in accordance with the Public Health outcomes framework.

Schools Reserves

12) The Council holds some reserves that may only be used to support spending in schools or in support of schools. These balances have been set aside from Dedicated Schools Grant. How school reserves are applied is a matter for individual schools according to their individual circumstances. There are several drivers that can affect these balances over the period of the plan, including variations in pupil numbers; cost pressures; and funding changes. At a collective council level there are impacts to be managed in High Needs funding and in ensuring the stability of the local school funding system.

General Fund

13) The purpose of the general fund is to mitigate against unplanned and unforeseen financial risk, effectively acting as the reserve of last resort. The Council's strategy is to maintain the general fund at a level which is between 2.5% and 3.5% of the budget requirement each year.

14) Based on the budget requirement set out in this report, the general fund would equate to 2.51% of the budget requirement. Therefore, the reserve statement assumes that £3m will be transferred from service reserves, increasing the proportionate size to fractionally under 3%.

DEVELOPMENT FUND INITIATIVES **APPENDIX L**

Revenue/ Capital	Directorate - Service	Project	Total Budget	2020/21 (Actual)	2021/22 (Actual Spend)	2022/23 (Actual Spend)	2023/24 (Planned Spend)	2024/25 (Planned Spend)	2025/26 (Planned Spend)	Residual Balance	Ref*
Revenue	Place - Environment	Green Masterplan	**350**	34	37	131	148	(0)	-	**-**	
Revenue	Place - Communities	Anaerobic digestion Facilities - Business Case Viability	**150**	12	63	-	75	0	-	**-**	
Revenue	Place - Highways and Growth	Highways Advance Design/Economic Development Pipeline Projects	**2,713**	484	105	693	660	771	-	**-**	1
Revenue	Place -Highways	Traffic signals - Wireless communications	**5**	-	-	-	5	-	-	**-**	
Revenue	Fire and Rescue	Research study - LFR prevention work	**10**	8	-	-	-	-	-	**2**	
Revenue	Resources - Transformation	Digital	**280**	167	-	-	113	-	-	**-**	
Revenue	Place - Growth	Broadband - 4G	**135**	-	-	-	-	135	-	**-**	
Revenue	Place - Highways	Drainage Investigation and Flood Repairs	**200**	30	135	-	35	(0)	-	**-**	
Revenue	Resources - Transformation	Transformation Programme	**7,394**	136	92	1,015	1,093	1,800	3,247	**10**	2
Revenue	Councilwide	Emergent council priorities	**-**	-	-	-	-	-	-	**-**	3
Capital	Place - Communities	Education Transport links to School (Route sustainability)	**440**	-	-	-	100	340	-	**-**	
Capital	Place - Highways	Community Maintenance Gangs	**3,981**	3,981	-	-	-	-	-	**-**	
Capital	Place - Highways	Drainage Investigation and Flood Repairs	**3,444**	646	561	890	450	897	-	**-**	4
Capital	Place - Highways	Works on B class roads and lower	**10,000**	-	-	10,000	-	-	-	**-**	
Capital	Fire and Rescue	Flood Management Pumps	**116**	116	-	-	-	-	-	**-**	

Revenue/ Capital	Directorate - Service	Project	Total Budget	2020/21 (Actual)	2021/22 (Actual Spend)	2022/23 (Actual Spend)	2023/24 (Planned Spend)	2024/25 (Planned Spend)	2025/26 (Planned Spend)	Residual Balance	Ref*
Capital	ACCW - Public Protection - Trading Standards	Replacement Trading standards Metrology equipment	**50**	-	-	-	50	-	-	**-**	
Capital	Place -Highways	Traffic signals - Wireless communications	**80**	80	-	-	-	-	-	**-**	
Capital	Place - Growth	Broadband - 4G	**800**	-	-	-	-	800	-	**-**	5
Capital	Place - Highways	Highways initiatives/works	**22,045**	-	-	-	6,600	15,445	-	**-**	6
Capital	Place - Highways	Lines and signage	**1,000**	-	-	-	1,000	-	-	**-**	7
Capital	Place - Various	Minor infrastructure works, skills development and public rights of way	**658**	-	-	-	448	210	-	**-**	8
			53,851	**5,696**	**993**	**12,729**	**10,777**	**20,397**	**3,247**	**12**	

Page 110

* further information provided on next page where number reference stated (i.e. to see further information in respect of item 1, please refer to point 1 on the following page.

Analysis of Development Fund

The Development Fund has been utilised to support investment within Council priorities and includes transformation of the Council to a lower cost base. The Development Fund is specifically monitored to consider progress against approved investment.

The table on the previous page references numbers in the far right hand column, which correspond to the explanations set out below:

Ref	Project	Narrative
1	Highways Advance Design/Economic Development Pipeline Projects	This funding is being utilised to supplement the Advance Design Block budget to accelerate development of Traffic Models, Transport Strategies and Feasibility Studies while still investing the previous level of revenue funding into developing detailed designs for highway based projects and capital funding bids to third parties (e.g. DfT, DLUHC, etc). In addition, it is enabling the development of a pipeline of Economic Infrastructure schemes to bid against emerging government, LCC and other funding opportunities.
2	Transformation Programme	The Transformation Reserve is committed to funding a range of projects within the programme such as Property Rationalisation, Business Intelligence and Corporate Support Services. Resources and funding will be required to deliver the Business Performance Improvement Programme whereby monies will be allocated based on costed business cases. Any additional projects that may be included within the programme will also be allocated funding on costed business cases.
3	Emergent council priorities	The balances that have previously shown on these lines have since been reallocated in line with approvals from Council.
4	Drainage Investigation and Flood Repairs	Major works e.g. Cherry Willingham and Scothern and a number of other projects are being addressed to alleviate localised flooding issues. Our contractors, Balfour Beatty, have provided additional resources to deliver these works and we have also employed additional specialist drainage engineers to complete all investigation and design work on the more complex schemes that our Technical Services Partnership design team is overseeing.
5	Broadband - 4G	We are working with Building Digital UK (BDUK) to understand the specific details of where they will invest in the next stage of the rural broadband programme. Our priorities are to foster business growth and to tackle the viability gap which deters communities and businesses from having the best possible digital services. This is a particular problem for our rural, farming, and tourism businesses.
6	Highways initiatives/works	<u>Applicable to reference 6, 7 and 8:</u> During the budget setting process for 2023/24, the Council identified £8.7m of reserve balances which were re-allocated to the development

Ref	Project	Narrative
		fund following a comprehensive review of earmarked reserves. This is being utilised to support investment in local highways schemes (£7m), highways lines and signage works (£1m) as well as investment in a series of smaller schemes incorporating minor infrastructure works, skills development and public rights of way. Where any specific expenditure proposals require formal decision-making they will go through the appropriate constitutional procedures. Specific to reference 6: This is in addition to the previously approved £5m (via 2021/22 financial outturn) and £10.045m (via 2022/23 financial outturn) which is also to be spent on local highways work, in line with Council approvals. Phasing has been updated to reflect latest highways estimates of spend profiles.
7	Highways Lines and signage	Please see commentary for reference 6.
8	Minor infrastructure works, skills development and public rights of way	Please see commentary for reference 6. This is planned to be spent against adult skills development (£0.250m), castle infrastructure and equipment (£0.200m), and public rights of way (£0.208m).

PRUDENTIAL INDICATORS		2022-23 Actual	*2023-2024 Original Estimate*	2023-2024 Updated Estimate	2024-25 Estimate	2025-26 Forecast	2026-27 Forecast
PRUDENCE INDICATORS:							
CAPITAL EXPENDITURE							
1) Capital Expenditure							
The Council will set for the forthcoming year and the following two financial years estimates of its capital expenditure plans and financing:							
Gross Capital Expenditure	**£m**	**196.279**	***136.879***	**193.155**	**144.706**	**61.400**	**68.586**
Net Capital Expenditure	**£m**	**101.566**	***82.657***	**106.164**	**94.625**	**29.483**	**33.042**
Capital Financing							
Borrowing	**£m**	61.316	*77.496*	63.788	89.425	24.284	27.885
Grants & Contributions	**£m**	94.713	*54.223*	86.991	50.081	31.917	35.544
Capital Receipts, Reserves & Revenue	**£m**	40.250	*5.161*	42.377	5.201	5.198	5.157
Total Capital Financing	**£m**	**196.279**	***136.879***	**193.155**	**144.706**	**61.400**	**68.586**
2) Capital Financing Requirement							
The Council will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years:							
Opening CFR	**£m**	645.920	*742.554*	677.199	719.447	790.302	786.454
Add Additional Borrowing	**£m**	61.316	*77.496*	63.788	89.425	24.284	27.885
Add Additional Credit Liabilities (PFI & Finance Leases)	**£m**	0.000	*0.000*	0.000	2.500	0.000	0.000
Less Revenue Provision for Debt Repayment (MRP)	**£m**	20.694	*26.551*	21.540	21.070	28.132	29.730
Less Revenue Provision for Debt Repayment (VRP)	**£m**	9.343					
Capital Financing Requirement	**£m**	**677.199**	***793.499***	**719.447**	**790.302**	**786.454**	**784.609**
EXTERNAL DEBT							
The Council will set for the forthcoming year and the following two financial years an authorised limit and operational boundary for its total gross external debt, gross of investments, separately identifying borrowing from other long term liabilities:							
3) Authorised Limit for External Debt							
Borrowing	**£m**	659.512	*578.736*	548.590	585.758	561.085	540.202
Other Long Term Liabilities	**£m**	11.017	*11.018*	8.931	7.756	9.259	8.094
Total Authorised Limit	**£m**	**670.529**	***589.754***	**557.521**	**593.514**	**570.344**	**548.296**
4) Operational Boundary for External Debt							
Borrowing	**£m**	644.521	*563.736*	533.590	570.758	546.085	525.202
Other Long Term Liabilities	**£m**	9.017	*9.018*	6.931	5.756	7.259	6.094
Total Operational Boundary	**£m**	**653.538**	***572.754***	**540.521**	**576.514**	**553.344**	**531.296**
5) Gross Borrowing and the Capital Financing Requirement							
The Council will ensure that gross long term borrowing does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional capital financial requirement for the current and next two financial years. This is to ensure that over the meduim term borrowing will only be for a capital purpose.							
Medium Term Forecast of Capital Financing Requirement	**£m**	684.965	*790.903*	786.454	784.609	780.289	797.969
Forecast of Long Term External Borrowing and Credit Arrangements	**£m**	475.962	*528.900*	464.428	535.200	531.279	529.356
Headroom	**£m**	**209.003**	***262.003***	**322.026**	**249.409**	**249.010**	**268.613**

PRUDENTIAL INDICATORS		2022-23 Actual	*2023-2024 Original Estimate*	2023-2024 Updated Estimate	2024-25 Estimate	2025-26 Forecast	2026-27 Forecast
AFFORDABILITY INDICATORS:							
6) Financing Costs & Net Revenue Stream							
The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream (NRS), including dedicated schools grant (DSG). The Council will also set the following voluntary indicator limit: minimum revenue provision and interest not to exceed 10% of net reveunue stream (NRS) including dedicated schools grant (DSG).							
Proportion of Financing Costs to NRS (Incl DSG)	**%**	**5.26%**	***4.08%***	**3.24%**	**3.35%**	**4.45%**	**4.48%**
Proportion of MRP & Interest Costs to NRS (Incl DSG) -Limit 10%	**%**	**5.69%**	***4.95%***	**4.27%**	**3.99%**	**4.85%**	**4.89%**
(Voluntary Indicator)							
PROPORTIONALITY INDICATORS:							
7) Net Income from Commerical and Service Investments to Net Revenue Stream							
The Council will set for the forthcoming financial year and the following two years a limit of 3% for Net Income from Commerical and Service investments as a proportion of Net Revenue Stream (NRS) including Dedicated School Grant (DSG). This is to manage financial exposure to the Council from potential loss of income from these investments.							
Net Income from Non-Treasury Investments (Including County Farms)	**£m**	2.362	*1.992*	2.317	2.200	2.089	1.987
Net Revenue Stream (NRS) including Dedicated School Grant (DSG).	**£m**	836.234	*909.999*	905.832	991.526	994.036	1015.493
Proportion of Net Commerical and Service Investment Income to Net Revenue Stream -Limit 3%	**%**	**0.28%**	***0.22%***	**0.26%**	**0.22%**	**0.21%**	**0.20%**
8) Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments							
The Council will set for the forthcoming financial year and the following two years a limit of no more than 10% of General Reserves to be at risk from potential loss of total investments. (Voluntary Indicator).							
General Reserves	**£m**	**16.400**	***16.400***	**16.400**	**16.400**	**16.400**	**16.400**
Sums at Risk (Based on Expected Credit Loss Model)	**£m**	0.029	*0.052*	0.028	0.027	0.025	0.024
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	**%**	**0.18%**	***0.32%***	**0.17%**	**0.17%**	**0.16%**	**0.15%**
TREASURY INDICATORS:							
9) Liability Benchmark							
The Council will estimate and measure the debt liability benchmark (or Gross Loans Requirement), for the period that covers the debt maturity profile, for a given level of liquidity Investment Liquidity Benchmark). This will be compared to Existing External Debt outstanding to show the Under or Over Borrowed position. This position will be explained and managed as required. A chart showing the Debt Liability Benchmark for the total debt maturity length will be included in the Treasury Management Strategy for 2023/24.							
Investment Liquidity Benchmark	**£m**	100.000	*100.000*	100.000	100.000	100.000	100.000
Debt Liability Benchmark	**£m**	325.406	*448.570*	411.101	472.659	477.168	482.949
Existing External Borrowing	**£m**	469.030	*458.672*	458.672	450.083	443.508	436.970
Under / Over (-) Borrowed Position	**£m**	-143.624	*-10.102*	-47.571	22.576	33.660	45.979
10) Maturity Structure of borrowing							
The Council will set for the forthcoming financial year and the following two years both upper and lower limits with respect to the maturity structure of its borrowing: (Fixed & Variable Rate Borrowing).							
Upper limit							
Under 12 months	**%**	2.30%	*25.00%*	25.00%	25.00%	25.00%	25.00%
12 months and within 24 months	**%**	1.80%	*25.00%*	25.00%	25.00%	25.00%	25.00%
24 months and within 5 years	**%**	9.50%	*50.00%*	50.00%	50.00%	50.00%	50.00%
5 years and within 10 years	**%**	5.70%	*75.00%*	75.00%	75.00%	75.00%	75.00%
10 years and above	**%**	80.70%	*100.00%*	100.00%	100.00%	100.00%	100.00%
Lower limit							
All maturity periods	**%**	0.00%	*0.00%*	0.00%	0.00%	0.00%	0.00%
11) Long Term Treasury Management Investments							
The Council will set an upper limit for each forward year period for the maturing of long term treasury investments, longer than 365 days and including longer term instruments with no fixed maturity date. (Excludes Non Treasury Investments for Commercial and Service Reasons).							
Upper limit for total principal sums invested for over 365 days and no fixed maturity (per maturity date)	**£m**	**1.260**	***40.000***	**40.000**	**40.000**	**40.000**	**40.000**
12) Interest Rate Exposures (Variable)							
The Council will set for the forthcoming year and the following two financial years,an upper limits to its exposure to effects of changes in interest rates on variable rate borrowing and investments. (Voluntary Indicator).							
Upper limit for variable interest rate exposures							
Borrowing	**%**	0.00%	*30.00%*	30.00%	30.00%	30.00%	30.00%
Investments	**%**	26.00%	*100.00%*	100.00%	100.00%	100.00%	100.00%
13) Borrowing in Advance of Need							
The Council will set for the forthcoming financial year and the following two years upper limits to any borrowing undertaken in advance of need.							
Borrowing in advance of need limited to percentage of the	**%**	**0.00%**	***25.00%***	**25.00%**	**25.00%**	**25.00%**	**25.00%**
expected increase in CFR over 3 year budget period	**£m**	**0.000**	***-0.649***	**16.752**	**-1.423**	**-1.541**	**3.340**
(Voluntary Indicator)							

1. Aim of the Capital Investment Strategy

1.1 The capital investment strategy aims to set out the Council's approach to effective, long-term planning and investment, with outputs and outcomes that support delivery of the Council plan.

