



**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>Executive</b>
Date:	<b>06 February 2024</b>
Subject:	<b>Council Budget 2024/25</b>
Decision Reference:	<b>I030293</b>
Key decision?	<b>Yes</b>

**Summary:**

This report contains an updated Council Budget proposal for 2024/25, which contains some adjustments from the initial budget proposal considered by the Executive on 9<sup>th</sup> January 2024. All changes are explained within the report.

In recognition of the financial challenges being experienced across the sector, and following concerns from Local Government that the provisional settlement did not provide enough resources, the Government have taken an unprecedented step and announced additional grant funding prior to the publication of the final settlement, due early February.

This report requests that the Executive formally propose to Full Council the Council's budget and council tax plans for 2024/25, taking into account the comments and scrutiny feedback received to date on its initial proposals.

Due to the timing of report publication, there are expected to be further amendments tabled at the meeting. This includes consultation and scrutiny comments received after publication. It also includes the final local taxation position, and potentially the final settlement if it is published prior to the meeting.

The Executive is also asked to consider prudential targets in relation to capital financing and other treasury management matters.

**Recommendation(s):**

That the Executive:

1. Consider the effect of the funding available and revenue expenditure position as noted in paragraphs 1.54 – 1.55 and Table B of the report, supported by additional information in Appendix H;

2. Consider the Equality Impact Analysis at Appendix A and the consultation and engagement comments as shown in Appendix E and presented at the meeting;
3. Subject to recommendation 4 below approve for recommendation to Full Council:
  - a) The revenue budget for 2024/25 proposed in Table B of the report;
  - b) the capital programme for 2024/25 proposed in Table C and Appendix B of the report;
  - c) the levels of council tax proposed in Table D and shown in Appendix C of the report including the increasing of council tax in 2024/25 by 4.99% inclusive of 2% for Adult Social Care;
  - d) the prudential indicators for 2024/25 shown in Appendix D of the report;
  - e) the Financial Strategy attached at Appendix F to this report;
  - f) the Capital Strategy 2024/25 attached at Appendix G to this report.
4. Request 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.
5. Request the Leader to review and amend the figures within the Medium Term Financial Strategy to be recommended to the County Council as appropriate, to ensure consistency with final budget recommendations made to the County Council meeting on 23 February 2024.

**Alternatives Considered:**

- |    |  |
|----|--|
| 1. | The proposals for the Revenue Budget, Capital Programme and Council Tax as described in this report.                             |
| 2. | Higher levels of spending and consequently a higher level of Council Tax next year, subject to a referendum due to the 5% limit. |
| 3. | Lower levels of spending and consequently a lower level of Council Tax next year.  |

**Reasons for Recommendation:**

The recommended option best addresses the residual budget deficit and ensures the Council is best placed to respond to future financial challenges that are expected within the medium term outlook. It also potentially provides scope for investment in priority areas, if additional temporary grant funding is received.

Finally, the budget proposal contains efficiency savings which effectively enables a redistribution and rebalancing of the cost base, offsetting some of the emergent cost

pressures. This is now a prerequisite of any budget proposal and is a fundamental requirement of financial sustainability.

## **1. Background**

- 1.1 The Executive, at its meeting on 9 January 2024, proposed the Council's budget for 2024/25 for engagement with the public and other stakeholders. The draft budget proposal included the implications of the Local Government provisional finance settlement, announced on 18 December 2023. The original budget report and appendices are attached at Appendix H.
- 1.2 Within the budget proposal report, a range of council tax options were proposed for public consultation, ranging from 2.99% to 4.99%. At its meeting on 9 January 2024, the Executive proposed an increase of 4.99% as the preferred option, which referenced the residual budget deficit, concerns around future funding uncertainty and the potential need for additional investment in emerging priorities such as flooding and highways assets.

### **Public Engagement**

- 1.3 The budget consultation with the public opened on 9 January 2024, following the meeting of the Executive. The consultation shared the draft budget proposal and sought feedback, especially with regards to the proposed council tax increase. The window for public engagement closes on 30 January 2024, which is after the publication date of this report. The submissions received to date from the public are contained within Appendix E and summarised below. A revised Appendix E will be tabled which incorporates all public consultation responses if there have been further submissions after the publication of this report.
- 1.4 At the time of writing this report, a small number of engagement and scrutiny events were still to be held. Therefore, these will be contained in the updated Appendix E to this report which will be tabled and presented to the Executive at the meeting on 6 February 2024 to allow any comments from these events, and any other comments received, to be considered with those already made. The Executive must consider the public consultation response in arriving at its recommendations in relation to the final budget.
- 1.5 Recent engagement with County Views panel members' – not specifically related to the budget and instead regarding their priorities – identified; road maintenance, public safety and caring for individuals and families including through key life events, as important priority areas. Over the past year, flooding concerns have continued to grow due to the impact it has on individuals and communities.
- 1.6 Specifically, in respect of the different council tax options being consulted upon, there were 994 submissions from stakeholders with just over half supporting option A (2.99% increase) , with 25% supporting option B (3.99% increase) and 19% supporting option C (4.99%). The detailed responses can be seen within Appendix E.

