Council Budget 2025/26 'Budget Book'

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 2.99% in 2025/26 set out in the Budget Book (**Appendix C** – Equality Impact Analysis relating to the council tax proposal in 2025/26).

1.4 approves:

1.4.1 the service revenue budgets for 2025/26 contained in the Budget Book, (**Table 2** - Net Service Revenue Budget 2025/26);

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 £1,625.85 for 2025/26 contained in the Budget Book (**Appendix B** - County Precept 2025/26);

1.4.4 the creation of a new Emergency Flooding reserve with a value of £1 million, drawn from the Financial Volatility Reserve leaving a residual balance on that reserve of £45.922 million.

as together being the Council's Budget.

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

1.6 approves the Council's Capital Strategy contained in the Budget Book (**Appendix N** – Capital Strategy 2025/26);

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

1.8 approves the minimum revenue provision policy contained in the Budget Book (**Section 9** - Minimum Revenue Provision).

Councillor M Hill OBE
Leader of the Council

A Crookham CPFA
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 2025/26, which reflects the provision of a one-year Local Government finance settlement (see section 3).

The Financial Strategy

2.2 It is important to recognise the strong foundation of the Council which means it is better placed than most to navigate the challenges that lie ahead, and which are considered further 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 2023/24 outturn which resulted in an underspend,
- The current forecast outturn for 2024/25, although an overspend is forecast the Council has mitigations available via the contingency which would resolve the current position and the 2025/26 budget will seek to address cost pressures contributing to the overspend,
- 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 The Council updates its financial strategy annually so that it remains 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 2025/26 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:

- Continued 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, National and Financial Policy Context (Autumn Statement)

2.7 As considered in previous budget reports, the Council's financial position is influenced by several factors, including: the state of the economy, the national policy position and the financial resources made available. In previous updates the economic context has been the biggest area of focus, however since the election of a new Government the national policy position is now potentially the area of greatest impact for the Council. Each area is considered in turn.

Economic Context

2.8 In recent years, the economic context has been the greatest area of focus due to it being the biggest area of impact financially for the Council. This includes the unprecedented rate of inflation which the Council has managed through, and also includes the significant increase the Bank of England base rate which was intended to help counter high inflation. The level of variability and volatility has reduced within the economy, with inflation currently fluctuating around the target rate of 2% (1.7% in September 2024 and 2.6% in November 2024). Although the rate of inflation is lower now than it has been in recent years – having peaked at 11.1% in October 2022 – the recent sustained increases have had the effect of permanently increasing the Council's cost base

2.9 The Bank of England decision to increase base rates to a recent peak of 5.25% (August 2023) has contributed to inflation reducing. The base rate has since been reduced by 0.25% on two occasions (August 2024 and November 2024), with the rate currently standing at 4.75%. The Bank have signalled that there may be further reductions, but that this will be done in a slow and managed process, and the likelihood is that rates will not return to the low levels where they were (0.1% for most of 2020 and 2021).

2.10 The base rate has a direct impact on the cost of borrowing and the effect is that this 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. In the most recent quarterly monetary policy report published by the Bank (November 2024), the Bank set out their forecasts for future inflation. The revised inflation forecasts are 2.4% (2024 Q4), 2.7% (2025 Q4), 2.2% (2026 Q4), and 1.8% (2027 Q4).

2.11 The rate of inflation has direct implications for the Council, through its impact on 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 (because 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 reflects the national finances.

National and Financial Context

2.12 Whilst the economic context is still a key variable factor for the Council, it is now considered to be less of a factor than the different national policy position following the general election in July which resulted in the election of a new Government. The new Government have set out a different direction across several areas, which includes:

- Public spending and taxation
- Public sector pay

- Local Government reorganisation and devolution
- Assessment of relative need between local authorities
- Decision to not provide full funding for the new burden of national policy choice
- How funding is provided to local authorities and relative share between authorities (i.e. fair funding).

Whilst a direction from the new Government is emerging, the implications for the Council are not fully clear at this stage. The approach being progressed changes the operating context for the Council and requires the Council to be engaged in any changes and work through implications at pace to enable the organisation to remain financially sustainable within the framework set by the Government.