1.2 By extension, the capital investment strategy is intended to enable elected members to make decisions about capital spending plans that support the Council's objectives and are affordable over the long term. In making those decisions, elected members should understand the financial risks and how those risks will be managed.

1.3 The Capital Strategy also provides a framework of guidance to support elected members in their decision making and to support officers involved in capital planning.

1.4 The Capital Investment Strategy is refreshed annually and presented to the Council within the Budget Book, alongside capital and revenue budget plans. A fundamental review of the capital investment strategy is proposed for during 2024/25, which would hopefully be enabled by longer-term funding certainty although this is not considered to be likely at this stage.

1.5 Regardless, the capital investment strategy will continue to be adapted as the Council's financial position evolves over time, and that Council's approval of the capital programme budget takes account of the capital investment strategy and its implications.

2. Background Information

2.1 The CIPFA Prudential Code was revised in 2017 and included the new requirement for councils to have a capital investment strategy in place by April 2019.

2.2 The requirement was driven by behaviours across the sector in response to the period of austerity and reduced Government grant funding. In order to respond to financial challenges, several local authorities invested capital resource in solely commercial opportunities (i.e. no other purpose for doing so), exposing taxpayers to financial risk relating to investments reducing in value or failing. More recently, demand pressures across key services has added to the level of financial risk within the system. The capital investment strategy will help elected members to understand the key risks and manage those risks to an appropriate level.

2.3 The Government issued revised statutory guidance on local government investments, which came into effect on 1 April 2018 and extended the meaning of "investments" to include the type of commercial investment referred to in paragraph 2.2. The Council has adhered to this guidance and it has been reflected in this Capital Strategy where it is relevant to do so.

2.4 The CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code were both revised in 2021, with changes effective from 1 April 2023. The revisions focus on strengthened requirements for skills and training, and new requirements for non-treasury investments. The capital investment strategy 2024/25 reflects the latest versions of these two Codes.

3. What is "Capital" and How Does it Impact on Budgets?

3.1 It is important that those making decisions about capital spending plans understand the terminology used in reports as well as how budgets will be impacted by their decisions.

Definitions

3.2 Capital expenditure is spending on buying, building or enhancing long term assets. Examples of long term assets include: land and buildings, vehicles, infrastructure such as roads and bridges, specialised facilities such as recycling plants, specialised equipment such as fire-fighting equipment.

3.3 The term "capitalised" means "treated as capital expenditure". This requires certain accounting treatments and the inclusion of capitalised assets in an asset register.

3.4 The Secretary of State will allow some expenditure types to be capitalised in certain exceptional circumstances, and councils must apply for permission to capitalise expenditure which would normally be treated as revenue expenditure. An example of such an item approved for another council in the past is the capitalisation of large-scale redundancy costs.

3.5 Revenue expenditure is therefore all expenditure which is not capital expenditure – this usually applies to spending on the day to day running costs of the Council which doesn't result in long term assets e.g. salaries of employees, rent of buildings, fuel, stationery etc.

3.6 Capital receipts are monies received when capital assets are sold. By law, capital receipts can only be used to either repay loans or finance new capital expenditure.

Accounting Policy on Capitalisation

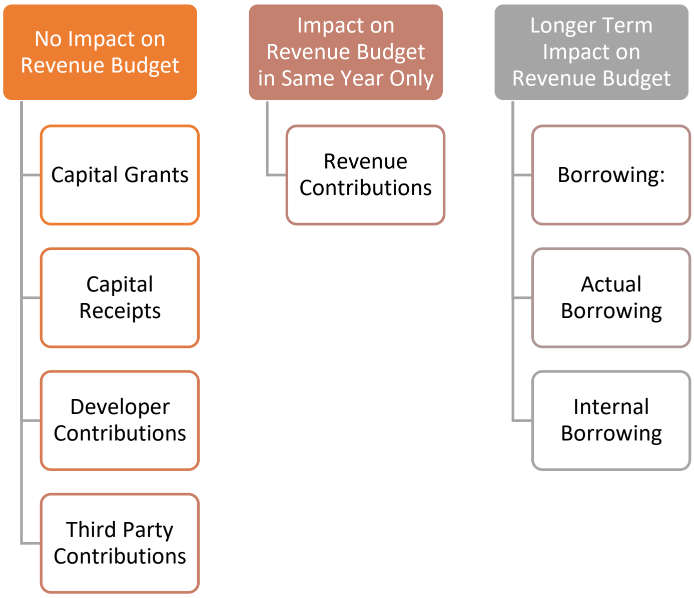
3.7 The rules on what types of expenditure can or cannot be capitalised are set out in International Financial Reporting Standards and in the CIPFA Accounting Code of Practice, as well as in law. Councils are allowed to set a minimum threshold value for capital expenditure to ensure that only the more significant assets are capitalised. Lincolnshire County Council has set a minimum threshold value of £10,000 spent on buildings, vehicles or equipment in its capital accounting policy. Expenditure on buying, building or enhancing assets which is below this level may be treated as revenue expenditure.

The Funding of Capital Expenditure

3.8 At Lincolnshire County Council the budget for capital expenditure is known as the Capital Programme and is separate from the revenue budget. The Capital Programme will cover at least three years because capital projects are often large projects that span more than one financial year to completion.

3.9 When formulating the Capital Programme, decisions must be made about the most cost effective way of funding it. There a number of different potential sources of funding for the capital programme and these are shown in the diagram below, together with their impact on the revenue budget. Further explanation is below the diagram.

Sources of Funding and their Impact on the Revenue Budget:



Capital Grants

3.10 Capital grant applications are made to the government to support essential but expensive capital projects, such as the building of new schools or new roads. Capital grants may cover the whole project cost or only part of it. When capital grants are used to finance new capital expenditure, there is no cost to the revenue budget in respect of the proportion of capital expenditure covered by grant. This is therefore an extremely important source of funding as some of our major projects would be unaffordable without these capital grants. The Council's strategy will be to seek to maximise the use of capital grants wherever possible.

Capital Receipts

3.11 When capital receipts are used to finance new capital expenditure, there is no cost to the revenue budget. This is therefore an attractive source of funding however the amount of capital receipts generated each year is relatively low, so they are not a significant source of funding for the Council. They can also be used to repay loans. Capital receipts can be used in the year that they are received or carried forward to be used in future years. When determining how to fund the Capital Programme the Council must take a view on how best to apply capital receipts to ensure that value for money is obtained.

Developer Contributions

3.12 Development companies engaged in projects such as house building will make financial contributions to the Council to help finance the cost of developing infrastructure e.g., roads to support their housing development. When developer contributions are used to finance new capital expenditure, there is no cost to the revenue budget in respect of the proportion of capital expenditure covered by such contributions. This is therefore another extremely important source of funding for the Council, however in some instances developer contributions are received by the Council in later years i.e., after a project has started, which means that another source of funding will be required in the short term and the deferred developer contribution will be used to fund future capital scheme expenditure.

Revenue Contributions

3.13 The Council can use some of its revenue budget to directly finance new capital expenditure. When this happens there is an impact on the revenue budget in that year, however there is no longer term impact. The Council does not usually budget for significant revenue contributions as this would divert funds away from the running costs needed to provide core services. However, if there is a revenue budget underspend at the end of any financial year then this use should be considered as part of the decision on the Council's use of underspends to carry forward to the next financial year's budget. Using revenue underspend to finance part of the capital programme will reduce the capital financing impact on the revenue budget in the longer term.

Actual Borrowing

3.14 When the use of the above sources of funding have been maximised to finance the Capital Programme, the remainder of capital expenditure will be financed by borrowing. This amount is called the Council's Borrowing Requirement. The Council's strategy for its borrowing is set out in the Treasury Management Strategy Statement and takes account of factors such as interest rates and the spreading of loan repayment dates to reduce risk. The Council predominantly borrows from the Public Works Loans Board (PWLB), which is an Executive Agent of HM Treasury and provides loans to councils at beneficial interest rates. The Council can also take loans from the financial market if these are at lower rates than PWLB loans.

3.15 The Prudential Code 2021 stipulates that an authority must not borrow to invest primarily to make a financial return, and requires a statement confirming compliance with this stipulation to be included in the Capital Strategy (see paragraph 12.3).

3.16 When borrowing is used to finance the Capital Programme, it impacts on the revenue budget in two ways. Firstly, loan interest payments are charged to the revenue budget over the term of the loan. Secondly, a charge is made to the revenue budget to provide for the cost of repaying loan principal when it falls due – this is called the Minimum Revenue Provision (MRP). The MRP charge is calculated by taking the amount of capital expenditure financed by borrowing and dividing this over the number of years the asset concerned is expected to be in use. This charge is made to the revenue budget every year until the end of the asset’s life. This means that the impact of capital expenditure on the revenue budget can sometimes be very long term e.g., an asset with a life of 50 years would generate an MRP charge for the next 50 years, and a loan taken for say 40 years would generate an interest charge for the next 40 years.

Internal Borrowing

3.17 The Council’s Treasury Management Strategy allows for its borrowing requirement to be deferred until a later date if the Council has sufficient cash surplus to cover the cost of the capital expenditure, and if it would be financially beneficial to do so and it would help to manage risk. This is known as “internal borrowing” i.e. the Council borrows from its own cash reserves and repays these at a later date by taking an actual loan. This, in effect, converts the internal borrowing into actual borrowing. When internal borrowing is the means of financing, the Minimum Revenue Provision charge is still payable on the asset concerned, however there are no interest costs charged to the revenue budget. At the point in time when the internal borrowing converts to actual borrowing then there will be an interest charge.

4. The Capital Process

4.1 Underpinning the capital process are the Council's service objectives and priorities, together with its asset management strategies. The Council's priorities according to the Corporate Plan are set out in Annex A, and links to asset management strategies, can be found in Annex B.

4.2 The capital process is as follows:

a) Identification of a need which would require Capital Expenditure. This should be recorded in a Full or Outline Business Case.

b) Exploration of options to satisfy the identified need. This should be recorded as an Options Appraisal and should consider: value for money / financial sustainability / risk / capacity to deliver the project. The results should be included in the Full or Outline Business Case.

c) Review of Full or Outline Business Cases by **Directorate Leadership Teams**.

d) Presentation of Full / Outline Business Cases to the Capital Review Group, which is an officer group established to oversee delivery of the capital programme, with specific terms of reference guiding its operation.

e) The Capital Review Group will review and, if required, challenge business cases. The Section 151 Officer will then determine whether to refer the business cases for consultation with the Executive Councillor with responsibility for Finance.

f) Annually in the summer, the Capital Review Group will consider Full / Outline Business Cases prepared in respect of projects for the following year's Capital Programme.

g) Annually in September, the **Capital Review Group** will consider programmes of work prepared in respect of bids for annual "block" funding in the following year's Capital Programme.

h) Throughout the year, the Capital Review Group, as well as Budget Managers and Directorate Leadership Teams, will monitor the delivery of capital projects and this will feed into the budget monitoring process.

i) Earmarking of funding in the Capital Programme. The opportunity to do this will be during the autumn of each year as part of the budget setting process. Following feedback on bids from the Capital Review Group and in the light of consultation with the Executive Councillor with responsibility for Finance, a draft Capital Programme will be prepared by the Section 151 Officer and its cost calculated. As the Capital Programme covers ten years, planning for Capital Projects should be forward-looking. Alternatively, if funding approval is required urgently, Business Cases can be presented to the Section 151 Officer (in consultation with the Executive Councillor with responsibility for Finance) for approval. Such approval will allow the project to be allocated budget from the capital programme's New Developments Capital Contingency fund.

j) Consideration of the affordability of the Capital Programme. The draft capital programme will be included in budget reports to the Executive and to the Overview and Scrutiny Management Board as part of the budget setting process and the final Capital Programme will be approved by full Council as part of the budget. The reports are required to clearly show the potential longer term financial impact of each project / asset on the revenue budget, as well as the potential longer term financial impact of the capital programme as a whole.

k) If the capital projects identified by Directorate Leadership Teams exceed what is affordable over the longer term, the Executive will be asked to prioritise capital projects for presentation to Full Council to ensure that an affordable capital programme can be approved. In this case, some projects will have to be deferred or removed altogether.

l) Once an affordable capital programme has been approved by the **Council** in February as part of the budget setting process, capital projects will be monitored and reported on as part of the Council's budget monitoring process.

m) Before a capital project which has funding earmarked in the Capital Programme can start there will need to be separate Executive level approval to commence, and a detailed Capital Scheme Appraisal report including a Full Business Case must be approved, normally by the Executive Councillor with responsibility for Finance if the value of the project is over £500,000. If the value of the project is less than £500,000 the project may be approved by the relevant Executive Director following consultation with the appropriate Executive Councillor(s). This may be done by an individual report or as part of a wider programme of works.

n) When a capital project is complete and an asset has been created, that asset will be managed over its life. This will involve bringing the asset into use, maintaining it and planning for its disposal and/or replacement, if required, as the end of its useful life approaches.

o) When a capital project has completed, a post project review must be undertaken to ensure that any lessons learned can be applied to future similar projects, and that all planned benefits from the scheme have either been achieved or reasons for non-achievement have been recorded.

p) Finally, the asset will be taken out of service and either sold or disposed of.

5. Key Principles of the Capital Strategy

5.1 The Council's strategy in relation to capital is underpinned by the following principles:

a) Capital expenditure / investment decisions must be made to drive forward **service objectives** *(service objectives will need to be clearly identified as part of the Council's strategic planning and will need to take account of future changes to services - the asset implications of such changes must be assessed)*. They must also support one or more of the **capital objectives** – see Section 6.

b) The Council's assets must be **properly planned for and managed** over their lifetime *(asset management strategies and plans which demonstrate this should exist for all key types of asset)*. This should result in the identification of new capital requirements, as well as the identification of surplus assets for disposal.

c) Capital expenditure and investment decisions must be supported by a business case which clearly sets out why the expenditure is required, what outcomes it will help to achieve, as well as costs and risks.

d) A key consideration in decision making must be the achievement of **value for money** *(different options for achieving outcomes must be considered and costed, using the Council's options appraisal template and the best all round option selected).* External funding will be actively sought to support capital projects where possible.

e) Capital expenditure / investment plans must take account of **risk**, which should be identified and managed appropriately.

f) Capital expenditure / investment plans must be **achievable** (the capacity to deliver projects must exist, projects must be properly managed in accordance with the Council's project management framework, project risk must be considered).

g) There must be clear **governance** around capital expenditure with approval of capital projects made at appropriate levels.

h) Capital expenditure / investment plans must demonstrate **affordability** *(the future impact on council tax levels must be considered and the whole life cost must be understood, albeit with assumptions made about the future financial landscape)*. Decisions made about capital projects must not threaten the overall financial sustainability of the Council. The financing of capital expenditure must remain within approved prudential limits.

i) Capital expenditure / investment plans must be **prioritised** if ambition exceeds available resources *(options appraisals should show financial and non-financial implications, risk implications, links to service objectives, the "do nothing" option and its implications, to enable scarce resources to be directed to those schemes which generate the best value for the Council)*. See Annex C.

j) Capital programme projects must be **managed** *(in accordance with the Council's project management framework)* and the procurement of suppliers and contractors must be in accordance with the Council's procurement policies and procedures.