In addition, 697 comments have been submitted and analysed, with nine clear themes being identified:

- Pressure on households/affordability (206)
- Reserves usage (193)
- Service provision (144)
- Highways (52)
- Reduce waste (52)
- District/police/health matters (41)
- Future proof (30)
- No rise (25)
- Central Government (15)

The fuller analysis of the emergent themes is considered within Appendix E.

- 1.7 Although small in number compared to Lincolnshire's population, the rationale within the responses can aid in potentially understanding the views of others. Many recognise that the pressure on both households and Council's is high and therefore the council tax setting decision will need to strike a difficult balance. Furthermore, it is important to note that public engagement happens constantly via the democratic process and elected members are regularly contacted on pressing matters by their constituents. This also provides opportunities for elected members to understand the priorities of their residents.
- 1.8 The majority view from the public consultation supporting the lowest increase in council tax is wholly understandable, because it has been and continues to be a challenging time economically. It would be preferable for the Government to provide permanent additional grant funding to the sector to meet cost pressures being experienced nationally, as opposed to predicating additional funding on increasing the rate of council tax by up to 5%, which most authorities are likely to need to do. Under the current framework, the Council is left with a very difficult choice and in reaching a decision must consider the range of factors set out in the original budget report.
- 1.9 When debating the budget proposal at the meeting on 9 January 2024, the Executive established their preference for the maximum increase, as considered in paragraph 1.2. The following points supported the proposal:
  - Budget deficit – in the proposed budget, the structural budget deficit in 2024/25 was £7.2m, with a 2.99% increase. This increased significantly beyond 2024/25. A higher council tax increase would generate additional resources on a recurrent basis, reducing the potential future need to reduce service delivery standards if grant funding was to reduce.
  - Future funding levels – as noted in the previous report contained in Appendix H, there is significant uncertainty and risk associated with future funding levels. The

Government have to date prioritised cutting tax over increasing spending, and this is likely to continue. On that basis, there is significant merit in the Council ensuring that it approaches a potential challenging period from the best position possible.

- Emerging priorities – in recent months, there have been a series of flooding incidents which have had a significant impact upon communities. Environmental factors mean that the ongoing risk is increasing, and as lead flood authority the Council has a key role in identifying new measures to support mitigation. If it wishes to increase investment in this or any other area in future, the Council would either need to generate additional resources or reduce spending elsewhere.

1.10 On balance, it is recommended that the Executive formally propose to Full Council an increase in the council tax rate of 4.99%, which includes 2% for adult social care. This will ensure that additional resources can be generated prior to a highly uncertain period, and it will help to reduce the structural deficit and provide additional funding for the Council to increase investment in priority areas if it decides that this is appropriate to do.

1.11 The Council is well placed to navigate the future financial challenges which are likely to emerge as a result of its prudent financial management over a long time period. This includes the significant level of savings achieved to date, and investing wisely to forward plan in demand-led areas.

1.12 The proposed council tax increase is the option least favoured by the public, with the basis for doing so considered above. It is also important to note that, despite the increase proposed, the Council still expects to be in the lowest quartile of County Council precept rates. Lincolnshire currently has the third lowest rate of all County authorities – out of twenty one County authorities – when adjusted for fire precepts. There is a strong possibility that all will maximise the increase, in which case Lincolnshire will remain the third lowest.

#### **Local Government Finance Update (Government statement 24/01/2024)**

1.13 During finalisation of the publication of this report, the Government took the unusual step of publishing a written statement setting out a “Local Government Finance Update”, prior to publication of the final settlement which is due in early February. This is in recognition of the financial challenges being experienced across the sector, and following concerns from Local Government that the provisional settlement did not provide enough resources.

1.14 The written statement contained the following announcements:

- £500 million of new funding for Councils with responsibility for adults and children’s social care, distributed through the Social Care Grant

- £15 million of additional funding for rural authorities via an uplift in the rural services delivery grant
- An increase in the funding guarantee from 3% to 4%, setting a minimum increase for every Council in 2024/25
- £3 million one-off funding to local authorities struggling with Internal Drainage Board levies

The funding announcements are for 2024/25 only, and does not therefore address longer-term funding concerns.