2.13 The Government have made several policy statements since July in which the areas identified above have derived from. The key statements have been set out below:

- Fixing the foundations: public spending audit 2024-25 (*HM Treasury*, 2nd August 2024)
- Autumn Budget 2024 (*HM Treasury*, 30th October 2024)
- Local government finance policy statement 2025 to 2026 (*Ministry of Housing, Communities and Local Government*, 28th November 2024)
- English Devolution White Paper (*Ministry of Housing, Communities and Local Government*, 16th December 2024)

Each statement is considered in further detail, and then summarised at the end of the section.

Fixing the foundations: public spending audit 2024-25

2.14 The key points from the "Fixing the foundations: public spending audit 2024-25" policy paper were as follows:

- £22bn of unfunded spending pressures identified in 2024/25. The shortfall is part-funded by savings (£5.5bn in 2024/25, rising to £8.1bn in 2025/26).
- Public-sector pay awards are higher than inflation assumptions within departmental budgets. The Chancellor has confirmed that the government will accept the proposals from pay award bodies for 2024/25 (around 5-6%).
- Decision not to proceed with the social care charging reforms in October 2025.
- Household Support Fund is mentioned as an unfunded spending pressure in 2024/25 but no decision has been made on whether it will continue beyond September 2024.
- The Autumn Budget will be on 30 October 2024, accompanied by budget allocations for 2025/26. A 3-year spending review will be published in Spring 2025 (covering 2026/27, 2027/28 and 2028/29)

Autumn Budget 2024

2.15 On 30th October 2024, the Government set out their spending plans for the medium term via the Autumn Budget. The Autumn Budget incorporated updated economic projections from the independent Office for Budget Responsibility (OBR). This was the first budget of the new Government and set out a preference to increase taxes to fund increased spending, rather than resolve this solely through spending reductions. New fiscal rules have also increased borrowing to invest capacity. 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.

2.16 The other key points to note from the Autumn Budget, which was the first budget of the new Government, were as follows:

- The budget incorporates legacy budget issues being identified, including £21.9bn of unbudgeted cost pressures.

- Tax increases to enable increase spending, through increased employer national insurance and capital gains tax, with changes to inheritance and other taxes.

- New fiscal rules have increased borrowing to invest capacity by circa £50bn, which is intended to stimulate economic growth (there are plans in the budget to use around £20bn of the capacity).

- The Government plan to use higher tax receipts to invest more in public services, aiming to achieve measures such as reducing health waiting lists, with this also being a pre-cursor to higher growth.

- The Government is aiming for improved public services and increased borrowing for investment to enable higher growth within the economy.
- The budget implies higher spending in the short-term with an aim of resolving current spend pressures, with lower increases implied thereafter.

- National Living Wage (NLW) will increase to £12.21 per hour, with bigger increases to younger age brackets to continue to narrow the age pay gap.

- The rate of employer NI will increase from 13.8% to 15.0%, with the annual pay threshold at which this is paid reducing from £9,100 to £5,000.

- The Government will also be undertaking a multi-year spending review, which is expected to conclude in spring 2025. This will enable a multi-year settlement for local government so local authorities can plan more effectively.

2.17 There was also additional funding announced for Local Government, including

- £0.6bn social care grant funding
- £0.7bn of unspecified grant increase to be allocated using an undefined but targeted approach
- £1.1bn extended producer responsibility funding
- £1bn for special educational needs and disabilities (SEND) system, through high needs grant
- £230m for homelessness (n.b. district function)
- £86m for disabled facilities grant
- £250m to continue testing children's social care reforms, including funding to pilot a Kinship Allowance and to create thousands of new foster placements.

2.18 There are other key points to note relating to future cost and funding:

- The Government will set out plans for fundamental reform of the children's social care market, including promoting early intervention to help children stay with their families where possible and fixing the broken care market.

- The Autumn Budget confirmed that there will be a LG finance policy statement published in late November, followed by the draft LG finance settlement in late December.

- As part of seeking to return the sector to sustainability, the Government will reform the approach to funding allocations within the Local Government Finance Settlement by redistributing funding to ensure that it reflects an up- to-date assessment of need and local revenues.

2.19 Overall, there are short and medium term challenges presented by the Autumn Budget. In the short-term, changes to NLW and employer NI will increase the Council's cost base. The uplift in NLW will particularly impact adult social care costs. The increase in employer NI will impact the Council both in terms of direct Council employee costs and indirect cost increases to the Council's contracts with third parties. Beyond 2025/26, 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. The Government has however set out an intention to reform the approach to allocating funding in a multi-year settlement from 2026/27. This could lead to winners and losers if within the same funding quantum.