6. Capital Objectives

6.1 All capital projects must help to deliver the Council's overall service objectives but there are also a number of supplementary capital objectives which recognise the nature of capital expenditure in that it will result in long term assets to support the Council's aims. The capital programme, as a whole, should allow for:

a) The replacement or refurbishment of existing assets.

b) The creation of assets to satisfy increasing demand for services.

c) The creation of assets which will enable economic growth.

d) The creation of assets necessary to meet statutory requirements.

e) The creation of transformational assets which will generate future: capital receipts / reduced revenue costs / income streams. The Council will not create new assets primarily to generate an income stream as this would mean that borrowing from the PWLB would not be accessible for the whole of the capital programme.

7. Integration with Other Plans and Strategies

7.1 The Capital Strategy is not a standalone document. It must be seen in the context of the Council's other strategic documents which outline how the Council's longer term objectives will be achieved. Some of these have a clear impact on the Capital Strategy and these impacts have been extracted and are interpreted in Annex B.

8. Guidance for Officers with Responsibility for Capital Planning

8.1 This guidance is intended to highlight the main considerations for the planning of capital programme projects. It follows the principles outlined in section 5 and includes links to more detailed guidance.

8.2 Asset management is about supporting the delivery of strategic objectives through the use of long term assets. It is an integral part of business planning. All service areas which rely on long term assets to deliver services must plan for those assets over their whole life-cycle. This will include planning for the creation / purchase / build of new assets, their use, their replacement and their eventual disposal. Proper asset planning will result in a forward-looking capital programme, where major projects are identified and resourced well in advance of their starting.

8.3 Once a need for a new asset has been identified, the Council's project management framework must be followed. This will involve preparing a business case and an options appraisal, and will ensure that the full implications of every proposal are fully understood by those making decisions about whether or not to proceed with the capital investment required. It will also ensure that capacity to deliver the project, risks associated with the project, and value for money have all been considered. In the early stages of the process, an Outline Business Case should be completed with sufficient information included to allow the feasibility and affordability of the project to be assessed by the Capital Review Group. If it is deemed to be a desirable and affordable project then a full business case must be completed and considered before approval to commence a project is given.

8.4 Service areas have a wealth of experience in the delivery of capital projects and it is important that this experience is used to inform the planning of future projects. Project reviews should be carried out and lessons learned should be documented and made available to others in the Council who might benefit from this learning. Project reviews should provide information to help with the estimation of costs for future projects and the inclusion within capital budgets of appropriate contingency amounts.

8.5 The Council's Financial Procedure 1 (Financial Planning and Management) must be followed by Officers involved with capital expenditure and can be found on the Council's intranet and website.

8.6 When writing a business case, the cost of the capital project, together with any associated funding such as capital grant, must be phased as accurately as possible into the financial years when the expenditure / income is expected to occur. This will enable the financial impact on the revenue budget to be more accurately assessed.

8.7 Business cases should be considered by Directorate Leadership Teams to ensure that they align to the Corporate Plan. If identified as a project the Directorate Leadership Team wishes to progress then they must be submitted to the Capital Review Group for inclusion in the Capital Programme as part of the budget setting process, by the end of May each year.

8.8 Projects requiring urgent (in-year) funding approval can be taken for approval by the Section 151 Officer in consultation with the Executive Councillor with responsibility for Finance. On such approval Capital Programme budget allocations can be made from the New Developments Capital Contingency Budget.

8.9 Inclusion in the Capital Programme or an in-year approval only provides availability of funding. To commence the project an appropriate Executive level decision is needed and a Capital Scheme Appraisal will be required to be approved, normally by the Executive Councillor with responsibility for Finance.

9. Capital Expenditure Approval and Monitoring Process

9.1 The Corporate Leadership Team (CLT) will review the draft future Capital Programme in the Autumn and consider its affordability. If it is deemed to be unaffordable, CLT will consider prioritising the Capital Programme projects and make recommendations to the Executive as to which projects should or should not be approved.

9.2 The Executive is responsible for considering the Capital Programme in December or January along with recommendations on how the capital programme will be financed as a whole, its affordability and a recommendation from CLT on which projects should be prioritised if the whole programme is unaffordable. The Executive will propose a budget and submit this to public engagement during January and meet in February to recommend a revenue budget and a Capital Programme to the Council for approval.

9.3 The Council will consider and approve a joint Capital Programme and Revenue Budget in February of each year.

9.4 Performance against the Capital Programme will be reported to the Overview and Scrutiny Management Board quarterly. The final position at the end of the year will be reported to the Executive in July each year.

10. Annual Investment Strategy for Non-Treasury Investments 2024/25

10.1 The Treasury Management Code 2021 extends the definition of “investments” and states that the term “investments” covers all financial assets and non-financial assets held primarily for investment returns e.g., commercial property portfolios. The Code goes on to further categorise investments as being for one of three purposes:

a) Investments for Treasury Management Purposes, which are those investments that arise from the Council’s cash flows or treasury risk management activity and represent balances that need to be invested until the cash is required for use in the course of business.

b) Investments for Commercial Purposes, which are those investments taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

c) Investments for Service Reasons, which are those investments taken or held primarily for the provision and for the purposes of delivering public services, or in support of joint working with others to deliver such services.

10.2 The Investment Strategy covering Treasury Management Investments is included within the Council’s Treasury Management Strategy 2024/25. For these investments, the Council's priorities for investment are security first, liquidity second, and then return or yield and the risk appetite is set as "low".

10.3 The Investment Strategy covering Investments for Commercial Purposes, and the Investment Strategy covering Investments for Service Reasons are each set out below. They are each supported by a set of Investment Management Practices (IMPs), as required by the Treasury Management Code 2021. Investments for Commercial Purposes, and Investments for Service Reasons will be categorised into separate portfolios.

10.4 The Investment Strategy covering Investments for Commercial Purposes is as follows:

1. Investment Objectives (supported by IMP 1)

The Council’s strategy is to not make new investments for commercial purposes.

The Council owns some land and properties, none of which were originally taken or held for commercial purposes. They are either historic investments which were originally for service benefit, or they are legacy properties which have transferred to the Council. These properties generate income and this is now their main purpose, albeit with some service benefits, and they are therefore now categorised as investments for commercial purposes.
The majority of these properties are collectively known as County Farms. These are historic investments, as farms were originally offered to servicemen returning from the first world war as part of a programme to disperse servicemen across the country and to provide them with a means of employment. Some of the existing tenants are descendants of the original

tenants as family members can be considered for succession of a tenancy should the criteria be met.

Other properties have come into Council ownership for other reasons e.g.

- Houses have been compulsorily purchased to facilitate a road scheme, however the road scheme has not come to fruition.
- Caretaker houses within school sites.
- Properties purchased to allow the Council scope to develop the site for service reasons, where the development is not yet in progress.
- One property which allows access to one of the Council's heritage sites, protecting the Council's interest.

The Council's objectives are as follows:

For County Farms:

- To maintain these assets in a suitable state of repair, and to amalgamate land within the holdings where appropriate which leads to reduced revenue costs.
- To generate an annual rental and other income stream which supports the overall budget and wider Council services.
- To provide the potential for future capital receipts to be realised from the future sale of surplus land and properties, particularly where planning permission for development can be obtained.
- To further the Council's policies to conserve and enhance the natural beauty and amenity of the countryside.
- To provide opportunities for suitably qualified new entrants to farm on their own account. This supports the rural economy and the Council's economic development agenda.
- To ensure the Council holds assets which it may be able to utilise in future to support environmental objectives (e.g. biodiversity net gain).

For Other Properties:

- Where assets are to be retained because they are occupied by tenants, to maintain these assets in a suitable state of repair.
- To generate an annual rental income stream, accepting that in some cases this is below market rate as a result of the lease agreed at the time and the reasons for it.
- When vacant possession occurs, to sell the properties if they are no longer required for future service reasons.

2. Investment Criteria (supported by IMP2)

As the current strategy is that the Council will not make new investments for commercial purposes then there are no criteria for making new investments.

Existing investments will be maintained to an acceptable level of repair as determined by the Council's latest condition survey. Where repairs, renewals and updates to the existing commercial investments are required, bids will be made for such investments to be included in the capital programme. The Prudential Code allows for this type of expenditure to be incurred to maintain existing commercial investments.

3. Risk Management Arrangements (supported by IMP3)

The Council's existing investments for Commercial Purposes are deemed to be low risk because they are historic investments which have been held for many years and no significant risks have emerged in respect of them. The Council's risk appetite for existing investments for Commercial Purposes is therefore set at "low".

The risks associated with investments for commercial purposes must be proportionate to the Council's overall capacity, which means that potential losses could be absorbed within existing budgets or reserves without unmanageable detriment to local services and the level of resources available to the Council.

The fair value of these commercial investments was £114.9m, which is just below 7% of the total value of all property plant and equipment assets owned by the Council as at 31st March 2023. The estimated annual income from investment properties is £2.2m, which is approximately 0.4% of the net revenue budget, and is considered to be an insignificant proportion.

A Prudential Limit has been set and will be monitored and reported on. This is that net income from both investments for commercial purposes and investments for service reasons added together shall amount to no more than 3% of the Council's Net Revenue Stream. This is designed to ensure that potential losses will be limited to an amount which can be managed within existing budgets or reserves.
An assessment of the fair value of these investment properties is made annually, in accordance with the requirements of the CIPFA Accounting Code of Practice for Local Government and the underlying assets provide security for these investments.

The County Farms portfolio is managed by Savills, an independent firm of expert estate and property advisors.

The Other Properties portfolio is managed by both Corporate Property and Kier Estates, under the Council's outsourced property and facilities management contract.

4. Decision Making and Reporting Arrangements (supported by IMP4)

Requests for additional investment required to repair, renew or update existing investments for commercial purposes will need to be considered through the capital process described in Section 4 of this Capital Strategy.

Reporting on capital expenditure approval and monitoring will be as outlined in Section 9 of this Capital Strategy.

Prudential indicators relating to investments for commercial purposes will be reported on as part of the annual Capital Strategy (estimated), and after the year end as part of the annual Review of Financial Performance report (actual). The quarterly Treasury Management performance reports will confirm whether or not any Prudential Limits are likely to be breached in the year and details provided if they are. Reporting on Prudential Indicators will be subject to scrutiny by the Council's Overview and Scrutiny Management Board.

5. Performance Measurement and Management (supported by IMP5)

The collection of rental income for County Farms is managed by Savills, an independent firm of expert estate and property advisors.

The collection of rental income for Other Properties is managed jointly by Corporate Property and Kier Estates, an independent expert property management firm.

There are elements of service benefit in respect of most of our investment properties, and therefore the maximisation of income is not an objective.

6. Arrangements for Training and Qualifications (supported by IMP6)

Accounting for all aspects of existing investments made for commercial purposes is undertaken by the Financial Services team, which includes accountants trained to Chartered level, and provides for continuing professional development for team members.

Any non-financial investments for commercial purposes must be managed using an appropriate level of expertise. The Council's existing investments for commercial purposes are managed by Savills, an independent firm of expert estate and property advisors. The Savills team consists of staff qualified at degree level.

10.5 The Investment Strategy covering Investments for Service Reasons is as follows:

1. Investment Objectives (supported by IMP1)

The Council's strategy is to invest only in other bodies either to secure future essential service delivery or where the other body is a subsidiary company of the Council which has been created for service reasons. The contribution that such investments make towards the Council's objectives is that they support the resilience of future service delivery arrangements.

Such investments may not be planned for as part of the budget process but may emerge at any time e.g. due to the Council's statutory duty to manage the market in adult social care.

2. Investment Criteria (supported by IMP2)

The criteria for financial investments made for service reasons are as follows:

Loans made to the Council's subsidiary companies:

a) To allow the subsidiary company to acquire assets for the delivery of services which fall under the Council's remit. Such loans will be treated as capital expenditure by the Council and will be subject to the processes included within this Capital Strategy. A business case must be prepared as part of the due diligence process, including at least how the acquisition of assets supports the Council's strategic plans for service delivery, an appraisal of the relevant options available, how the assets will be managed over their lifetime, how the company will fund loan repayments.

b) To support the cash flow position of the subsidiary company.

Loans made to School Academies:
The Council has a small portfolio of historic loans made to Council-controlled Schools which then converted to Academy status before the loans were fully repaid. These loans are therefore legacy investments for service reasons and are being repaid. No further loans will be made to Academy Schools.

Loans made to other third-party service providers:
To provide an injection of cash to allow the third-party service provider to continue trading, where there is a viable business recovery plan, and where this secures the delivery of essential services.

The purchase of shares (equity) in a company:
To support the delivery of services in partnership with other public bodies, where the delivery of services can be facilitated through a company.

3. Risk Management Arrangements (supported by IMP3)

The Council's risk appetite in relation to financial investments for service purposes is different from the risk appetite for treasury management investments and investments for commercial purposes. The primary purpose of investments for service purposes will be to support the essential delivery of services, and this may be in the context of a service provider who is experiencing some financial difficulty. The risk that such investments may not be recovered is likely to be higher. The Council's risk appetite for this type of investment is therefore set as "medium" or "high" which recognises that the Council is prepared to accept some risk to the security of the investments albeit within the parameters of the Prudential Limits set to manage risk to an appropriate level.

This risk will be managed in two ways. Firstly, by ensuring that appropriate governance and decision making is in place, supported by due diligence processes, so that loans at a greater risk of default are only made when essential / statutory service delivery is at significant risk. Secondly, through appropriate performance management, including a Prudential Indicator limiting the total potential losses to an amount which can be absorbed within existing budgets or reserves without any unmanageable detriment to service delivery.

A Prudential Limit has been set and will be monitored and reported on. This is that net income from both investments for commercial purposes and investments for service reasons added together shall amount to no more than 3% of the Council’s Net Revenue Stream. This is designed to ensure that potential losses will be limited to an amount which can be managed within existing budgets or reserves.

A further Prudential Limit has been set and will be monitored and reported on. This is that no more than 10% of the Council’s general Reserves shall be at risk from potential loss of the principal value of investments for service reasons, and this calculation is based on the application of the expected credit loss model under IFRS9.

4. Decision Making and Reporting Arrangements (supported by IMP4)

The Council’s Financial Procedure 4 includes procedures for loans to outside bodies setting out the following requirements:

A loan which constitutes capital expenditure for the Council will need to be approved in accordance with approvals for capital expenditure. The repayment of such a loan will be treated as a capital receipt.

Other loans for service reasons are subject to a scheme of approval. Loans up to the value of £20,000 will be approved by the Section 151 Officer. Loans for £20,000 or more up to a value of £49,999 will be approved by the Section 151 Officer reporting to the Executive Councillor with responsibility for Finance. Loans for £50,000 or more will be approved by the Section 151 Officer following consultation with the appropriate Executive Councillor and reporting to the Executive Councillor with responsibility for Finance.