- 1.15 In addition to the announcement of temporary support, the Government has set out a series of expectations for the sector in terms of efficiency. This forms part of their plan to “return the sector to sustainability in the future”. This includes asking local authorities to produce productivity plans setting out how they will improve service performance and reduce wasteful expenditure to ensure every area is making best use of taxpayers’ money. The Government’s aim is for local authorities to produce productivity plans by the summer recess and will provide further information in respect of this at the Final Settlement.
- 1.16 The Department for Levelling Up, Housing and Communities will be establishing an expert panel to advise the Government on financial sustainability in the sector which will include the Office for Local Government and the Local Government Association. The panel will review local authority productivity plans and advise the Government on best practice in this area. The Government will monitor these plans and use them to inform funding Settlements in future years.
- 1.17 The Council is currently working to understand the impact of the Government’s announcement on its 2024/25 budget. Whilst any additional funding in 2024/25 is welcome, it doesn’t change spending power beyond 2024/25. There also appear to be new ongoing reporting requirements.
- 1.18 It is hoped that the final settlement is published prior to the meeting of the Executive, so that the impact to the budget proposal can be considered and debated at the meeting.

#### **Updates to the Budget Proposal**

- 1.19 There are several updates to the budget proposal contained within this report. This includes the council tax adjustment discussed earlier in this section, and also includes a series of net nil adjustments within children’s services. Furthermore, there are some base budget adjustments to report.
- 1.20 In addition, there are two other areas which do not impact upon the budget proposal but have been included for consideration. This includes the general fund reserve, as well as areas of the cost base with increasing risk.

### Council Tax Proposal

- 1.21 The budget proposal has been amended to formalise the preferred option in respect of increasing council tax by 4.99%. This increases spending power in 2024/25 by approximately £7.4m and provides a compounding benefit in future years by forming part of a higher price base.

### Children's Services: grant-funded expenditure adjustments

- 1.22 There are two net-nil adjustments to be reflected in the budget proposal, relating to:

- The Families First for Children Pathfinders programme, and
- A proposal to invest in SEND provision in response to increasing demand.

- 1.23 In respect of the former, Lincolnshire has been chosen by the Department of Education (DfE) as one of three national Families First for Children Pathfinders. This brings an exciting opportunity for Lincolnshire who are recognised within the sector as an innovative and transformational authority. The pathfinder has been created to bring about innovative reforms to Family Help, Child Protection, Statutory Safeguarding Partnerships and in unlocking the potential of Family Networks for children and families across Lincolnshire. Lincolnshire's delivery plan has now been agreed by the DfE and the programme will through to 2025. The overall grant funding for this programme is £6.3m (including an element in 2023/24) and the outcomes will be captured and evaluated by the DfE, with a view towards wider national sector led improvement.

- 1.24 Within the grant funding allocation, the Government have confirmed a notional allocation of £3.550m for 2024/25. No funding is expected to be provided after 2024/25. Therefore, the budget proposal includes a temporary cost pressure of £3.550m in 2024/25, which reverses the year after. This is funded through additional grant funding, which also reverses making it of net nil impact.

- 1.25 In respect of the latter, there is an additional proposal to use service reserves to fund additional investment in the Special Education Needs and Disabilities/Inclusion (SEND) service, in response to overwhelming demand that is driving increases in cost within the High Needs Block. The High Needs System is governed by legislation, and this is leading to process, placement and financial pressures which are a risk to the Council. The Council is high performing compared to national and transformation work has had significant positive benefits over the last three years. However, due to growing volume and needs in the system; a lack of marketplace sufficiency, and significant cost increases in placements, the system is having to focus on the high end of the system, which reduces the ability to provide early intervention and support which manages the High Needs Block effectively.

- 1.26 In order to mitigate some of the risks identified and to further increase compliance, the service is proposing to increase SEND caseworker capacity via an additional 14

members of staff. This would enable caseloads to reduce and rolling twenty-week performance figures to remain high. Children's Services plan to fund this from a re-allocated reserve for one year and are working through a solution for the following year, likely to be from one off monies. There is high turnover within the team, so any future reductions necessary could be achieved through natural turnover. It is worth noting that, as a result of this intervention, the service would have a clearer understanding at that point of the impact and the risks of not being able to sustain them.

- 1.27 The budget proposal therefore includes a £0.786m cost pressure within Children's Services for two years, which is offset by an assumed £0.786m use of reserves covering the same period, making it net nil to the overall proposal. The service may fund in the second year via other temporary means.

Base Budget adjustments

- 1.28 In addition to the changes to the medium term financial plan considered above which require Executive approval, the 2023/24 base budget has been adjusted to reflect the following:

- Education transport – as part of 2023/24 budget setting, Full Council approved for a £9.4m contingency to be retained centrally to provide mitigation against identified cost risk within education transport. Following a comprehensive review during the 2024/25 budget setting process, the contingency has been identified as being required in full due to the cost increases being experienced within the service and across the country. In recognition of this, the contingency set aside has been transferred out of the contingency budget and into the Transport (Communities) service.
- Other budgets adjustments – the cost of the 2023/24 pay award was higher than the amount provided for, with the extra cost funded from an underspend within pension budgets following the triennial review. Within the base budget, this had been funded in error from the core contingency, and therefore an adjustment has been made to correct this.