2.20 Following the Autumn Budget, the Ministry for Housing, Communities and Local Government (MHCLG) translate national spending limits into individual allocations for local authorities via the Local Government finance settlement. This is considered in the next section. Due to the lateness of when the settlement is normally published, recent Governments have moved to a model whereby they publish a finance policy statement to give some indication as to how they plan to approach settlement.

Local Government Finance Settlement

2.21 The Government set out the intended high level approach they would be taking to the finance settlement in the Local government finance policy statement 2025 to 2026, published on 28th November 2024, which was followed by the publication of the provisional settlement on 18th December 2024 and subsequently the final settlement on 3rd February 2025.

2.22 Whilst the policy statement provided less insight into the allocation process the Government would be looking to take, it did contain several important announcements. The included an announcement that the rural service delivery grant was to be abolished and reallocated into the other grants. In addition, it was confirmed that local authorities would not be compensated for the external cost impact of the employer NI increase. Furthermore, it was confirmed that the new Recovery Grant was to be targeted at areas that are perceived to be in greater need than Lincolnshire, and that the new Children's Social Care Prevention grant was expected to be accompanied by conditions necessitating additional spend.

2.23 Taken together, the NI decision, the abolition of rural services delivery grant funding and the allocation of recovery grant funding to other areas meant that the Council's increase in core spending power was significantly diminished compared to what it would have otherwise been, and that the vast majority of its increase in core spending power would need to come through increasing council tax by the maximum rate allowed. Finally, and of significant importance, there was was minimal notice for the significant change of approach implemented with regards to funding redistribution.

2.24 The Council submitted its views as part of the Government's consultation on the provisional settlement, both as an individual organisation and as part of the other bodies it is part of (Society of County Treasurers and Rural Services Network). However, the final settlement essentially confirmed the provisional settlement position with a few minor refinements where particularly relating to national insurance compensation funding for local authority employed staff.

2.25 The new Government have signalled direction changes across a range of areas. There has already been significant funding shifts announced, and new burdens as a result of national policy that will not be funded. Further, there is scope for a significant amount of further change through the imminent fair funding review and stated policy intent with regards to LG reorganisation and devolution. There will be a significant amount of uncertainty at 2025/26 budget setting for future years, albeit this will be replaced with much more certainty in due course albeit what this means in practical terms for the Council could be significant one way or the other. As such, this represents a significant risk to the Council's financial position

Local Government Oversight (including OFLOG update and CIPFA published indicators)

2.26 In the 2024/25 budget book, new appendices were added so that the Council's relative performance against financial indicators published by the Office for Local Government (OFLOG) and the Chartered Institute of Public Finance and Accountancy (CIPFA) could be incorporated into the budget proposal. This enabled members to see how the Council compared to others, and more importantly provide context on the scores particularly with regards to the budget proposal. As a reminder, the financial indicators were intended to aid oversight of the relative financial position of each local authority.

2.27 In December 2024, the new Government announced the closure of OFLOG and set out an intention to establish a new body to oversee local audit called the Local Audit Office (LAO). Therefore, comparator data is not available for the most recent time period, and therefore Appendix X contains updated data for Lincolnshire only. This remains included as it is still useful to see trend changes for the Council.

2.28 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 are shown alongside comparator data where available.

2.29 An internal assessment has concluded that there aren't any indicators which indicate an area of concern for the Council based on historic data. The Council's indicator performance has been contextualised and is consistent with the Council's financial plans. It should be noted that we expect there to be developments within the oversight space, not least when the LAO are fully operational, and therefore the information contained within the budget book will be updated as necessary to ensure it remains current and ideally containing comparator data wherever available.

Council Tax

2.30 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 2025/26 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 2.99% (inclusive of 2% for adult social care) and enables the Council to generate additional resource in 2025/26 in recognition of the additional cost of service delivery set out in the budget proposal.

2.31 In proposing a budget to be put forward to Full Council, the Executive set out their preferred approach to increase council tax by 2.99%, which includes 2% for adult social care. This is reflected within the recommendations to Full Council. The following points supported the proposal:

- Comparison to inflation rate – whilst it is understood that the Council's costs are not wholly driven by the rate of inflation, Members considered that maximising the council tax increase to the maximum level permitted without a referendum would mean that the percentage increase (4.99%) would be higher than the current rate of consumer price index inflation (2.5% December 2024).