The rate of interest chargeable on loans for service reasons will be determined in consultation with the Section 151 Officer, and have due regard to Subsidy Control rules. Any decision to waive interest of £10,000 or over would need the consultation of the appropriate Executive Councillor.

When a loan is made, there must be a loan agreement signed by both parties to the loan.

Credit control processes must be followed to ensure that interest and loan repayments are made on time.

The following governance arrangements also apply:

Approval of a loan must be subject to there being a viable expectation that the loan can be repaid.

The purchase of shares (equity) in a company to support the delivery of services in partnership with other bodies must be approved by the Section 151 Officer.

Prudential indicators relating to investments for service reasons will be reported on as part of the annual Capital Strategy (estimated), and after the year end as part of the annual Review of Financial Performance report (actual). The quarterly Treasury Management performance reports will confirm whether or not any Prudential Limits are likely to be breached in the year and details provided if they are. Reporting on Prudential Indicators will be subject to scrutiny by the Council's Overview and Scrutiny Management Board.

5. Performance Measurement and Management (supported by IMP5)

There will be an annual review of all loans outstanding using the expected credit loss model as per IFRS9. This means that debts will be accounted for as impaired in the statutory accounts as soon as an expected credit loss is identified.

Repayment of loans is monitored and managed by the Financial Services team.

6. Arrangements for Training and Qualifications (supported by IMP6)

Accounting for all aspects of existing investments made for service purposes is undertaken by the Financial Services team, which includes accountants trained to Chartered level, and provides for continuing professional development for team members.

10.6 A schedule of non-treasury investments currently held by the Council is provided in Annex F.

11. Affordability of the Capital Programme

11.1 The CIPFA Prudential Code requires councils to ensure that capital spending plans are affordable, sustainable and prudent. Determining whether or not a capital programme is affordable over the long term is difficult to do, because it requires looking into an uncertain future. There is, therefore, no precise calculation which can be done to work out how much is affordable, instead judgement is required in order to make assumptions about the Council's finances in the future and this carries the risk that assumptions may turn out to be different to reality.

11.2 Some elements of the cost of financing the capital programme are more certain. The future cost to the revenue budget of all historic capital expenditure is largely known, and is explained in principle in section 3. These future costs comprise the minimum revenue provision and the interest payments on loans already taken to finance the capital programme.

11.3 Virtually all other relevant factors are uncertain. Below are some examples of the inherent uncertainties, which could result in financial risk:

a) The value of the revenue budget in future years is dependent on many factors outside of the Council's control e.g.:
    - The Council's spending power is determined by the Government, specifically with regards to council tax levels and grant funding quantum,
    - The amount the Council needs to spend is subject to inflation and demand pressures.

b) Capital projects may overspend or underspend, or may take more or less time to complete than planned. As explained elsewhere in this strategy any effect on capital expenditure will also impact on the cost to the revenue budget including the timing of those impacts.

c) Statutory policy relating to capital may change e.g.:
    - The method of calculating Minimum Revenue Provision has changed over time
    - The accounting standard which defines capital expenditure and its accounting treatment could change.

d) The cost of interest on loans which will be taken in the future is subject to future unknown interest rates. There are other treasury risks which could impact on the cost of future borrowing e.g. re-financing risk and liquidity risk.

e) Unplanned for significant events, such as the coronavirus pandemic, may lead to financial resources being directed towards other priorities or to additional costs.

11.4 Despite the uncertainties, it is still possible to look forward and take a view on the affordability of the capital programme. A high level summary of the proposed capital programme for 2024/25 and future years up to 2033/34 is included at Annex D (the detailed capital programme is included in the Council's Budget Book). The programme changes for 2024/25 primarily reflect a reallocation of the built up contingency budget, and the addition of revenue funded programmes approved by the Executive during 2023/24 from windfall underspends. There is not currently an appetite to increase the overall borrowing requirement without further clarification of longer-term funding levels. The cost of financing the capital programme is expected to increase in future years, after completion of schemes. However, the anticipated cost pressure is expected to be managed in the medium term through slippage and the capital financing reserve. The Council has also made voluntary revenue provision contributions which have contained the ongoing cost to the revenue budget.

11.5 If the capital financing budget underspends in the year, the underspend can be used to make a voluntary revenue provision payment. This would be a prudent way to reduce the capital financing requirement, and ensure planned capital financing resource is used to fund capital financing in full.

11.6 This must be seen in the context of the Council's overall net revenue budget in order to determine its affordability. The amount of the Council's budget is not known beyond 31st March 2025, but a prudent estimate can be made going forwards which allows for a modest increase in funding each year over the medium term, based on current assumptions.

11.7 The graph at Annex E shows the estimated total proportion of the net revenue budget which would need to be allocated to finance the capital programme set out in Annex D for the next ten years. It can be seen that in each of the next ten years, the Council is expected to be within its voluntary prudential indicator i.e. that capital financing charges, comprising MRP and interest, will not exceed 10% of the Council's total income in each year.

11.8 This indicates that the Capital Programme for 2024/25, which also covers future years, is affordable. It is important to note however that there are risks inherent in this conclusion. Some of these risks are explained in paragraph 11.3 above. In addition it must be recognised that the capital programme will be refreshed each year and this assessment will need to be repeated each time to determine future affordability.

12. Role of the Section 151 Officer

12.1 The Section 151 Officer is responsible for ensuring that elected members tasked with either treasury management responsibilities or capital programme scrutiny responsibilities have access to training relevant to their needs and those responsibilities.

12.2 The Section 151 Officer is also responsible for ensuring that employees with responsibility for budget management, accounting, finance, and treasury management, are suitably skilled and experienced and have the opportunity to maintain their professional competence.

12.3 Statement of the Section 151 Officer:

a) The Section 151 Officer is satisfied that the Capital Programme for 2024/25, which includes future years, has been through a robust scrutiny process. The Capital Investment Strategy includes an assessment of financial risks and the Section 151 Officer is satisfied that prudent assumptions have been made relating to those areas of risk and that the Capital Programme for 2024/25 is affordable over the longer term.

b) The Section 151 Officer confirms that the Council has complied with paragraph 51 of the Prudential Code 2021 and has not borrowed to invest primarily for financial return. The Council is not planning to make any investment or spending decision that will increase the capital financing requirement, thereby potentially requiring new borrowing, unless directly and primarily related to the functions of the authority.

People and Communities will have:

- Support high aspirations;
- Enable everyone to enjoy life to the full;
- Create thriving environments;
- Provide good-value Council services.

Links between the Capital Programme and the Corporate Plan

The Council's capital investment programme is a key enabler of successful delivery of Council plan objectives. The following schemes / projects within the Council's Capital Programme support the priorities of the Corporate Plan:

High Aspirations:

- A range of projects to alleviate flood and water risks.
- A range of projects to build, and improve highways infrastructure assets.
- Projects to replace Household Waste recycling centres and a Separated Paper and Card recycling scheme.

The opportunity to enjoy life to the full:

- Contributing towards projects to build supported and extra care housing
- Funding adaptations to the homes of foster carers
- Projects to invest in provision for children in care and care leavers.
- Improvements to Schools buildings, sites and IT facilities.

Thriving environments:

- Major investment in SEND Schools provision.
- Provision of superfast Broadband across the County.
- Development of Business Units and the extension of the Horncastle Industrial Estate.
- Programme of energy efficient street lighting schemes.

Good Value Council services:

- Projects to transform Council services using technology.
- Investment in Council property assets to support service delivery.
- Investment in measures to rationalise property assets.

A. <u>Medium Term Financial Strategy</u>

The Medium Term Financial Strategy covers the medium term period but is refreshed periodically as part of the budget process. It sets out the Council's framework for financial management and provides some key principles which directly influence the Capital Strategy – these are interpreted below:

a. The Council has set a key financial performance measure which relates to the affordability of the capital programme, which is that the level of council tax will remain in the lowest quartile of all English County Councils.

b. The Council has a ten year Capital Programme, which is a budget set aside to deliver new or improved assets and to maintain existing assets used to deliver services. The proposed Capital Programme is affordable over the longer term, within the context of our budget assumptions and in line with our Capital Strategy, which covers a longer term period up to ten years.

c. The Strategy provides a framework within which we can manage the financial resources available to deliver our priorities for our communities over the medium term. To deliver this successfully requires a culture of good financial management within the Council, which is led by the Section 151 Officer and the Leadership Team, which includes our elected Members as well as Chief Officers. To support this culture the Council has a set of financial regulations and procedures, as well as schemes of authorisation, which give guidance to Officers about their financial responsibilities.

d. The Strategy supports the Council's other key strategies, by setting the financial context for the Council and by clarifying the levels of investment that we can make in the future to deliver services and improve and maintain our assets.

e. During each financial year, the approved Revenue Budget and the approved Capital Programme are monitored and performance against each is regularly reported to the Corporate Leadership Team and the Executive, with scrutiny applied by the Overview and Scrutiny Management Board.

f. Budget holders can bid for investment in new opportunities (either revenue or capital) as part of the annual budget process. These will be considered in the context of the business case and affordability.

g. We have a New Development Capital Fund of £5.0m each year. Budget Holders can bid for funding from this to spend on new capital schemes.

B. Treasury Management Strategy

The Council's annually approved Treasury Management Strategy is very closely aligned to the Capital Strategy as it covers the Council's borrowing strategy for the year ahead, a key source of funding for the capital programme. The relevant aspects of the Treasury Management Strategy are set out below:

In line with the CIPFA Prudential Code the Treasury Management Strategy sets out a series of Prudential Indicators which ensure and demonstrate that the Council's capital expenditure plans remain **affordable**, **prudent** and **sustainable** and manage treasury risks:

a. Long term loans are usually secured at fixed rates of interest, to provide certainty over the cost of maintaining the loans over their lifetime thereby reducing the risk of adverse interest rate changes. However up to 30% of all borrowing could alternatively be secured at variable rates of interest.

b. The Council will take new borrowing from the PWLB in all periods with the aim of achieving an even "spread of maturity" profile and keeping an increase in the average cost of the Council’s debt to a minimum.

c. Consideration will be given to borrowing market loans, to fit into the above maturity strategy, in order to take advantage of lower rates offered on these loans. This proportion is limited to no more than 20% of total external borrowing for market loans and 10% of total external borrowing for Lender Option Borrower Option loans (which are also market loans).

d. Other long term liabilities e.g. loans to other bodies and PFI contracts also impact on the revenue budget and future sustainability. Separate limits are set each year for total borrowing and for total other long term liabilities.

e. Limits are set on the maturity structure of borrowings i.e. no more than 25% will mature within 12 months; no more than 25% will mature between 12 months and 24 months; no more than 50% will mature between 24 months and 5 years; no more than 75% will mature between 5 years and 10 years. This means that exposure to short term interest rate risk is limited.

f. The Minimum Revenue Provision and Interest Charges together shall not exceed 10% of the Council's Net Revenue Stream.

Two "proportionality" Prudential Indicators have been set for 2024/25, to support the Capital Strategy and these are shown in Annex G. The Treasury Management Strategy includes the Council's **Capital Financing Requirement**, which reflects the need to borrow to fund capital expenditure in the future. It also includes the Policy for Minimum Revenue Provision which allows for debt to be repaid over the life of the underlying assets.

The Treasury Management Strategy is scrutinised by the **Overview and Scrutiny Management Board** and approved by the **Executive Portfolio Holder for Finance and**

Communications. Performance against prudential indicators is also scrutinised by the **Overview and Scrutiny Management Board**, as is the Treasury Management Annual Report at year end.

Treasury Management activity is governed by The CIPFA Code of Practice for Treasury Management and a set of Treasury Management Practices arising from this Code. These set out the relevant delegations and processes which are designed to manage risk to an acceptable level. The Council's risk appetite for treasury activity is set at low – the security and liquidity of Council funds is of paramount importance and the Strategy includes a number of controls designed to manage risks to security and liquidity.

The Treasury Management Strategy also includes the policy on the use of external advisers, which states that the Council uses Link Asset Services Ltd as its external treasury management adviser, and recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

C. Asset Management Strategies

The Council has asset management strategies in place for the major types of assets. Asset management is about supporting the delivery of strategic objectives through the use of long term assets. All service areas which rely on long term assets to deliver services must plan for those assets over their whole life-cycle. This will include planning for the creation / purchase / build of new assets, their use, their replacement and their eventual disposal.

There is currently work ongoing to enhance the asset management plans and strategies across the organisation, to support future service delivery planning and also to aid capital planning. This includes within IT and property, but also across other areas of the Council with a significant asset base. Therefore, the next iteration of the strategy will seek to expand on these links further.

- Highways Asset Management Strategy 2022-2025

  https://www.lincolnshire.gov.uk/downloads/file/1896/highways-asset-management-strategy
- Risk Management Strategy

  https://www.lincolnshire.gov.uk/council-business/risk-management-strategy

If the total capital programme is deemed to be unaffordable then capital programme projects will need to be prioritised, and this may result in the cancellation or deferral of projects.

The aim of the process of prioritisation is to select those projects which generate the best value for the Council. As the Council's functions are wide-ranging, this diversity is reflected in the capital programme and this makes it difficult to compare projects. In many cases the benefits are non-financial and hard to measure, which means that return on investment measure is not an appropriate tool to use when trying to rank projects.

It is recognised that the reasons for undertaking capital projects may be complex, and that ranking projects in order of priority may sometimes be a matter of subjective assessment. When a Business Case for a capital project is prepared, the checklist below must be completed and submitted with the Business Case. The considerations set out on the checklist are designed to assist those making decisions on the prioritisation of capital projects if this is required. This is not an exhaustive list of factors to consider – there may be others.

Consideration	Yes / No	If Yes, please provide detail
To what extent does the project support the Council's objectives (Appendix Capital A) or the Capital objectives (Section 6)?		
• Does it maintain current service delivery by replacing or refurbishing existing assets?		
• Does it improve current service delivery by:		
○ Satisfying increasing demand for services;		
○ Enabling economic growth;		
○ Meeting new statutory requirements;		
○ Transforming service delivery thereby:		
▪ Generating future capital receipts;		
▪ Reducing revenue costs;		
▪ Increasing income?		
• Does it meet identified community expectations?		
How is Value for Money achieved by this project?		
• What are the project Benefits?		
○ Number of citizens who benefit		

○ Significance of improvement to citizens lives		
○ Significance of improvement to aspects of service delivery		
• What are the project Costs?		
○ What is the whole life cost of the asset:		
▪ What is the expected useful life of the asset in years?		
▪ What is the total capital cost?		
▪ Minimum Revenue Provision charge?		*(Finance to provide)*
▪ Interest charge?		*(Finance to provide)*
▪ Asset maintenance costs per annum?		
○ Is external funding available for the project?		
▪ If Yes, how much?		
▪ If Yes, where from?		
▪ If Yes, when will it be received?		
○ Is internal funding available for the project?		
▪ If Yes, how much?		
▪ If Yes, where from (capital receipts or revenue contributions)		
▪ If Yes, when will it be received?		
What are the key risks inherent in this project?		
○ How urgent is the need?		
○ How long will the project take?		*If more than 1 year, please phase the capital costs over Year 1, Year 2, Year 3 etc.*
○ Does the Council have the capacity to deliver the project?		
▪ If Yes, please list them?		
○ Are there any other significant project risks?		
▪ If Yes, please list them?		
○ Does the project take account of future needs?		
○ Does the project take account of the changing world, e.g. technology or social changes?		
When the project is complete, a post implementation review must		

be undertaken and a Project Closure report completed. Please add any further information which you think may support the decision-making process.		