The effect of both adjustments is net nil, since this relates to reallocation of current base budget.

Cost Base Risk

- 1.29 Since the initial budget report has been published, the Council has continued to further its understanding of the key areas of financial risk within its cost base. This process is continuous, and any emergent issues will be reported if material, relevant and appropriate.

- 1.30 As a reminder, the budget proposal contains a core contingency of £6m in recognition of the risks within the cost base. This equates to less than 1% of the net budget requirement.



## Reserve Adjustments

- 1.31 The Council maintains a general fund reserve, which is regarded as the reserve of last resort and should therefore not be utilised in the normal course of business. The current balance of the general fund is £16.4m. The Council's current financial strategy is to maintain the general fund reserve within a range of 2.5% to 3.5% of the Council's total budget.
- 1.32 Based on the revised budget proposal's budget requirement, the general fund would currently equate to 2.54%. Therefore, it is proposed that the general fund be increased by £3m (to £19.4m) which would increase the general fund percentage to 3% of the Council's total budget. It is envisaged that this will be achieved through re-purposing unused elements of reserves.

## **Summary Revenue Budget 2024/25**

- 1.33 Following all changes, the summary revenue budget position is updated as follows in Table A:

Table A – Summary Revenue Budget 2024/25

<b>SUMMARY REVENUE BUDGET</b>	<b>2024/25 Previous Budget (£)</b>	<b>2024/25 Updates to Proposal (£)</b>	<b>2024/25 Revised Budget (£)</b>
<b>EXPENDITURE</b>			
Net Base Budget	604,257,272	-	604,257,272
Cost Pressures (including inflation)	60,642,211	4,335,672	64,977,883
Savings & Additional Income	(19,116,016)	(4,335,672)	(23,451,688)
Other Movements (e.g. service grant funding)	543,384	-	543,384
Budget Requirement (pre use of reserves)	646,326,851	-	646,326,851
<b>RESERVE ADJUSTMENTS</b>			
Transfer to (+) / from (-) Earmarked Reserves	(7,181,805)	7,376,536	194,732
Transfer to/from General Reserves	-	-	-
<b>BUDGET REQUIREMENT</b>	<b>639,145,047</b>	<b>7,376,536</b>	<b>646,521,583</b>
<b>FUNDING</b>			
County Precept	(381,524,121)	(7,376,536)	(388,900,657)
Business Rates	(152,808,676)	-	(152,808,676)
Non-Specific Government Grants	(37,963,806)	-	(37,963,806)
Social Care Grants	(66,848,444)	-	(66,848,444)
<b>Total Funding</b>	<b>(639,145,047)</b>	<b>(7,376,536)</b>	<b>(646,521,583)</b>

- 1.34 As a result of the changes set out in this section, the £7.2m structural budget deficit in 2024/25 has changed to a modest surplus of £0.2m. The residual balance would mean a small contribution to reserves. However, this is a holding position and the amendments to be tabled at the meeting are likely to change this position.
- 1.35 The position is likely to change once further clarification has been reached in two key areas:

- Local taxation – this will be known once the Lincolnshire District Councils have shared the complete and comprehensive position for both business rates and council tax. The deadline for this is 31 January.
- Final Local Government finance settlement – the Government is due to publish the final settlement in early February, possibly prior to the meeting of the Executive. From a planning perspective, the Government have announced additional funding and therefore the Final Settlement will confirm the financial impact for Lincolnshire.

Depending on the final grant and taxbase position, it is likely that there will be further revisions to the cost base.

- 1.36 The potential implications of the outstanding budgetary items are described below. If the relevant information is received before the date of the Executive meeting it will be presented at the meeting as an update to this report.

### **Council Tax**

#### Tax Base

- 1.37 District Councils have to confirm their Council Tax Base and surplus/deficit position on the Council Tax element of the Collection Fund to the government by mid-January and share this information with precepting authorities as soon as possible. The report to the Executive on 9 January 2024 assumed an increase of 1.5% in the council tax base, which reflects trend data.
- 1.38 At the time of preparing this report the County Council has not yet received confirmed tax base figures from all of the seven District Councils. An update on these figures will be tabled at the Executive meeting on 6 February 2024 once all information has been confirmed by all of the District Councils.