- Funding re-allocation – the new Government have started reforming how funding is being allocated to local authorities by placing greater emphasis on prevention. The Council was negatively impacted by the changes for 2025/26, which includes abolition of rural grant funding and a nil recovery grant allocation. Had this not have happened, the Council's grant funding would have been higher displacing the short-term need to maximise council tax.

2.32 There is significant uncertainty and risk associated with future funding levels. The Government's changes for 2025/26 indicate that Lincolnshire may be judged in the fuller review of Local Authority funding as having more resource than it needs, which could have implications for future grant funding levels. When considered alongside the Council's residual medium term financial plan deficit position, both factors provide sufficient justification for maximising the rate of council tax now to ensure the Council approaches a potentially challenging period from the best position possible.

2.33 The proposed council tax increase is the option most favoured by the public, with the basis for doing so considered above. It is also important to note that, as a result of the increase proposed being lower than comparator authorities are understood to be planning, the Council expects to remain 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 may potentially reduce to the second lowest. This may increase the gap between the council tax rate and the standardised national average.

2.34 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 multiple times. The Government have set out a funding reform consultation which will seek to redistribute funding across local authorities, to be implemented in 2026/27. The Government have also commenced engagement with regards to proposals to transform business rates. It is possible that the Council's future funding is impacted by both areas of reform.

2.35 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 2025/26 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 On 18th December 2024, the Ministry of Housing, Communities and Local Government published the provisional 'Local Government finance settlement 2025/26' via a written statement to Parliament. This confirmed specific funding allocations for local authorities – building upon the policy intent set out in the finance policy statement, confirmed that some funding allocations would be published at final settlement, and contained the publication of the consultation for local authority funding reform.

3.2 At a national level, core spending power is forecast to increase to £68.9bn in 2025/26 from £65bn in 2024/25 (6% cash increase), with the key changes from 2024/25 set out below:

- The revenue support grant will increase by inflation.

- An increase in the sum of baseline funding levels and compensation grant as if both business rates multipliers had been uprated by inflation.

- The core council tax referendum limit for local authorities is set at 3%, in addition to an adult social care precept of 2% for all authorities responsible for the delivery of adult social care services.

- Social care grants are confirmed as follows:
    - an additional £680m will be distributed to local authorities through the Social Care Grant for adult and children's social care.
    - £1.1bn will be allocated through the Market Sustainability and Improvement Fund (MSIF), unchanged from 2024/25 allocations.

- Reduction of the minimum funding guarantee from a 4% minimum uplift in core spending power to 0% after maximum council tax increases have been assumed.

- An additional one-off round of new homes bonus payments in 2025/26.

- Abolition of the rural services delivery grant (RSDG).

- Abolition of the services grant.

- New £250m Children's Social Care Prevention Grant.

- New £600m Recovery Grant to be targeted at places with greater need and demand for services (using deprivation as a proxy), and which are least able to fund their own services locally by raising Council tax.

- Councils will be compensated for the increased employer NI for directly employed staff only, and not for external NI cost impacts.

- Allocations from a new £300m Extended Producer Responsibility for Packaging (pEPR) were announced separately for rural authorities (£1.1bn nationally).

- Continuation of business rates pooling for 2025/26.

- One-year settlement for 2025/26 with confirmation that 2026/27 will be a multi-year settlement.
- A Fair funding review consultation is to be published alongside the draft settlement.

- Confirmation that a white paper on Local Government reorganisation is due to be published soon.

- Intention to reset the business rates retention system, the potential impact of which is not known but will be consulted on in early 2025

3.3 Lincolnshire's calculated share of core spending power in 2025/26 is £736m (1.068% of national), which represents an increase of £33.6m (4.7% cash increase) from its calculated 2024/25 core spending power. Lincolnshire's proportionate share of national core spending power in 2025/26 (1.068%) is lower than it's proportionate share was in 2024/25 (1.081%), due to the Council's core spending power increase being lower than national. Had its proportionate share been maintained, Lincolnshire's core spending power would have been £744m.