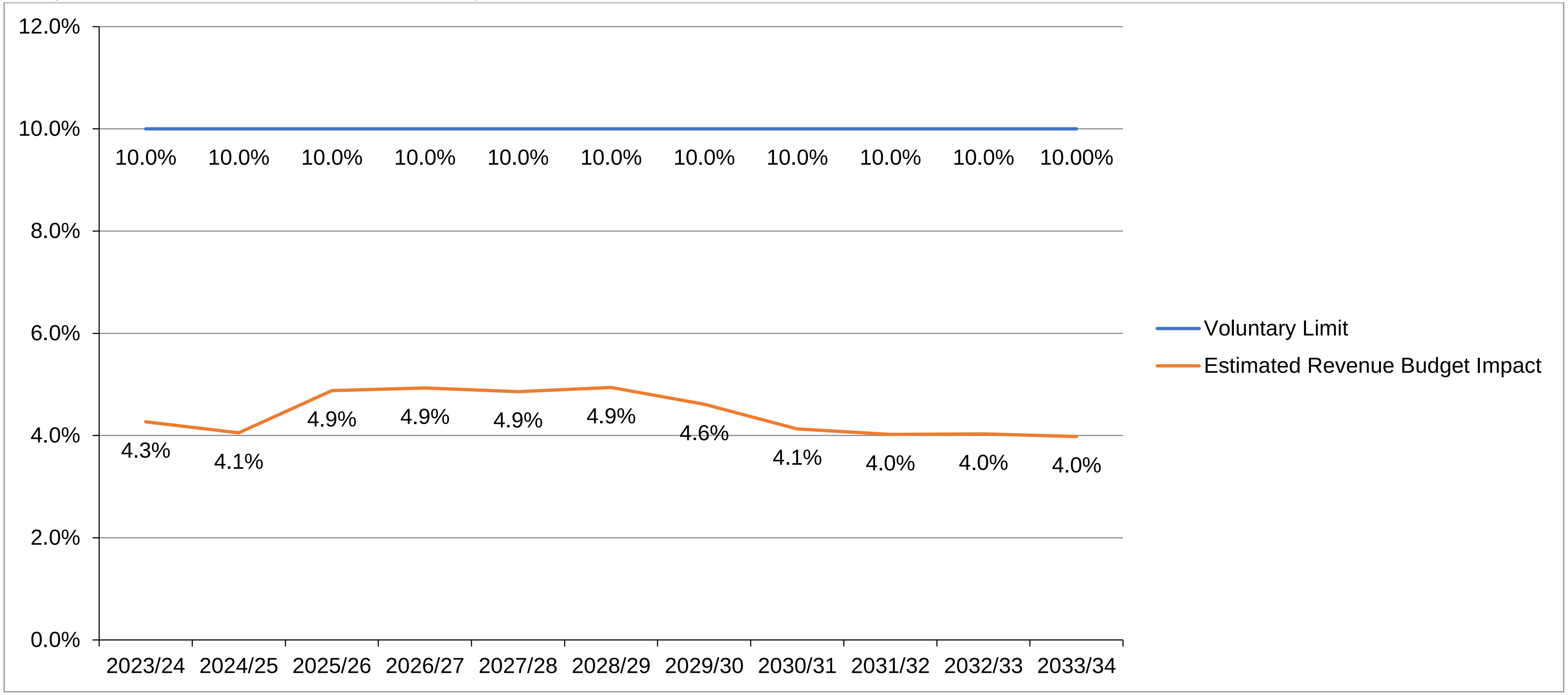
Capital Investment Programme and Funding **Annex D**

Capital	2023/24	2024/25	2025/26	2026/27 - 2033/34
Investment in Blocks				
Adult Care and Community Wellbeing	8,113,826	-	-	-
Children's Services	8,082,672	50,000	23,002,477	40,461,000
Place	71,445,396	55,237,488	2,958,337	20,275,000
Fire and Rescue	2,266,441	3,115,310	1,718,000	3,000,000
Resources & Corporate	8,102,388	12,603,210	7,150,000	37,115,967
Total	98,010,723	71,006,008	34,828,814	100,851,967
Investment in Projects				
Adult Care and Community Wellbeing	1,158,703	-	-	-
Children's Services	27,236,574	13,880,405	7,714,286	-
Place	62,549,488	43,458,941	18,456,601	185,373,727
Fire and Rescue	-	4,568,000	-	-
Resources & Corporate	4,199,455	7,367,697	400,000	1,800,000
Total	95,144,220	69,275,043	26,570,887	187,173,727
New Development Capital Contingency	-	4,425,389	-	30,000,000
Total Investment	**193,154,943**	**144,706,440**	**61,399,701**	**318,025,694**
Funding				
External Funding	(86,990,799)	(50,081,176)	(31,917,089)	(95,434,529)
Borrowing	(63,787,606)	(89,424,519)	(24,284,291)	(187,230,871)
Capital Receipts	(5,000,000)	(5,000,000)	(5,000,000)	(35,000,000)
Revenue	(37,376,538)	(200,745)	(198,321)	(360,294)
Total Funding	**(193,154,943)**	**(144,706,440)**	**(61,399,701)**	**(318,025,694)**

* please note that the funding base has been amended since the report to the Executive on 06/02/2024 for two items. The first relates to correcting an adjustment previously shown as borrowing funded (now external funded). The other relates to phasing of revenue funding and borrowing.

Estimated Proportion of Revenue Budget to be Spent on Capital Financing Charges **Annex E**

Compared to Prudential Indicator Voluntary Limit



Schedule of Non-Treasury Investments

Annex F

Service Investments: Loans To Other Bodies for Service Reasons	Classification	Risk Level	Original Term of Loan in Years	Outstandin g as at 31/03/2023 £000's	Estimated Interest Income 2023/24 £000's
B14080 School Academies	Loan	Low	Various	721	-30
B20040 TransportConnect Revolving Credit Facility	Loan	Medium	*3*	0	-45
B20041 Legal Serviices Lincolnshire (Trading) Ltd Revolving Credit Facility	Loan	Medium	*3*	0	-3
Total				**721**	**-78**

Service Investments: Equity Purchase for Service Reasons	Classification	Risk Level	Fair Value as at 31/03/2023 £000's	Estimated Dividend Income 2023/24 £000's
B14010 Investors in Lincoln Shares	Non-Specified Investment	Low	335	0
B14160 Hoople Ltd Shares	Non-Specified Investment	Low	204	0
Total			**539**	**0**

Commercial Investments for Non Service Reasons:	Classification	Risk Level	Fair Value as at 31/03/2023 £000's	Estimated Rental Income 2023/24 £000's
B11005 County Farms	Investment Properties	Low	107,324	-2,092
B11005 Other Non-Farm Properties	Investment Properties	Low	7,545	-147
Total			**114,869**	**-2,239**

PRUDENTIAL INDICATORS		2022-23 Actual	*2023-24 Original Estimate*	2023-24 Updated Estimate	2024-25 Estimate	2025-26 Estimate2	2026-27 Estimate
Proportionality Indicators							
7) Net Income from Commerical and Service Investments to Net Revenue Stream							
The Council will set for the forthcoming financial year and the following two years a limit of 3% for Net Income from Commerical and Service investments as a proportion of Net Revenue Stream (NRS) including Dedicated School Grant (DSG). This is to manage financial exposure to the Council from potential loss of income from these investments.							
Net Income from Non-Treasury Investments (Including County Farms)	£m	2.362	*1.992*	2.317	2.200	2.089	1.987
Net Revenue Stream (NRS) including Dedicated School Grant (DSG).	£m	836.234	*909.999*	905.832	976.549	987.695	1008.764
Proportion of Net Commerical and Service Investment Income to Net Revenue Stream -Limit 3%	%	**0.28%**	***0.22%***	**0.26%**	**0.23%**	**0.21%**	**0.20%**
8) Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments							
The Council will set for the forthcoming financial year and the following two years a limit of no more than 10% of General Reserves to be at risk from potential loss of total investments. (Voluntary Indicator).							
General Reserves	£m	**16.400**	***16.400***	**16.400**	**16.400**	**16.400**	**16.400**
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.029	*0.052*	0.028	0.027	0.025	0.024
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	**0.18%**	***0.32%***	**0.17%**	**0.17%**	**0.16%**	**0.15%**

A full list of Prudential Indicators is included within the Council's Budget Book.

CAPITAL INVESTMENT PROGRAMME **APPENDIX O**

*	Scheme by Area (all figures in £m)	2023/24			2024/25			Future Years		
		Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding
	Adult Care and Community Wellbeing									
B	Adult Care	0.484	-	0.484	-	-	-	-	-	-
B	Safer Communities	0.025	-	0.025	-	-	-	-	-	-
B	Registration Celebratory & Coroners Services	0.020	-	0.020	-	-	-	-	-	-
B	Better Care Fund	7.585	7.585	-	-	-	-	-	-	-
P	Welton - Extra Care Housing	1.159	-	1.159	-	-	-	-	-	-
	Sub-total	**9.273**	**7.585**	**1.688**	**-**	**-**	**-**	**-**	**-**	**-**
	Children's Services									
B	Schools Maintenance Programme	4.888	4.888	-	-	-	-	-	-	-
B	Provision of School Places (Basic Need)**	1.639	1.939	(0.300)	-	-	-	63.113	29.371	33.742
B	Devolved Capital	0.962	0.962	-	-	-	-	-	-	-
B	Foster Care	0.120	-	0.120	0.050	-	0.050	0.350	-	0.350
B	Other Children´s Social care	0.009	-	0.009	-	-	-	-	-	-
B	Connect the Classroom	0.464	0.471	(0.007)	-	-	-	-	-	-
B	Alternative Provision school expansion	0.300	-	0.300	-	-	-	-	-	-
P	SEND Reorganisation	14.531	9.259	5.272	7.845	-	7.845	-	-	-
P	Children´s Homes	2.011	0.412	1.599	-	-	-	-	-	-
P	Lincolnshire Secure Unit	0.116	0.116	-	-	-	-	-	-	-
P	Lincs Secure Unit	10.279	7.266	3.013	-	-	-	-	-	-
P	New SEMH School	-	-	-	5.286	-	5.286	7.714	-	7.714
P	2 bed crisis Children's Home	-	-	-	0.750	-	0.750	-	-	-
	Sub-total	**35.319**	**25.313**	**10.006**	**13.931**	**-**	**13.931**	**71.177**	**29.371**	**41.806**
	Fire and Rescue									
B	Fire Fleet and Equipment	2.237	-	2.237	3.115	-	3.115	4.718	-	4.718
B	Fire & Rescue and Emergency Planning	0.030	-	0.030	-	-	-	-	-	-
P	LFR Control Room	-	-	-	4.568	-	4.568	-	-	-
	Sub-total	**2.267**	**-**	**2.267**	**7.683**	**-**	**7.683**	**4.718**	**-**	**4.718**
	Other Budgets									
B	New Developments Contingency Fund	-	-	-	4.425	-	4.425	30.000	-	30.000
B	Capital Fund	-	1.568	(1.568)	-	-	-	-	-	-
	Sub-total	**-**	**1.568**	**(1.568)**	**4.425**	**-**	**4.425**	**30.000**	**-**	**30.000**

*	Scheme by Area (all figures in £m)	2023/24 Gross Investment	2023/24 External Funding	2023/24 Internal Funding	2024/25 Gross Investment	2024/25 External Funding	2024/25 Internal Funding	Future Years Gross Investment	Future Years External Funding	Future Years Internal Funding
	Place									
B	Highways Asset Protection**	56.296	45.607	10.689	43.647	43.647	-	-	-	-
B	Integrated Transport	4.905	3.337	1.568	3.337	3.337	-	-	-	-
B	Boston Development Schemes	0.914	-	0.914	-	-	-	-	-	-
B	Network Resilience	1.787	-	1.787	0.240	-	0.240	0.600	-	0.600
B	Heritage/archives	1.625	-	1.625	2.000	-	2.000	1.500	-	1.500
B	Lincolnshire Enterprise Partnership Contribution	1.536	-	1.536	-	-	-	-	-	-
B	Flood & Water Risk Management	0.584	-	0.584	4.922	-	4.922	-	-	-
B	Local Flood Defence Schemes	0.504	-	0.504	1.037	-	1.037	3.500	-	3.500
B	Other Highways	2.374	-	2.374	-	-	-	-	-	-
B	Local Highways Improvements (pinch points) to support Coastal Routes	0.664	-	0.664	-	-	-	16.795	-	16.795
B	Equipment & Vehicles at Waste Transfer Stations	0.250	-	0.250	-	-	-	0.543	-	0.543
B	Other Transport Initiatives	0.403	-	0.403	-	-	-	-	-	-
B	Libraries	0.323	-	0.323	-	-	-	-	-	-
B	Energy Efficiency Street Lighting	0.224	-	0.224	-	-	-	-	-	-
B	Economic Development- Business Unit Development	0.191	-	0.191	-	-	-	-	-	-
B	Fire Suppression at Waste Transfer Stations	0.028	-	0.028	-	-	-	0.160	-	0.160
B	Holdingham Roundabout (Sleaford Growth Schemes)	0.070	-	0.070	-	-	-	-	-	-
B	Waste	-	-	-	-	-	-	0.135	-	0.135
B	Countryside Rights of Way	0.045	-	0.045	-	-	-	-	-	-
B	Other Growth and the Economy - Economic Infrastructure	0.044	-	0.044	-	-	-	-	-	-
B	A46 Roundabouts	0.021	-	0.021	-	-	-	-	-	-
B	Other Environment & Planning	0.006	-	0.006	-	-	-	-	-	-
B	Teal Park Lincoln	(0.001)	-	(0.001)	-	-	-	-	-	-
B	A18 Safer Road Fund	(0.007)	-	(0.007)	-	-	-	-	-	-
B	A16/A1073 Spalding to Eye Road Improvement	(0.016)	-	(0.016)	-	-	-	-	-	-
B	Lincolnshire Waterways	(0.144)	-	(0.144)	-	-	-	-	-	-
B	Lincoln Growth Point	(0.256)	-	(0.256)	-	-	-	-	-	-
B	Rural Roads Fund	(0.926)	-	(0.926)	-	-	-	-	-	-
B	Sutton Bridge Place Marking	-	-	-	0.054	-	0.054	-	-	-
P	Grantham Southern Relief Road	21.061	-	21.061	30.036	-	30.036	0.837	-	0.837
P	Spalding Western Relief Road (Section 5)	23.718	-	23.718	(3.649)	-	(3.649)	-	-	-
P	North Hykeham Relief Road	6.606	3.580	3.026	4.424	3.097	1.327	177.154	97.980	79.174
P	Broadband	1.505	-	1.505	1.093	-	1.093	3.770	-	3.770