#### Collection Fund

- 1.39 At the time of preparing this report, none of the District Councils had submitted their confirmed positions on the council tax elements of their collection funds. The budget proposal currently assumes an overall £1.5m surplus will be declared, which is a prudent estimate taking the recent trend into account.
- 1.40 An update on these figures will be tabled at the Executive meeting on 6 February 2024 following confirmation by all of the District Councils.

#### Rate Increase

- 1.41 The referendum threshold limit for general rate increases in 2024/25 was set out in the provisional Local Government finance settlement as 3%, which will be confirmed

in the final Local Government finance settlement. The settlement also confirmed the flexibility to levy an additional 2% in respect of the adult social care precept.

1.42 At the meeting of the Executive on 9 January 2024, three council tax increase scenarios were proposed, which had differing impacts on the level of funding available for the Council in short, medium and long-term. These are considered below:

- Option A (2.99% increase with £7.2m reserve use)
- Option B (3.99% increase with £3.5m reserve use)
- Option C (4.99% increase with no reserve use)

1.43 The Council's section 151 officer provided specific advice in respect of this decision in the report to the Executive on 9 January 2024, specifically to maximise the council tax flexibilities available to put the Council in the strongest position possible from which to navigate the challenges likely to be encountered in the medium-term. This advice will not change if the Final Settlement provides additional grant funding in 2024/25 only.

1.44 The Council has consulted with the public on the different increase options it is considering, with the feedback received contained in Appendix E. With the view to increase spending power in 2024/25, the recommendation is to implement option C and maximise the council tax increase. This approach was initially adopted as the Executive's preferred option at the meeting on 9 January 2024. This ensures the Council is better placed to address the risks within the medium term outlook and also enables the investment of extra money into priority areas (e.g. flooding).

1.45 Whilst this remains 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. The Council has been significantly impacted by inflation and demand pressures, and while it is hoped that the inflation rate continues to reduce, the demand pressures being experienced are likely to continue.

1.46 An Impact Analysis has been completed for the 4.99% increase and is attached at Appendix A. The equality impacts are addressed further below in part 2 of the report 'Legal Issues'.

### **Business Rates**

#### Tax Base (NNDR1 form)

1.47 The District Councils have until 31 January 2024 to provide statutory business rates returns showing:

- The amount of business rates to be passed to the Council;

- The position on the business rates element of the collection funds; and
- The value of the section 31 compensation grant due to the Council.

The NNDR1 form has been amended for 2024/25 following the Government decision to disaggregate the inflation indices applied to the standard and small business multipliers. The latter will once again be frozen, while the former will increase by inflation.

#### Collection Fund

- 1.48 At the time of preparing this report, none of the seven District Councils had notified the Council of their confirmed Business Rates Collection Fund positions.
- 1.49 An update on these figures will be tabled at the Executive meeting on 6 February 2024 once all information has been confirmed by all of the District Councils.

#### Section 31 Grant Funding

- 1.50 The Government confirmed that it will continue to compensate councils in full for the continuation of the business rates cap (for the small multiplier only), small business rates relief and rural rate relief by way of a section 31 grant, as in previous years. In addition, there will continue to be section 31 grant to compensate councils for the impact of the government's decision to freeze the business rates multiplier in previous years.
- 1.51 At the time of preparing this report the Council had not received final notifications from each of the District Councils in respect of section 31 grants.
- 1.52 An update on these figures will be tabled at the Executive meeting on 6 February 2024 once all information has been confirmed by all of the District Councils.

#### Lincolnshire Business Rates Pool

- 1.53 The Council has confirmed that it wishes to remain in a business rates pool with the seven Lincolnshire District Councils. Based on the pooling gain in 2022/23 and the estimated gain for 2023/24, an assumption of a £2.035m pooling gain has been made for 2024/25.

#### **Revenue Budget**

- 1.54 As set out in 1.33, the revenue budget has been amended to incorporate changes in respect of the council tax. As a result of the above changes, the forecast deficit in 2024/25 has reduced from £7.2m to a modest surplus £0.2m. There are likely to be further changes to the position, specifically around the taxation position and potential changes if the final funding settlement differs to the provisional settlement.
- 1.55 Table B on the next page shows the current proposed revenue budget:

TABLE B – Revenue Budget 2023/24 and 2024/25

2023/24 Budget (£)	REVENUE BUDGETS	2024/25 Change (£)	2024/25 Budget (£)
	<b>CHILDREN'S SERVICES</b>		
14,499,701	Children's Education	663,157	15,162,858
89,469,460	Children's Social Care	9,075,250	98,544,710
	<b>ADULT CARE &amp; COMMUNITY WELLBEING</b>		
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)
	<b>PLACE</b>		
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
	<b>FIRE &amp; RESCUE</b>		
24,704,397	Fire & Rescue	322,702	25,027,099
	<b>RESOURCES</b>		
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
<b>544,692,443</b>	<b>SERVICE TOTAL</b>	<b>36,066,058</b>	<b>580,758,501</b>
	<b>OTHER BUDGETS</b>		
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
<b>62,784,129</b>	<b>OTHER BUDGETS TOTAL</b>	<b>5,460,137</b>	<b>68,244,266</b>
	<b>SCHOOLS BUDGETS</b>		
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)
<b>(2,675,915)</b>	<b>SCHOOLS BUDGETS TOTAL</b>	<b>-</b>	<b>(2,675,915)</b>
<b>604,800,657</b>	<b>BUDGET REQUIREMENT (pre-reserves)</b>	<b>41,526,195</b>	<b>646,326,852</b>
7,000,000	Highway maintenance additional spend (2023/24)	(7,000,000)	-
(7,543,384)	Transfer to/from Earmarked Reserves	7,738,116	194,732
<b>604,257,272</b>	<b>BUDGET REQUIREMENT</b>	<b>42,264,311</b>	<b>646,521,583</b>
	<b>FUNDING</b>		
(365,554,704)	County Precept (2.99% increase shown)	(23,345,953)	(388,900,657)
(141,324,175)	Business Rates	(11,484,501)	(152,808,676)
(40,984,265)	Non-Specific Government Grants	3,020,459	(37,963,806)
(56,394,128)	Social Care Grant	(10,454,316)	(66,848,444)
<b>(604,257,272)</b>	<b>TOTAL FUNDING</b>	<b>(42,264,311)</b>	<b>(646,521,583)</b>

## Capital Programme

- 1.56 The proposed capital programme is summarised in Table C below. Some minor adjustments have been made since the report to the Executive on 9 January 2024, and the table below shows a summary of the programme and how the programme will be funded. Details of the Council's capital programme are set out at Appendix B.

TABLE C – Capital Investment Programme (Summary)

Capital	2023/24	2024/25	2025/26	2026/27 - 2033/34
<b>Investment in Blocks</b>				
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
<b>Investment in Projects</b>				
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
<b>Total Investment</b>	<b>193,154,943</b>	<b>144,706,440</b>	<b>61,399,701</b>	<b>318,025,694</b>
<b>Funding</b>				
External Funding	(86,990,799)	(45,157,176)	(31,917,089)	(95,434,529)
Borrowing	(76,587,606)	(81,548,519)	(24,284,291)	(187,230,801)
Capital Receipts	(5,000,000)	(5,000,000)	(5,000,000)	(35,000,000)
Revenue	(24,576,538)	(13,000,745)	(198,321)	(360,364)
<b>Total Funding</b>	<b>(193,154,943)</b>	<b>(144,706,440)</b>	<b>(61,399,701)</b>	<b>(318,025,694)</b>

- 1.57 The adjustments that have been made are as follows:
- 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.
- 1.58 There is no change to the revenue budget or capital financing requirement within the medium term financial plan period as a result of the adjustments.
- 1.59 Please note that the end column in Table C has been corrected to show the end year being 2033/34, having originally been stated as 2032/33. Please also note that the detailed capital programme in Appendix B contains rounding, and therefore there may be some rounding differences.

## Council Tax Rates

- 1.60 The impact on a Band D property of the proposed increase in council tax of 4.99% for 2024/25 is shown in Table D.

TABLE D – County Council Element of the Council Tax for Band D

County Precept (including ASC precept)	2023/24	2024/25
Band D rate (£)	1,503.63	1,578.69
Increase over previous year (%)	4.99%	4.99%

- 1.61 The effect of this increase on all Council Tax property bands can be found at Appendix C.
- 1.62 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 Executive can determine that the recommended council tax increase of 4.99% is not excessive.

## Prudential Indicators

- 1.63 The Council is required to agree targets for specified prudential indicators in relation to capital financing and other treasury management matters. The Council 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 its long term borrowing, is prudent, affordable and sustainable. The proposed draft targets are set out in Appendix D. Some minor updates to some of these indicators will feed into the Council Budget report and Budget Book for Full Council on 23 February 2024.
- 1.64 One of the Council's voluntary Prudential Indicators is that minimum revenue provision and interest will not exceed 10% of annual income from general government grants, dedicated schools grant and council tax. This is projected to be 4.27% in 2023/24, increasing to 4.93% by 2026/27

## Final Local Government Finance Settlement 2024/25

- 1.65 The Government grant allocations assumed in the budget proposals are those announced in the Provisional Local Government Finance Settlement. These allocations are now expected to be altered in the Final Settlement as set out elsewhere in this report. At the time of preparing this report, the date of the Final Settlement is not known but is expected to be in early to mid-February. An update will be tabled at the Executive meeting on 6 February 2024 if there are any

amendments required arising from the final Local Government Finance Settlement. The recommendations in this report allow for the Leader of the Council to review and amend the Executive's budget recommendations to the County Council, as appropriate, in light of the final Local Government Finance Settlement if this is received after the meeting on 6 February 2024.