3.4 The key points to note for Lincolnshire are as follows:

- The revenue support grant has been inflated by £0.440m (1.67%), with an additional net-nil adjustment rolling in the Extended Rights for Home to School Transport Grant (£2.048m) and the Transparency Code Grant (£0.013m).
- Business rate baseline funding and multiplier compensation grant is forecast to increase by £2.420m (1.67%),
- Core spending power includes an assumption that council tax will increase by 5% (£24.302m). However, this is a local decision, so the actual figure would reflect the council's decision and local tax base data,
- The Council will receive a new one-off New Homes Bonus grant of £0.809m,
- The rural services delivery grant is confirmed as being abolished for 2025/26 (was £9.418m in 2024/25),
- The social care grant will increase to £87.223m in 2025/26, an increase of £13.358m,
- The ASC market sustainability and improvement fund will be maintained at £14.735m,
- The ASC discharge fund (£8.005m) will be combined with the Improved Better Care Fund (£34.257m) into a renamed Local Authority Better Care Grant, with the grant for 2025/26 remaining cash flat (£42.261m),
- The Services Grant has been abolished for 2025/26 (was £0.778m in 2024/25),
- The Council will not receive any of the newly created £600m Recovery Grant,
- The Council will receive £2.966m from the new Children's Social Care Prevention Grant. The Government plans to increase the £250m national allocation by £13m in the final settlement, forecast to be worth an extra £0.154m. No conditions were published with the provisional settlement,
- The Council does not benefit from the funding floor, which prevents any local authority from seeing its core spending power reduce in 2025/26 after council tax increases have been maximised, due to its calculated core spending power being higher in 2025/26 than it was in 2024/25,
- The Domestic Abuse Safe Accommodation Grant is being consolidated into core spending power for the first time, with the grant increasing by £30m to £190m. The Council will receive £1.889m in 2025/26.

3.5 Of the £33.6m increase in Lincolnshire's core spending power, £24.3m relates to the assumption of council tax increasing. The net increase in grant funding – £9.3m (2.9%) – is significantly less than it has been in recent years. For reference, grant funding has increased in recent years as set out below:

- 2020/21 £17.9m (9.7%)
- 2021/22 £8.3m (4.1%)
- 2022/23 £27.0m (12.8%)
- 2023/24 £46.8m (19.6%)
- 2024/25 £30.6m (10.7%)

3.6 At a national level, total grant funding has increased by £1,743m (6.0%) in 2025/26. Uplifts to new or existing grants amounts to £2,089m, mitigated in part through reductions or removal of other grants totalling £345m. This analysis has also been collated for Lincolnshire and is demonstrated below:

New or Increased Grants	**£m**	**Reduced or Removed Grants**	**£m**
Social care grant	13.4	Rural services delivery grant	9.4
Settlement funding (SFA)	3.2	Services grant	0.8
CSC prevention grant	3.0		
Domestic abuse grant	0.4		
Total	**19.7**	**Total**	**10.2**

3.7 With regards to the Recovery Grant – which is stated as being one-off for 2025/26 and which Lincolnshire does not receive a share of – the Government has published a technical note which sets out how the grant has been allocated. The Recovery Grant allocates funding to local authorities with a greater share of 'need' than share of 'resource'. There are two key factors which meant that Lincolnshire was not entitled to any funding through the Recovery grant. These are summarised below:

- 6% surplus of resources over need for all upper tier authorities – through the calculation methodology, all upper tier authorities were assessed through a standardised score as having 89% of national resources (using average council tax rates for counties and districts). This compares to having a standardised need score of 83%. The disparity in weighting meant that it would be unlikely for any upper tier authority to receive resource, unless there were significant other offsetting factors (e.g. abnormally high deprivation score).

- Standardised council tax rate – the calculation builds in a standardised band D rate for county and district authorities, which has the effect of overstating Lincolnshire's resource assessment. This is because it is assessed as having a band D rate of £1,642.96 which is higher than its actual rate for 2024/25 (£1,578.69). The gap is expected to be bigger in 2025/26 due to the council tax proposal.

In summary, the 6% misalignment described above and the standardising of the council tax rate for counties were the primary drivers of why the Council did not receive funding. These factors are why only one County Council (Lancashire) received a funding allocation, with their allocation (circa £5m) amounting to 0.4% of their 2024/25 core spending power.

3.8 The final settlement was published on 3rd February 2025, and substantively confirmed the position from the provisional settlement. However, there were four refinements/confirmations to note:

- The provisional settlement set out a methodology for calculating compensation through the Employer National Insurance Contributions Grant but did not state an allocation, with it to be published alongside the final settlement. The final settlement confirms the Council's allocation is £4.242m, which is £0.615m higher than the Council had assumed which was based on the provisional settlement explanatory note.