*	Scheme by Area (all figures in £m)	2023/24			2024/25			Future Years		
		Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding
P	Lincoln Eastern Bypass	1.796	-	1.796	2.800	-	2.800	-	-	-
P	A16 Levelling Up Fund (LUF)	5.177	-	5.177	-	-	-	-	-	-
P	HWRC Skegness	-	-	-	-	-	-	2.000	-	2.000
P	Economic Development - Horncastle Industrial Estate Extension	-	-	-	1.500	-	1.500	-	-	-
P	Waste - Separated Paper and Card Scheme	1.247	-	1.247	0.465	-	0.465	-	-	-
P	A52 Skegness Roman Bank Reconstruction	0.903	-	0.903	-	-	-	-	-	-
P	A631 Louth to Middle Rasen Safer Road Fund	0.700	-	0.700	-	-	-	-	-	-
P	A46 Welton Roundabouts (Integrated Transport/NPIF)	0.137	-	0.137	-	-	-	-	-	-
P	Spalding Western Relief Road Section 1	-	-	-	0.090	-	0.090	27.700	-	27.700
P	Skegness Countryside Business Park 2	0.040	-	0.040	-	-	-	-	-	-
P	A631 Middle Rasen to Bishops Bridge Safer Roads Fund	0.013	-	0.013	-	-	-	-	-	-
P	Spalding Western Relief Road Section 1 S106	-	-	-	-	-	-	(5.520)	-	(5.520)
P	Spalding WRR Section 5 S106	-	-	-	(2.100)	-	(2.100)	(2.100)	-	(2.100)
P	Electronic Ticket Machines	(0.004)	-	(0.004)	-	-	-	-	-	-
P	A1084 Safer Road Fund	(0.011)	-	(0.011)	-	-	-	-	-	-
P	HWRC Tattershall	-	-	-	-	-	-	(0.011)	-	(0.011)
P	Holbeach Food Enterprise Zone	(0.337)	-	(0.337)	-	-	-	-	-	-
P	Waste Transfer Stations	-	-	-	6.100	-	6.100	-	-	-
P	Cross Keys Bridge electrification	-	-	-	1.200	-	1.200	-	-	-
P	LED swap out	-	-	-	1.500	-	1.500	-	-	-
	Sub-total	**133.995**	**52.524**	**81.471**	**98.696**	**50.081**	**48.615**	**227.063**	**97.980**	**129.083**
	Resources & Corporate									
B	Property Maintenance	4.632	-	4.632	4.567	-	4.567	22.575	-	22.575
B	Improvement Transformation	0.350	-	0.350	3.650	-	3.650	-	-	-
B	Infrastructure and Refresh Programme	2.450	-	2.450	3.711	-	3.711	19.616	-	19.616
B	County Farm Block	0.531	-	0.531	0.675	-	0.675	2.075	-	2.075
B	Replacement ERP Finance System	0.127	-	0.127	-	-	-	-	-	-
B	ICT Development Fund	0.013	-	0.013	-	-	-	-	-	-
P	School Mobile Classroom Replacement	-	-	-	1.100	-	1.100	2.200	-	2.200
P	Property Area Review	0.067	-	0.067	-	-	-	-	-	-
P	Waddington Training Facility - Capital	0.378	-	0.378	-	-	-	-	-	-
P	Fire Door Replacement	0.311	-	0.311	0.167	-	0.167	-	-	-
P	Grantham Fire Project	0.469	-	0.469	-	-	-	-	-	-

*	Scheme by Area (all figures in £m)	2023/24			2024/25			Future Years		
		Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding
P	2023 Device Replacement (Refresh)	2.384	-	2.384	-	-	-	-	-	-
P	IMT (Cloud Navigator/Windows 10)	0.077	-	0.077	-	-	-	-	-	-
P	Care Management System (CMPP)	0.014	-	0.014	-	-	-	-	-	-
P	Orchard House B	0.500	-	0.500	4.500	-	4.500	-	-	-
P	RAF Woodhall Spa	-	-	-	1.600	-	1.600	-	-	-
	Sub-total	**12.303**	**-**	**12.303**	**19.970**	**-**	**19.970**	**46.466**	**-**	**46.466**
	Total Investment	**193.157**	**86.990**	**106.167**	**144.705**	**50.081**	**94.624**	**379.424**	**127.351**	**252.073**

* denotes block (B) or project (P)

** please note that the detailed programme contains roundings whereas the summary table has not been rounded and represents the control totals for capital expenditure

The Government Grants for Capital shown in the table below are expected to be allocated to the County Council. Please not that some are estimated and therefore not all have been built into the capital programme.

CAPITAL GOVERNMENT GRANTS		2024/25 £000's
Schools Devolved Formula Capital	*	963
Schools Basic Needs		0
Schools Condition Allocation	*	4,888
SEND Provision Capital Funding for Pupils with EHC Plans	*	9,259
Children's Services		**15,110**
Highways Asset Protection		43,647
Highways Integrated Transport		3,337
North Hykeham Relief Road		3,097
Place		**50,081**
Total Capital Grants		**65,191**

* Funding allocations for 2024/25 have not yet been confirmed so the amount of grant has been based on the 2023/24 allocations.

CHILDREN'S SERVICES

EDUCATION (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		13,118,506		
2.0	BUDGET CHANGES:		1,381,195		Pay award for 2023/24 and change in the way employer pension contributions are made with a higher primary rate paid through service budgets.
3.0	TOTAL REVISED BUDGET		14,499,701		
4.0	COST PRESSURES				
4.1	Children With Disabilities		417,751	Ref 4.1	To commission a Short Breaks provision for children with disabilities at The Maples residential unit, to ensure sufficient capacity and accessibility to meet existing and future demand.
4.2	Children With Disabilities		181,580	Ref 4.2	The rise in the national living wage / inflation will have a direct impact on the costs for delivering domiciliary care and direct payments in the support for children with disabilities.
4.3	Social Workers Workforce		93,826	Ref 4.3	Social Worker Apprentice programme to support the Council's medium to long term strategy on social workers attraction and retention.
4.4	SEND		785,672		CLT proposal to increase SEND investment, funded in year one by reserves and in year two by other means.
5.0	SAVINGS				
5.1	Education - School Improvement		(30,000)	Ref 5.1	Outcomes from the 2023/24 review of service delivery and re-purposing existing de-delegation funding to support the direct work with maintained primary schools.
5.2	SEND		(785,672)		CLT proposal to increase SEND investment, funded in year one by reserves and in year two by other means.
6.0	**2024/25 BUDGET**		**15,162,858**		

EDUCATION (Control Totals)

Line No	Description	2023/24 Budget (£)	Budget Changes (£)	2024/25 Proposed Budget (£)
1.0	SPECIAL EDUCATIONAL NEEDS AND DISABILITY	9,052,453	693,157	9,745,610
2.0	EDUCATION SUPPORT SERVICES	1,136,366	29,000	1,165,366
3.0	SCHOOL IMPROVEMENT	672,488	(28,716)	643,772
4.0	STATUTORY REGULATORY DUTIES	3,638,394	(30,284)	3,608,110
5.0	**NET TARGET BUDGET**	**14,499,701**	**663,157**	**15,162,858**

CHILDREN'S SOCIAL CARE (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		84,276,266		
2.0	BUDGET CHANGES:		5,193,194		Pay award for 2023/24 and change in the way employer pension contributions are made with a higher primary rate paid through service budgets.
3.0	TOTAL REVISED BUDGET		89,469,460		
4.0	COST PRESSURES				
4.1	Children in Care		4,135,704	Ref 3.1	To fund the current baseline commitments and forecast demands of Children in Care (CiC) across the specialist placements. This is in response to the changing landscape with higher CiC numbers; a higher composition in more specialist placements and cost base reflecting the unfavourable market conditions.
4.2	Children in Care		1,181,876	Ref 3.2	To support the increasing costs of specialist placements in 2024/25 caused by national living wage and inflation. The unfavourable market conditions caused by a high demand nationally for placements are causing higher levels of inflation within these areas.
4.3	Social Workers Workforce		1,057,028	Ref 3.3	To stabilise the existing social worker teams to maintain service delivery and to support with recruitment of vacancies. A decision was made during 2022 for FAST, Fostering and CiC teams to receive an attraction and retention payment. This is to add the funding into the baseline budget.
4.4	Fostering & Adoption Fostering Allowances		1,037,321	Ref 3.4	Baseline funding to reflect the Government's 12.4% increase to the national minimum allowance (NMA) applied by Lincolnshire for internal foster carer allowances in 2023/24. A further increase to the NMA of 6.88% to be applied to foster carer allowances in 2024/25.
4.5	Social Workers Workforce		953,841	Ref 3.5	Social Worker Apprentice programme to support the Council's medium to long term strategy on social workers attraction and retention. The programme is being phased in and will be at maximum capacity by 2025/26.
4.6	Strategic Contracts		584,838	Ref 3.6	To support the increasing costs of strategic provider contracts caused by higher levels of inflation being experienced now and forecast into the future, as contracts are retendered.
4.7	Contact Service		500,000	Ref 3.7	To support social care transport costs for supervised Family Time. The increasing costs have been caused by rising costs in the delivery of transport services, along with the length of care proceedings, increase in CiC and Family Time orders.
4.8	Special Guardianship Orders		298,724	Ref 3.8	Special Guardianship Orders (SGOs) continue to be seen as an important option for permanency for children who need to be removed from their birth parents.
4.9	Children in Care		3,550,000		Increase in spend associated with pathfinder grant allocation
5.0	SAVINGS				
5.1	Residential		(290,582)	Ref 4.1	Opening of two new children's homes providing more local and high-quality provision, which are more cost effective.
5.2	Early Help services		(250,000)	Ref 4.2	Grant funding stability in early help services.
5.3	General efficiency savings		(133,500)	Ref 4.4	General efficiency savings in the delivery of services.
5.4	Children in Care		(3,550,000)		Pathfinder grant as stated above
6.0	**2024/25 BUDGET**		**98,544,710**		

CHILDREN'S SOCIAL CARE (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	0-19 HEALTH SERVICES		11,238,416		0		11,238,416
2.0	EARLY HELP SERVICES		11,671,806		(250,000)		11,421,806
3.0	FAMILY ASSESSMENT AND SUPPORT TEAMS		21,378,048		2,237,009		23,615,057
4.0	ADOPTION AND FOSTERING SERVICES		16,456,629		3,682,852		20,139,481
5.0	RESIDENTIAL HOMES AND PLACEMENTS		18,434,108		2,793,699		21,227,807
6.0	LEAVING CARE AND SUPPORTED ACCOMMODATION		5,558,401		804,528		6,362,929
7.0	TARGETED SUPPORT FOR YOUNG PEOPLE		1,421,126		(90,166)		1,330,960
8.0	YOUTH OFFENDING		3,310,926		(102,672)		3,208,254
9.0	**NET TARGET BUDGET**		**89,469,460**		**9,075,250**		**98,544,710**

ADULT CARE & COMMUNITY WELLBEING

ADULT FRAILTIES (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		137,918,051		
2.0	BUDGET CHANGES:		4,788,610		
3.0	TOTAL REVISED BUDGET		142,706,661		
4.0	COST PRESSURES				
4.1	Pre Agreed - Inflation & Demographic Growth		14,575,659		
4.2	Increase in Demand		1,745,805		
4.3	Adult Care Charging - exclusion of enhanced benefit income		550,000		
5.0	SAVINGS				
5.1	Capital Investment		(204,000)		
5.2	Strength Based Agenda		(993,000)		
5.3	Ringfenced Market Sustainability Grant - Autumn Statement		(3,894,384)		
6.0	**2024/25 BUDGET**		**154,486,741**		

ADULT FRAILTIES (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	Residential Care		66,802,000		10,225,595		77,027,595
2.0	Home Based Services		28,989,621		550,000		29,539,621
3.0	Direct Payments		15,669,000		780,805		16,449,805
4.0	Daycare		451,362		(241,362)		210,000
5.0	Reablement		3,996,863		508,137		4,505,000
6.0	LCES & Telecare		2,568,000		0		2,568,000
7.0	Fieldwork Team		20,575,650		1,153,905		21,729,555
8.0	Commissioning Support		3,654,165		1,197,000		2,457,165
9.0	**NET TARGET BUDGET**		**142,706,661**		**11,780,080**		**154,486,741**

ADULT SPECIALTIES (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		100,206,426		
2.0	BUDGET CHANGES:		1,128,794		
3.0	TOTAL REVISED BUDGET		101,335,220		
4.0	COST PRESSURES				
4.1	Increased demand within Adult Specialties across the Learning Disability and Mental health services		7,635,031		
4.2	Rate uplifts across Adult Specialties to reflect Inflation and NLW increases		7,161,969		
4.3	Growth in DOLS previously funded from non-recurrent Adult Care reserve		1,060,000		
5.0	SAVINGS				
5.1	Increase in grant income		(2,877,000)		
6.0	**2024/25 BUDGET**		**114,315,220**		

ADULT SPECIALTIES (Control Totals)

Line No	Description	2023/24 Budget (£)	Budget Changes (£)	2024/25 Proposed Budget (£)
1.0	LONG AND SHORT TERM CARE	29,797,383	3,851,315	33,648,698
2.0	HOME BASED CARE SERVICES	29,145,205	4,920,018	34,065,223
3.0	DIRECT PAYMENTS	12,033,978	696,817	12,730,795
4.0	DAY CARE SERVICES	6,666,180	522,633	7,188,813
5.0	LD FIELDWORK	3,837,324	310,136	4,147,460
6.0	MENTAL HEALTH	15,528,873	2,512,981	18,041,854
7.0	SAFEGUARDING FIELDWORK	1,822,821	139,804	1,962,625
8.0	BEST INTEREST ASSESSMENTS	2,443,704	26,296	2,470,000
9.0	SAFEGUARDING BOARD	59,752	0	59,752
10.0	**NET TARGET BUDGET**	**101,335,220**	**12,980,000**	**114,315,220**

PUBLIC HEALTH & COMMUNITY WELLBEING (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		31,191,591		
2.0	BUDGET CHANGES:		(1,899,459)		
3.0	TOTAL REVISED BUDGET		29,292,132		
4.0	COST PRESSURES				
4.1	Assumed increase against the Public Health Ring-fenced Grant allocation for Lincolnshire		474,161		
5.0	SAVINGS		0		
	-				
6.0	**2024/25 BUDGET**		**29,766,293**		

PUBLIC HEALTH & COMMUNITY WELLBEING (Control Totals)

Line No	Description	2023/24 Budget (£)	Budget Changes (£)	2024/25 Proposed Budget (£)
1.0	HEALTH IMPROVEMENT, PREVENTION AND SELF MANAGEMENT	3,831,368	84,802	3,916,170
2.0	PUBLIC HEALTH STATUTORY SERVICE	5,662,011	389,359	6,051,370
3.0	WELLBEING SERVICE	3,600,000	(39,895)	3,560,105
4.0	SEXUAL HEALTH	4,940,314	0	4,940,314
5.0	HOUSING RELATED SERVICE	2,257,300	133,641	2,390,941
6.0	PREVENTION AND TREATMENT OF SUBSTANCE MISUSE	5,547,020	0	5,547,020
7.0	ADULT AND YOUNG CARERS SERVICE CONTRACTS	1,723,136	50,000	1,773,136
8.0	CARERS PERSONAL BUDGETS	700,000	(50,000)	650,000
9.0	QUALITY AND INFORMATION	1,030,983	(93,746)	937,237
10.0	**NET TARGET BUDGET**	**29,292,132**	**474,161**	**29,766,293**

PUBLIC PROTECTION (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		5,406,827		
2.0	BUDGET CHANGES:		658,714		
3.0	TOTAL REVISED BUDGET		6,065,541		
4.0	COST PRESSURES				
4.1	2 additional Coroners posts required to sustain service turnaround times		100,000		
4.2	Assistant Director role 100% LCC funded		85,000		
5.0	SAVINGS		0		
6.0	**2024/25 BUDGET**		**6,250,541**		

PUBLIC PROTECTION (Control Totals)