### **Flexible Use of Capital Receipts**

- 1.66 The Council approved the strategy of using Capital Receipts flexibly to fund revenue transformation projects between 2016/17 and 2019/20, in line with the Government's amended policy which allowed this. From 2020/21 onwards the Council has not made use of the flexibility and has instead had a strategy in place to use Capital Receipts only to repay loans or to fund new capital expenditure. Transformation projects have been funded by using existing revenue budgets or earmarked reserves.
- 1.67 The Secretary of State's Direction, which introduced the flexibility and the Statutory Guidance which required the Council to approve annually a Flexible Use of Capital Receipts Strategy, both come to an end in March 2022. The Government published the updated the capital receipt flexibility direction in August 2022, covering the financial years 2022/23 to 2024/25. As the Council is not planning to make use of the flexibility, the Council does not need to do anything to secure compliance with this direction.

### **Financial Risk**

- 1.68 There are some risks which may impact on the budget for 2024/25, and the budget proposal is considered to take a realistic and prudent approach to estimating the level of risk. The main risks are outlined below.
- 1.69 The rate of inflation peaked at an unprecedented level and has since been falling back towards target. The rate has been higher for longer, and it is hoped that it falls in line with latest expectations. Whilst it is on the path back towards the Government target, there is a risk that the path to get there is slower than the financial plan assumes, which is based on the latest Bank of England forecast.
- 1.70 In addition, the Council's cost base is closely correlated to the demand for services across key areas like adult social care, children's social care and education transport. The quantum of demand is considered to have step increased in some areas, as well as the complexity of demand, which has further cost implications. The other key risk is therefore that the level of demand further step-increases above the levels assumed in the medium term financial plan.
- 1.71 The budget proposal makes a series of adjustments in respect of inflation and demand cost pressures. The risk of further pressures within this context remains, and therefore the general contingency is being maintained at £6m to provide capacity to withstand short-term shocks to expenditure or income.



- 1.72 The budget book to Full Council will incorporate a Robustness of Estimates statement, which will consider risk in further detail in addition to the measures in place to mitigate.

### **The Council's Financial Strategy**

- 1.73 The Council's Financial Strategy has been refreshed this year and is attached as Appendix F.

### **The Capital Strategy**

- 1.74 The Capital Strategy has been updated for 2024/25 and reflects the requirements of the CIPFA Treasury Management and Prudential Codes which were amended in 2021. It is attached as Appendix G.

## **2. Legal Issues:**

### **2.1 Equality Act 2010**

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, 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 a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

These equality considerations do not preclude changes in services being made, but do require that these be fully appreciated. It is clear that the current and future financial challenges facing local authorities and the need for budget savings may result in changes to service provision and to some reduction in Council services. These may apply to services accessed by all people in Lincolnshire as well as services provided to specific groups. It is possible that there may be an adverse impact on some people and communities including those with a protected characteristic.

In order to meet its obligations, Equality Impact Analyses will be carried out in relation to any proposed changes to services on an individual basis. The specific impacts on people with a protected characteristic will be investigated and the potential mitigation, if any, will be made clear, so that the implications of decisions are fully understood as they affect specific groups and communities. These have been and will continue to be regularly reported to the Executive as part of the decision making processes. Individual proposals will only be implemented after due regard to the legal matters that must be considered, including the public sector equality duty.

Consideration of the public sector equality duty and/or consultation may be necessary at the budget setting stage where a decision to reduce spending is significant, sufficiently focussed, and in financial terms, apparently rigid.

Consideration has been given as to whether there is any element of the current budget proposals that should be the subject of an equality impact analysis at this stage and as a result an assessment (attached at Appendix A) has been carried out on the proposal to increase Council Tax. That assessment identifies the potential for the proposal to impact on people with low income and therefore disproportionately on certain people with a protected characteristics including

older and younger people, people with a disability and women with children. Each District Council operates a Council Tax Support Scheme which has been designed following consultation and individual impact analyses to mitigate the effects of Council Tax levels on vulnerable people and people with low incomes. The savings and additional income of £19.1m built into the original budget proposal (and amended for the two net nil items considered in 1.22) are all considered to have minimal impacts on service users but, as stated above, equality impact analyses will be carried out in relation to any proposed changes to services on an individual basis.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the public sector equality duty.