- The CSC prevention grant has been uplifted by £0.253m from the £2.966m announced in the provisional settlement. The Government confirmed in the provisional settlement that an additional £13m would be allocated nationally in the final settlement, with the actual uplift being £20m.

- The new homes bonus allocation has been refined down by £0.002m

- Confirmation of £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 in the revenue budget during 2024/25).

Overall, the refinements increase forecast funding in 2025/26 by £0.866m, with additional cost assumed for the CSC prevention grant uplift (£0.253m), a net gain of £0.613m

3.9 The approach taken during the settlement process provides indications of how the Government might approach Local authority funding reform during 2025/26 for implementation in 2026/27. Within the consultation, there is reference to some councils being able to afford to show council tax restraint and provide better services, and therefore there is a proposal for the measure of council tax income to change to an assumed 'level' (e.g. by using average band D rates), and adjusting grants accordingly. There is a plan to simplify relative needs formulae (currently 15 formulas with over 120 drivers of demand) and a proposal to simplify the approach for non-social care services (focus on population) and revise formulae for social care services. All factors combine and amount to a fundamental change in approach.

3.10 Whilst there is lots more within the consultation, the reality is that the Government have already started to adopt some of the above in the 2025/26 settlement. This can be seen through the recovery grant methodology – which uses standardised council tax rates and uses a new formula to determine need, and the new CSC prevention grant – which uses a new interim formula rather than existing formula.

3.11 This is a significant area the Council will need to remain engaged in over the next year, so that the Council fully understands any potential implications as soon as data is published, and so that regular reporting can be provided. The changes set out amount to fundamental reform, which has not occurred for well over a decade.

Other Revenue Government Grants

3.12 The following grants are assumed for 2025/26:

- The Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs will continue at £0.128m for 2025/26;

- That the Council will receive a new Fire pension grant to offset the cost pressure brought about by the change in the pension contribution rate;

3.13 The Department of Health and Social Care have confirmed the Council's Public Health grant allocation in 2025/26 is £39.077m. Confirmation came after the finalisation of the budget report and budget book – which had made an assumption with regards to a previously communicated funding uplift – and therefore a further adjustment will be required during the 2025/26 financial year to bring the public health grant to the full allocation for 2025/26.

3.14 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 are expected to amount to £65.1m in 2025/26 (£64.1m in 2024/25) to fund Adult Care Services.

Council Tax (Rate)

3.15 The Secretary of State in the "Referendums Relating to Council Tax Increases (Principles) (England) Report 2025/26" confirmed that the referendum threshold for increasing Council Tax is set at 5% for the County Council in 2025/26 (comprising 2% for expenditure on adult social care, and 3% for other expenditure).

3.16 The budget report proposes that Council Tax be increased by 2.99% in total, comprising 0.99% for general council tax and 2.00% for adult social care for the 2025/26 financial year. The Council Tax increase of 2.99% will generate additional income of £11.7m in 2025/26.

3.17 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 2.99% is therefore not excessive.

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

Council Tax (Base)

3.19 Figures received from the Lincolnshire District Councils show an increase in the tax base of 3,334.3 band D equivalent properties or 1.38%. The change in base will provide the Council with additional Council Tax income of £5.3m per annum at the proposed council tax level. This sum, together with the 2.99% increase in Council Tax yielding £11.7m, will provide total additional Council Tax income of £17.0m in 2025/26.

3.20 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.

3.21 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 2025/26 of 304,407.7 band D equivalents (or £494.9m gross income). There are a series of reductions to the taxbase, totalling 54,394.3 band D equivalents (or £88.4m in foregone income), resulting in a net tax base and rate via the CTB1 calculation of 250,013.3 band D equivalents (or £406.5m income).

3.22 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 248,007.0 band D equivalents which indicates a council tax requirement of £403.2m.

Council Tax (Collection Fund)

3.23 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 £2.4m. This is in addition to precept income for 2025/26.

Business Rates (Tax Base)

3.24 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.

3.25 The analysis shows how the gross taxbase (£608.6m rateable value equating to £324.5m gross rates with additional rate growth of £1.7m assumed) 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 £225.7m. 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.