Line No	Description	2023/24 Budget (£)	Budget Changes (£)	2024/25 Proposed Budget (£)
1.0	SAFER COMMUNITIES	3,279,549	85,000	3,364,549
2.0	REGISTRATION, CELEBRATORY SERVICES AND CORONERS	2,370,413	100,000	2,470,413
3.0	EMERGENCY PLANNING	415,579	0	415,579
4.0	**NET TARGET BUDGET**	**6,065,541**	**185,000**	**6,250,541**

PLACE

COMMUNITIES (Changes)

Ref No	Main Area of Expenditure	2024/25 Proposed Budget (£)	Notes
1.0	2023/24 BUDGET	86,422,072	
2.0	BUDGET CHANGES:	10,411,077	
3.0	TOTAL REVISED BUDGET	96,833,149	
4.0	COST PRESSURES		
4.1	Transport Services	3,172,405	Contractual commitments, inflationary challenges and extended rights to free travel
4,2	Cultural Services	613,654	Contract inflation on the Libraries contract covering two years
4.3	Environment and Flood Management	116,000	Inflation increase on work commissioned for public rights of way
4.4	Sustainable Planning	350,000	Increased demand resulting from Nationally Significant Infrastructure Project (NSIP) applications and short term pressure on the Minerals and Waste Local Plan
4.5	Waste Management	1,466,000	Inflationary pressure on contracts and new requirements on dealing with hazardous waste
5.0	<u>Savings</u>		
5.1	Sustainable Planning	(175,000)	Increased fee income in respect of NSIP's
5.2	Waste Management	(1,607,542)	Saving from the continual roll out of recycling paper and card and a short term increase in profit share from the sale of energy at the Energy for Waste (EfW) plant
6.0	**2024/25 BUDGET**	**100,768,666**	

COMMUNITIES (Control Totals)

Line No	Description	2023/24 Budget (£)	Budget Changes (£)	2024/25 Proposed Budget (£)
1.0	TRANSPORT SERVICES	63,730,627	3,172,405	66,903,032
2.0	CULTURAL SERVICES	6,266,356	613,654	6,880,010
3.0	ENVIRONMENT & FLOODS MANAGEMENT	3,535,949	116,000	3,651,949
4.0	SUSTAINABLE PLANNING	1,420,145	175,000	1,595,145
5.0	WASTE MANAGEMENT	21,880,072	(141,542)	21,738,530
6.0	**NET TARGET BUDGET**	**96,833,149**	**3,935,517**	**100,768,666**

GL LEP (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		401,932		
2.0	BUDGET CHANGES:		106,451		
3.0	TOTAL REVISED BUDGET		508,383		
4.0	COST PRESSURES		0		
5.0	SAVINGS		0		
6.0	**2024/25 BUDGET**		**508,383**		

GL LEP (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	GL LEP		508,383				508,383
2.0	**NET TARGET BUDGET**		**508,383**		**0**		**508,383**

GROWTH (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		2,395,947		
2.0	BUDGET CHANGES:		460,797		
3.0	TOTAL REVISED BUDGET		2,856,744		
4.0	COST PRESSURES				
4.1	Economic Infrastructure		303,000		Inflationary pressure on business units energy and insurance costs
5.0	SAVINGS		0		
6.0	**2024/25 BUDGET**		**3,159,744**		

GROWTH (Control Totals)

Line No	Description	2023/24 Budget (£)	Budget Changes (£)	2024/25 Proposed Budget (£)
1.0	ECONOMIC DEVELOPMENT	1,288,129		1,288,129
2.0	ECONOMIC INFRASTRUCTURE	414,186	303,000	717,186
3.0	INFRASTRUCTURE INVESTMENT	1,050,218		1,050,218
4.0	DEVELOPMENT MANAGEMENT	104,211		104,211
5.0	**NET TARGET BUDGET**	**2,856,744**	**303,000**	**3,159,744**

HIGHWAYS (Changes)

Ref No	Main Area of Expenditure	2024/25 Proposed Budget (£)	Notes
1.0	2023/24 BUDGET	47,081,889	
2.0	BUDGET CHANGES:	1,257,480	
3.0	TOTAL REVISED BUDGET	48,339,369	
4.0	COST PRESSURES		
4.1	Client and Contractual Management	1,900,000	Increased cost arising on highways maintenance contract extension
4,2	Client and Contractual Management	1,078,000	Contract inflation with increases for labour, plant and materials
4.3	Client and Contractual Management	31,500	Newly adopted asset growth
5.0	SAVINGS		
5.1	Client and Contractual Management	(50,000)	Productivity improvements within network compliance
5.2	Client and Contractual Management	(450,000)	Streamline invoicing process for third party claims
5.3	Client and Contractual Management	(2,000,000)	Signals and street lighting energy as price increase is less than expected
6.0	**2024/25 BUDGET**	**48,848,869**	

HIGHWAYS (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	HIGHWAYS DESIGN		331,697				331,697
2.0	ASSET AND LOCAL MANAGEMENT SERVICES		1,684,159				1,684,159
3.0	CLIENT AND CONTRACTUAL MANAGEMENT		45,721,468		509,500		46,230,968
4.0	INFRASTRUCTURE AND LABORATORY SERVICES		602,045				602,045
5.0	**NET TARGET BUDGET**		**48,339,369**		**509,500**		**48,848,869**

FIRE & RESCUE

FIRE & RESCUE (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		22,210,142		
2.0	BUDGET CHANGES:		2,494,255		
3.0	TOTAL REVISED BUDGET		24,704,397		
4.0	COST PRESSURES				
4.1	Firelink Grant		93,000		Phasing out of the Firelink grant
4.2	DBS Certification		50,000		Change in the regulatory requirements on DBS checks
4.2	Control System Replacement		124,702		Updating of communications equipment
4.3	Fire Investigation Accreditation		55,000		New requirement from the Forensic Science Regulator
5.0	SAVINGS		0		
6.0	**2024/25 BUDGET**		**25,027,099**		

FIRE & RESCUE (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	Fire & Rescue		24,704,397		322,702		25,027,099
2.0	**NET TARGET BUDGET**		**24,704,397**		**322,702**		**25,027,099**

RESOURCES

FINANCE (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		7,892,202		
2.0	BUDGET CHANGES:		822,706		
3.0	TOTAL REVISED BUDGET		8,714,908		
4.0	COST PRESSURES				
4.1	Audit fees		195,000		External Audit scale fee increase resulting from national audit appointments.
5.0	SAVINGS				
5.1	Council Efficiency Programme		(50,000)		Proportionate share of annual efficiency target.
6.0	**2024/25 BUDGET**		**8,859,908**		

FINANCE (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	FINANCIAL SERVICES		7,681,557		145,000		7,826,557
2.0	CORPORATE AUDIT AND RISK MANAGEMENT		1,033,351		0		1,033,351
3.0	**NET TARGET BUDGET**		**8,714,908**		**145,000**		**8,859,908**

ORGANISATIONAL SUPPORT (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		15,803,291		
2.0	BUDGET CHANGES:		1,709,490		
3.0	TOTAL REVISED BUDGET		17,512,781		
4.0	COST PRESSURES		0		
5.0	SAVINGS				
5.1	Increased income		(138,600)		A review of charges to reflect the increased cost of services provided
6.0	**2024/25 BUDGET**		**17,374,181**		

ORGANSISATIONAL SUPPORT (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	HUMAN RESOURCES		3,754,744		(138,600)		3,616,144
2.0	BUSINESS SUPPORT		13,363,351		0		13,363,351
3.0	HEALTH & SAFETY		394,686		0		394,686
4.0	**NET TARGET BUDGET**		**17,512,781**		**(138,600)**		**17,374,181**

GOVERNANCE (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		2,701,068		
2.0	BUDGET CHANGES:		487,995		
3.0	TOTAL REVISED BUDGET		3,189,063		
4.0	COST PRESSURES				
5.0	SAVINGS				
5.1	Legal Lincolnshire Surplus target		(400,000)		Increase in surplus target following reduction in agency use and increased activity.
6.0	**2024/25 BUDGET**		**2,789,063**		

GOVERNANCE (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	LEGAL LINCOLNSHIRE		(309,651)		(400,000)		(709,651)
2.0	DEMOCRATIC SERVICES		2,582,672		0		2,582,672
3.0	INFORMATION ASSURANCE		916,042		0		916,072
4.0	**NET TARGET BUDGET**		**3,189,063**		**(400,000)**		**2,789,063**

CORPORATE PROPERTY (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		19,342,739		
2.0	BUDGET CHANGES:		614,645		Corporate Landlord Property cost centralisation
3.0	TOTAL REVISED BUDGET		19,957,384		
4.0	COST PRESSURES				
4.1	Property Business Rates		64,070		NNDR inflation increases on Corporate Landlord portfolio
4.2	Outsourced Property Contracts inflation		611,519		Property Facilities and Estates contract outsourced for 24/25
4.3	Staffing Establishment		195,441		New staffing posts within Facilities Management
4.4	Grantham Library		25,000		Isaac Newton Centre library lease
4.5	County Farms Estate		37,000		Material increases and subcontractor rate rise
4.6	Horncastle Business Centre		45,000		NNDR & Utilities increases
5.0	SAVINGS				
5.1	Property Insurance premiums		(205,000)		Reduction on property insurance premiums
5.2	Energy Costs		(2,087,516)		Reduction In energy contract inflation
6.0	**2024/25 BUDGET**		**18,642,898**		

CORPORATE PROPERTY (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	CORPORATE PROPERTY		21,023,407		(770,067)		20,253,340
2.0	COUNTY FARMS		(1,680,668)		70,226		(1,610,442)
3.0	**NET TARGET BUDGET**		**19,342,739**		**(699,841)**		**18,642,898**

COMMERCIAL (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		8,695,133		
2.0	BUDGET CHANGES:		390,369		
3.0	TOTAL REVISED BUDGET		9,085,502		
4.0	COST PRESSURES				
4.1	Commercial Service Core Funding		187,661		The provision of core service funding thus removing the reliance on one off reserves to deliver the service.
4.2	Artificial Intelligence costs		114,183		Technology costs to deliver transformation change
5.0	SAVINGS				
5.1	CSC contract Reduction		(933,668)		Cost reduction following the re-procurement of the new CSC contract starting 1st April 2024 incorporating transformational change
6.0	**2024/25 BUDGET**		**8,453,678**		

COMMERCIAL (Control Totals)

Line No	Description	2023/24 Budget (£)	Budget Changes (£)	2024/25 Proposed Budget (£)
1.0	INFRASTRUCTURE	1,347,098	153,902	1,501,000
2.0	PEOPLE	2,305,324	33,758	2,339,082
3.0	CUSTOMER SERVICES CENTRE	5,433,080	(819,484)	4,613,596
4.0	**NET TARGET BUDGET**	**9,085,502**	**(631,824)**	**8,453,678**

TRANSFORMATION (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		5,138,096		
2.0	BUDGET CHANGES:		1,683,616		
3.0	TOTAL REVISED BUDGET		6,821,712		
4.0	COST PRESSURES				
4.1	Contract Inflation		209,440		Cost of new software licensing and maintenance in addition to existing system inflation.
5.0	SAVINGS		0		
6.0	**2024/25 BUDGET**		**7,031,152**		

TRANSFORMATION (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	CORPORATE SYSTEMS		3,403,172		209,440		3,612,612
2.0	TRANSFORMATION PROGRAMME		1,092,205		0		1,092,205
3.0	CORPORATE PERFORMANCE		2,326,335		0		2,326,335
4.0	**NET TARGET BUDGET**		**6,821,712**		**209,440**		**7,031,152**

INFORMATION TECHNOLOGY (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		17,331,064		
2.0	BUDGET CHANGES:		(628,634)		
3.0	TOTAL REVISED BUDGET		16,702,430		
4.0	COST PRESSURES				
4.1	Price Changes		1,013,737		Inflation on contracted services, additional cloud storage cost and software costs arising from wider capital investment.
4.2	Investment in security		475,861		Increased investment in cyber security.
4.3	IT leadership function		314,783		Proposed changes to ensure strengthened leadership capacity.
5.0	SAVINGS				
5.1	Service Efficiencies		(617,964)		The decommissioning of obsolete software systems including IMP data storage.
6.0	**2024/25 BUDGET**		**17,888,847**		

INFORMATION TECHNOLOGY (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	PORTFOLIO AND RESOURCES		3,981,773		3,152		3,984,925
2.0	DATA SERVICES AND BUSINESS INTELLIGENCE		653,869		17,083		670,952
3.0	USER ENGAGEMENT		942,246		114,580		1,056,826
4.0	CONTRACTED SERVICES		11,124,542		1,051,602		12,176,144
5.0	**NET TARGET BUDGET**		**16,702,430**		**1,186,417**		**17,888,847**

CORPORATE SERVICES

CORPORATE SERVICES (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		3,087,172		
2.0	BUDGET CHANGES:		(32,912)		
3.0	TOTAL REVISED BUDGET		3,054,260		
4.0	COST PRESSURES		0		
5.0	SAVINGS		0		
6.0	**2024/25 BUDGET**		**3,054,260**		

CORPORATE SERVICES (Control Totals)

Line No	Description	2023/24 Budget (£)	Budget Changes (£)	2024/25 Proposed Budget (£)
1.0	STRATEGIC COMMUNICATIONS	2,206,105	0	2,206,105
2.0	CHIEF EXECUTIVE	544,367	(5,153)	539,214
3.0	POLICY	303,788	5,153	308,941
4.0	**NET TARGET BUDGET**	**3,054,260**	**0**	**3,054,260**

OTHER BUDGETS

OTHER BUDGETS & PENSION LIABILITIES (Changes)

Ref No	Main Area of Expenditure		2024/25 Proposed Budget (£)		Notes
1.0	2023/24 BUDGET		93,812,512		
2.0	BUDGET CHANGES:		(31,028,383)		
3.0	TOTAL REVISED BUDGET		62,784,129		
4.0	COST PRESSURES				
4.1	Pay Negotiations		8,778,357		An allocation for cost relating to pay negotiations and national pay spine changes.
4.2	Pension Liabilities		(1,919,690)		Increase in costs due to inflation, partially offset by attrition.
4.3	Council Tax Support		71,000		Contribution to District Council's Single Person Discount counter fraud activity.
4.4	Levy Payments		10,474		Increase in levy payments.
5.0	SAVINGS				
5.1	Contingency		(500,000)		Remove temporary increase in contingency as inflation reduces.
5.2	Insurance		(980,004)		Reduction in insurance costs following contract re-tender.
6.0	**2024/25 BUDGET**		**68,244,266**		

OTHER BUDGETS & PENSION LIABILITIES (Control Totals)

Line No	Description		2023/24 Budget (£)		Budget Changes (£)		2024/25 Proposed Budget (£)
1.0	CONTINGENCY		6,500,000		(500,000)		6,000,000
2.0	CAPITAL FINANCING CHARGES		43,056,480		0		43,056,480
3.0	OTHER BUDGET EXPENDITURE		13,227,649		5,960,137		19,187,786
4.0	**NET TARGET BUDGET**		**62,784,129**		**5,460,137**		**68,244,266**

Budget carry forward - The actual under/overspending at the end of the financial year compared with the revised budget target which is allowed to be carried forward into the next financial year.

Budget requirement - Net revenue expenditure to be financed from Business Rates, Revenue Support Grant, other non-ring fenced Government Grants and Council Tax Income.

Budget Target - A corporately determined spending limit for an individual service.