As part of its decision-making the Executive will need to consider whether any alternative approaches could alleviate or at least mitigate the impact of the decision such as making reductions in other areas which do not have the same impacts, including particularly equality impacts. The result could be to require additional resources to be used in certain areas than has been budgeted for. In this event the usual budget management processes such as virement would be followed and approval sought at the appropriate levels in accordance with Financial Regulations including full Council where necessary. In particular a contingency has been built into the budget proposals in the form of the Financial Volatility Reserve (the balance is currently £46.9m) and the annual Contingency budget which has been amended to £6m for the 2024/25 financial year, for when additional funding cannot be found by way of virement from other service areas.

#### Joint Strategic Needs Analysis (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the Joint Strategic Needs Assessment and Joint Health and Well-being Strategy.

#### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the

local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the duty under section 17 of the Crime and Disorder Act 1988.

### **3. Conclusion**

- 3.1 These budget proposals reflect the level of Government funding available to the Council and a proposal to raise council tax by 4.99% in 2024/25.
- 3.2 The budget proposal from the Executive meeting on 9 January 2024, as developed to reflect emerging budgetary information and consideration of engagement feedback received to date, is recommended as the budget to be put forward by the Executive for approval at the County Council on 23 February 2024. This is subject to any change by the Leader in respect of; the Final Local Government Finance Settlement, and; receipt of District Council business rates and final council tax information.

### **4. Legal Comments:**

The Executive is responsible for recommending a budget to the Council. Approval of the budget is reserved to Full Council

When recommending a budget, the Executive must be mindful of its obligation to have due regard to a number of matters including under the Equality Act 2010.

Case law has established that generally it is lawful for a Council first to decide its budget and then to consider the question of consultation and the specific impact of proposed policies and service changes at the time they are developed and decisions are taken on them. Consideration has been given to whether there are any specific proposals within the budget that would require such consideration prior to the budget being set and apart from the proposed Council Tax increase which is dealt with in the Report there are not considered to be any such proposals

The way in which it is proposed to deal with specific service proposals is set out in full in the body of the report.

The legal issues relating to the recommended level of council tax and prudential indicators and the requirement for a Flexible Use of Capital Receipts Strategy are set out in the Report.

The proposed Medium Term Financial Strategy and Capital Strategy 2024/25 form part of the Financial Strategy which is part of the Council's Policy Framework.

Approval of documents forming part of the Policy Framework is reserved to the full Council on the recommendation of the Executive.

The recommendations are within the remit of the Executive and are lawful. The Executive has the power to accept recommendation 3 or to agree one of the alternative approaches referred to in the report.

#### **5. Resource Comments:**

The updated budget proposal set out in this report is largely the same as the original proposal considered by the Executive in January.

There are a couple of changes to the budget proposal, with the key change being to assume a 4.99% increase in council tax. This was one of the options set out in the previous budget proposal, and is now the preferred option which reflects the need to increase spending power in 2024/25 to offset cost pressures and also ensure the Council is best placed to navigate financial challenges that may arise in the medium term.

There are likely to be further changes to the position as explained in the report.

## **6. Consultation**

### **a) Has Local Member Been Consulted?**

N/A

### **b) Has Executive Councillor Been Consulted?**

Yes

### **c) Scrutiny Comments**

Further Scrutiny, Engagement and Consultation:

A consultation meeting with local business representatives, trade unions and other partners will take place on 26 January 2024. Comments from this meeting will be tabled at the meeting on 6 February 2024.

The Council's scrutiny committees scrutinised proposals in detail during January and their comments are included in Appendix E.

The Overview and Scrutiny Management Board will scrutinise the budget proposals in the report to the Executive on 9 January 2024 and their comments will be tabled at the meeting on 6 February 2024.

The proposal to increase Council Tax by 4.99% has been publicised on the Council's website together with the opportunity for the public to comment. Comments and responses are included in Appendix E for the Executive to consider alongside this report on 6 February 2024.

**d) Risks and Impact Analysis**

Yes. An impact analysis relating to the proposal to increase Council Tax has been carried out and is attached at Appendix A. Proposed service changes to give effect to the budget will be subject to their own policy proofing considerations.

## 7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Equality Impact Analysis (Council Tax Proposal)
Appendix B	Capital Programme 2023/24 to 2024/25 and future years
Appendix C	Council Tax Increase per Band 2024/25
Appendix D	Prudential Indicators ( <i>in draft</i> )
Appendix E	Consultation and Engagement Comments Received ( <i>to date</i> )
Appendix F	Financial Strategy
Appendix G	Capital Investment Strategy 2024/25
Appendix H	Executive Report "Council Budget 2024/25" 09/01/24

## 8. Background Papers

The following background papers as defined in section 100D of the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Provisional Local Government Finance Settlement	<a href="https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2024-to-2025">https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2024-to-2025</a>
Executive Report 9 January 2024 "Council Budget 2024/25"	<a href="#">Agenda for Executive on Tuesday, 9th January, 2024, 10.30 am (moderngov.co.uk)</a>

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