Capital Grants - Government grants received that contributes towards capital expenditure incurred on a particular service or project e.g. Highways Asset Protection Grant received from the government which contributes towards planned capital expenditure on roads.

Capital Receipts - Proceeds received from the sale of property and other fixed assets (assets which have a value beyond one financial year). These can be used to contribute towards the cost of capital expenditure, generally not revenue expenditure.

Contingency - A sum of money set aside to provide for foreseen but unquantifiable commitments and for unforeseen expenditure that may occur at any time in the future.

Core Spending Power – The amount of money available to the County Council to fund service delivery.

County precept - The income which District Councils collect on the County Council’s behalf from Council Tax payers.

Capital financing charges - Charges to the revenue account which fund capital expenditure. Such changes comprise debt charges, direct revenue financing and leasing payments.

Dedicated Schools Grant (DSG) - The main grant paid by central government to support schools within the county. This must all be spent on supporting schools.

Net Operating Expenditure – The sum of all costs associated with providing Council services

Revenue Support Grant (RSG) - The main grant paid by central government to local authorities to support the provision of all services, except for schools.

Precept - An amount levied by one body on another e.g. the Environment Agency precepts on the County Council.

Reserves - The revenue reserves available to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Specific grants - Grants made to a local authority by central government for a particular project or service e.g. Private Finance Initiative.

Total Expenditure - Budget requirement plus expenditure financed by drawing from balances (or the budget requirement less contributions to balances).

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
Children's Education	Special Educational Needs and Disability Education Support Services School Improvement Statutory Regulatory Duties	Support to ensure all children and young people learn, enabling them to achieve their full potential.
Children's Social Care	0 – 19 Health Services Early Help Services Family Assessment and Support Team Adoption and Fostering Services Residential Homes and Placements Leaving Care Services and Supported Accommodation Targeted Support for Young People Youth Offending	Support to ensure all children and young people will be safe, healthy and prepared for adult life.
Adult Frailty & Long Term Conditions	Residential Care Home Based Services Direct Payments Daycare Reablement Fieldwork Team Commissioning Support	Support to residents of Lincolnshire with a long term physical conditions and those over the age of 65
Adult Specialities	Long and Short Term Care Home Based Care Services Direct Payments Day Care Services LD Fieldwork Mental Health Safeguarding Fieldwork Best Interest Assessments Safeguarding Board	Support to residents of Lincolnshire with either a Learning Disability or a Mental Health condition.
Public Health & Community Wellbeing	Health Improvement, Prevention and Self-Management Public Health Statutory Service Wellbeing Service Sexual Health Housing Related Service Prevention and Treatment of Substance Misuse Adult and Young Carers Service Contracts Carers Personal budgets Quality and Information	To promote healthy lifestyles to maintain the health of individuals.
Public Protection	Safer Communities Registration, Celebratory Services and Coroners Emergency Planning	Partnership working for crime and disorder and Domestic Abuse Services. Includes trading standards.
Communities	Transport Services Home to School/College Transport Cultural services Environment and Flood Management Sustainable Planning Waste Management	To protect, enhance and balance our environmental, cultural and transportation needs for Lincolnshire communities.
Lincolnshire Local Enterprise Partnership	Partnership of public and private organisations to coordinate and manage	To coordinate and manage the key funding to enhance the economy and

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
	the key funding to enhance the economy and infrastructure of the wider county.	infrastructure of the wider county of Lincolnshire.
Growth	Economic Development Economic Infrastructure Infrastructure Investment Development Management	A delivery strategy that covers how the council will help businesses to be the drivers of economic growth through supporting a climate in which they are able to invest, enhance their business performance, and offer attractive jobs to a skilled workforce.
Highways	Design Services Highways Services Highways Asset Management Highways Infrastructure	A delivery strategy to facilitate growth and prosperity through both maintaining and enhancing the highway infrastructure of the county.
Fire & Rescue	Fire and Rescue	Fire and Rescue response
Resources	Financial Services Corporate Audit and Risk Management Democratic Services Information Assurance Legal Lincolnshire Human Resources Business Support Commissioning and contracts Procurement Customer Service Centre Corporate Property County Farms Business Systems Transformation and Programme Management Performance	Professional and Administrative functions to advice and support members and council services. Provision of shared services arrangements to local government partners Commercial and contract management, property asset management, IT service provision and council wide transformation programmes to enable effective council services.
Corporate Services	Corporate Services Chief Executive Strategic Communications and Community Engagement	Council leadership and policy development function.

CONTACT INFORMATION FOR SERVICE AREAS BUDGET DETAIL **APPENDIX T**

The information on revenue budgets provided in this booklet summarises the detailed estimates for each individual Service Areas. If you require further detail please contact: -
Email – finance@lincolnshire.gov.uk

NATIONAL NON-DOMESTIC RATES	2023/24	2024/25
Rateable Value	599,624,293	599,972,063
Gross NNDR Income	**299,212,522**	**319,558,616**
Mandatory Relief's	(45,341,164)	(53,687,063)
Unoccupied Property Relief	(8,834,153)	(8,176,060)
Retail and Discretionary Relief	(28,589,622)	(26,786,535)
Collectable Income	**216,447,583**	**230,908,958**
Contribution to Appeals Provision	(5,282,935)	(4,451,524)
Non-Collection Estimate	(1,987,144)	(2,310,847)
Cost of Collection Allowance	(1,004,447)	(1,008,510)
Removal of Non-Collection Fund Items	(9,059,964)	(10,138,814)
Non-Domestic Rating Collection Fund Income	**199,113,093**	**212,999,263**
LCC Share of Collection Fund Income	19,911,308	21,299,926
Top-Up (+)	95,051,879	98,951,325
Section 31 Grants & Other Reliefs	25,283,397	29,541,972
Levy (-) / Safety Net (+)	-	-
Renewables (100% retention)	604,000	676,283
Pooling Gain	-	2,035,000
Non-Domestic Rating Income	**140,850,583**	**152,504,506**

	2023/24		2024/25	
COUNCIL TAX BASE	**Band D equivalent**	**Price (£)**	**Band D equivalent**	**Price (£)**
Tax Base (from CTB1 Return):				
Gross Properties	297,496.0	447,323,910	301,100.7	475,344,611
Exemptions	(8,047.3)	(12,100,212)	(8,505.7)	(13,427,811)
Disabled Reduction	(291.7)	(438,559)	(309.6)	(488,692)
Single Person Discount	(22,889.1)	(34,416,671)	(23,440.7)	(37,005,634)
Disregarded	(282.4)	(424,692)	(298.4)	(471,151)
Empty Property Discount	(967.0)	(1,454,040)	(755.7)	(1,192,991)
Empty Property Surcharge	1,033.0	1,553,246	1,144.5	1,806,856
Family Annex	(69.8)	(104,975)	(75.9)	(119,758)
Council Tax Support Scheme	(24,080.4)	(36,208,080)	(23,933.9)	(37,784,131)
Armed forces accommodation	1,296.1	1,948,855	1,307.4	2,063,979
Net Taxbase	**243,197.3**	**365,678,783**	**246,232.8**	**388,725,278**
Tax Base (set by district's):				
Tax Base prior to collection rate	244,894.0	368,230,010	247,620.8	390,916,449
Collection Rate Adjustment	(3,126.8)	(4,701,535)	(2,947.6)	(4,653,283)
Tax Base (for budget setting)	**241,767.2**	**363,528,475**	**244,673.2**	**386,263,166**
Council Tax rate		1,503.63		1,578.69

Indicator Name	Details	2021/22	2022/23	Change	Comparison to CIPFA Neighbours	Comparison to County Councils	Contextual Narrative
Reserves Sustainability Measure	Ratio between the current level of reserves and the average change in reserves over the last 3 years. This is set to 100 if the level is above 100	100%	100%	0.0%	All shown at 100	All shown at 100	There is no comment necessary for this measure as the average level of reserves has not declined over the period considered.
Level of Reserves	Ratio of current level of reserves (useable less Public Health and Schools) to Net Revenue Expenditure	50.35%	42.11%	-8.2%	Middle of the Range	Middle of the Range	The level of reserves is in line with comparator authorities. The ratio has reduced which reflects a higher increase in net revenue expenditure.
Change in Reserves	Percentage change in Reserves over the last 3 years	43.03%	2.61%	-40.4%	Smaller than most, only 2 or 3 at a lower level	Smaller than most, only 2 or 3 at a lower level	The Council's reserves, including earmarked reserves and school reserves, has increased over the period but less than comparator authorities. The current level of reserves is deemed to be adequate as considered elsewhere in this report.
Interest Payable/Net Revenue Expenditure	Ratio of Interest Payable to Net Revenue Expenditure	3.84%	4.03%	0.2%	Middle of the Range	Upper Middle of the Range	The Council compares well on this score, which reflects its relatively low spend on debt interest.
Gross External Debt	Level of Gross External Debt	485,187	475,962	(9,225)	Middle of the Range	Middle of the Range	The Council is at the lower end of the mid-range, therefore is not considered an outlier. The current level of debt is within the limits set. The operational limit and authorised limit of debt are set within the treasury management strategy.
Social Care Ratio	Ratio of sum of Adult and Childrens Social Care Expenditure to Net Revenue Expenditure	66.24%	68.96%	2.7%	Lowest of the group	Lowest of the group	The Council's spend on social care via the calculation methodology indicates lower spend relative to comparators. This could be due to various factors, e.g. better demand management, cost control measures, error in cost allocation via the statutory return

Indicator Name	Details	2021/22	2022/23	Change	Comparison to CIPFA Neighbours	Comparison to County Councils	Contextual Narrative
							process. The implied risk is that, if the Council moves towards comparator levels, it will need to increase social care spending at the expense of other spending.
Fees & Charges to Service Expenditure Ratio	Proportion of Fees and Charges to total Service Expenditure	5.10%	6.68%	1.6%	Lower/Middle of range	Lower/Middle of range	The Council is less dependent on fees and charges income relative to some, albeit the proportion of fees and charges has increased over the period in question.
Council Tax Requirement /Net Revenue Expenditure	Ratio of Council Tax as a proportion of Net Expenditure	66.84%	68.15%	1.3%	Lower/Middle of range	Smaller than most, only 2 or 3 at a lower level	The council tax requirement as a percentage of net expenditure continues to increase, in line with the Government framework. The Council remains lower relative to comparators due to being in the bottom quartile for council tax rates.
Growth Above Baseline	The Difference between the baseline funding level and retained rates income over the baseline funding level	2.96%	2.96%	0.0%	Lower/Middle of range	Lower/Middle of range	The Council is only slightly above its baseline funding level, which is less compared to other authorities significantly above baseline who have greater exposure to things like significant business rates appeals.
Unallocated Reserves	Ratio of Unallocated Reserve to Net Revenue Expenditure	3.44%	3.27%	-0.2%	Lower/Middle of range	Lower/Middle of the group	The value of unallocated reserves has increased, albeit at a lower rate than net revenue expenditure hence the reduction in proportionate value.
Earmarked Reserves	Ratio of Earmarked Reserves (excluding Schools and Public Health) to Net Revenue Expenditure	46.91%	38.84%	-8.1%	Middle of the Range	Middle of the Range	The value of earmarked reserves has increased, albeit at a lower rate than net revenue expenditure hence the reduction in proportionate value.
Change in Unallocated Reserves	Average change in Unallocated Reserves in the last 3 years	3.47%	2.18%	-1.3%	Middle of the Range	Middle of the Range	Unallocated reserves have increased, albeit at a lower rate. The approach to reserve setting is considered at length in all financial

Indicator Name	Details	2021/22	2022/23	Change	Comparison to CIPFA Neighbours	Comparison to County Councils	Contextual Narrative
							reports, and relates to the level of risk identified.
Change in Earmarked Reserves	Average change in Earmarked Reserves in the last 3 years	47.16%	2.64%	-44.5%	Smaller than most, only 2 or 3 at a lower level	Smaller than most, only 2 or 3 at a lower level	Earmarked reserves are held for a specific purpose and used for that purpose. Therefore, their usage is in line with financial plans.
Change in HRA Reserve	Change in HRA reserve level (lower tier authorities).	N/A	N/A	N/A	Not applicable to LCC.	Not applicable to LCC.	Not applicable.
Children's Social Care Ratio	Ratio of spending on Children's Social Care to Net Revenue Expenditure	21.72%	22.18%	0.5%	Just one slightly lower	Smaller than most, only 2 or 3 at a lower level	Spend on social care is increasing, supported by sector specific grant funding. The Council remains relatively low on this measure based on the calculation.
Adult Social Care Ratio	Ratio of spending on Adult Social Care to Net Revenue Expenditure	44.52%	46.78%	2.3%	Lower/Middle of range	Smaller than most, only 2 or 3 at a lower level	See narrative above.

Indicator	2021/22 LCC	2021/22 Median	2021/22 England	2022/23 LCC	2022/23 Median	2022/23 England	Contextual Narrative
Non-ringfenced reserves as percentage of net revenue expenditure	50.4%	50.0%	47.3%	42.1%	N/A	N/A	The Council regularly reviews the level of reserves it holds and ensures the level is proportionate to the level of risk identified. The Council holds slightly more reserves relative to net revenue expenditure compared to the national average.
Non-ringfenced reserves as percentage of service spend	45.3%	41.6%	40.5%	36.3%	N/A	N/A	In line with the first measure, the Council regularly reviews the level of reserves it holds and ensures the level is proportionate to the level of risk identified. The Council holds slightly more reserves relative to net revenue expenditure compared to the national average.
Total core spending power per dwelling (£)	1,483.43	1,530.68	1,542.55	1,624.44	1,631.59	N/A	The Council has slightly lower core spending power per dwelling when compared to the national average and the median value of its comparator group, which reflects a combination of council tax restraint in previous years and proportionally higher grant funding being received by some other local authorities.
Level of Band D council tax rates (£)	1,364.16	1,410.00	1,414.91	1,432.17	1,452.16	N/A	The Council is comparatively lower than the national average and the median of its comparator group, and reflects a conscious series of decisions to restrain increases in council tax during the 2010's, which was also in line with the Government preference at that time.
Social care spend as percentage of core spending power	60.1%	73.3%	72.0%	60.2%	N/A	N/A	The Council does present as an outlier in this measure, in that the Council score is significantly lower than the national average which implies other authorities are spending proportionally more on social care services. The Impower Index indicates that Lincolnshire County Council continues to deliver good outcomes for good value, Lincolnshire is

							achieving better outcomes for less budgeted spend than its statistical neighbours. There is an implicit risk that it could mean higher cost for the Council if it were brought into line with the comparator group.
Debt servicing as percentage of core spending power	11.0%	6.8%	6.3%	8.7%	N/A	N/A	Whilst the Council appears relatively high on this measure, this is due to the Council making a voluntary revenue provision against capital financing costs during 2021/22. If this is excluded, we would present at around 6% which is in line with the national average.
Total debt as percentage of core spending power	112.4%	108.0%	103.0%	N/A	N/A	N/A	The Council is slightly above the national average and the median of its comparator group, which reflects that it has undertaken proportionally more capital investment funded by borrowing. The Council sets prudential indicators when it sets its budget which sets limits for capital investment that have been assessed as affordable. The Council has also invested significant capital into highway developments, which not all of our comparators will have done to the same extent, reflecting our rural nature.

Please Note:

- Median refers to median of Lincolnshire's CIPFA nearest neighbours.
- England refers to England median for counties.
- N/A refers to information not available.