3.26 For completeness, the Council expects to receive £22.6m from local collection in addition to £0.7m via renewable business rates, totalling £23.3m (2024/25 £22.0m). This is partly due to an increase in the rateable value for the area of circa £8.7m, the standard multiplier being inflated by 1.67% in 2025/26, and the reduction in discount for retail, hospitality and leisure properties to 40% in 2025/26 from 75% in 2024/25. All three factors increase business rate liabilities and therefore local collection, with the retail, hospitality and leisure change reducing the amount of compensation due to local authorities via section 31 grant funding, all else being equal.

3.27 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 £29.9m in 2025/26 (£29.5m in 2024/25), with a net increase comprising an increase in the capping of the small multiplier mitigated down due to the reduction in retail, hospitality and leisure relief.

3.28 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, which for 2025/26 is £100.0m (£99.0m in 2024/25). 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 3.27, which is £20.7m in 2025/26 (£19.6m in 2024/25). The top up grant and top up adjustment account for 78% of the Council's anticipated funding from business rates.

Business Rates (Collection Fund)

3.29 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 2025/26, the forecast is for an overall surplus, of which £0.6m is attributable to the County Council.

Business Rates Pool

3.30 The Council has confirmed that it will continue to remain in a business rates pool in 2025/26 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	2025/26 Budget (£)
EXPENDITURE	
Net Base Budget	652,457,412
Cost Pressures (including inflation)	83,744,220
Savings & Additional Income	(36,567,090)
Other Movements (e.g. service grant funding)	1,684,928
Total	**701,319,470**
RESERVE ADJUSTMENTS	
Transfer to/from Earmarked Reserves	(7,845,165)
Transfer to/from General Reserves	-
BUDGET REQUIREMENT	**693,474,305**
FUNDING	
County Precept	(405,665,278)
Business Rates	(155,828,464)
Non-Specific Government Grants	(41,538,494)
Social Care Grants	(90,442,069)
TOTAL FUNDING	**(693,474,305)**

4.2 Details of all cost pressures and savings included within the budget for 2025/26 are set out in Appendix Q of this Budget Book. This includes an estimate of pay award inflation in 2025/26 of £7.9m, noting that the actual amount will be determined by the 2025 pay award process. The budget also includes other inflationary pressures reflecting national policy choices considered elsewhere.

4.3 The budget proposal considered by the Executive on 4th February 2025 incorporated adjustments to the original budget proposal considered on 7th January 2025, in respect of cost base refinements reflecting slight changes to modelled rates within adult social care and reduction of a cost pressure within Resources with regards to the cost of moving the ERP system to the cloud. Both items amounted to £0.4m additional cost. There were also base budget updates (with further updates incorporated in this report) and a series of net-nil budget book re-categorisations and re-allocations. Finally, the funding base was updated to reflect the declaration of the Council taxbase position and collection fund estimate, which provided a net funding gain for 2025/26 of circa £0.4m and substantively offset the additional cost.

4.4 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 Councils if received between the Executive meeting and the County Council on 21 February 2025*".

4.5 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 following changes were made as part of the update:

- One-off income from the council tax collection fund being £0.027m higher in 2025/26 than had been planned for in the report,

- Income from the business rates tax base being lower than planned by £0.208m,
- One-off income from the business rates collection fund being £0.622m higher than originally planned in 2025/26,

4.6 The final settlement was published in time for inclusion in the tabled update report, with an improvement to the position reported which reflected an in settlement funding following the refinement of grant funding (£0.867m), with some additional cost assumed (£0.253m). The refinements related to an increase in the Employer National Insurance Contributions Grant which had previously been estimated, and an uplift in the CSC Prevention Grant with a cost offset incorporated due to additionality expectations.

4.7 As the final settlement was received in time for the meeting, 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 any further grant changes if received between the Executive meeting and the County Council on 21 February 2025*". There are other changes in respect of the public health grant but as these have been notified very late these will be incorporated via budget transfers during 2025/26.

4.8 A more detailed analysis of the movement in budget for 2025/26 is shown at Appendix J.

5. REVENUE BUDGETS

5.1 Net revenue budgets for 2025/26 are shown in Table 2 below together with the comparison for 2024/25. Appendix S provides further details of the services undertaken in each service delivery area.

Table 2: Net Service Revenue Budget 2025/26

REVENUE BUDGETS	2024/25 Budget (£)	2025/26 Budget (£)
CHILDREN'S SERVICES		
Children's Education	16,047,987	17,148,309
Children's Social Care	100,235,312	113,058,293
ADULT CARE & COMMUNITY WELLBEING		
Adult Frailty & Long Term Conditions	153.182.331	157,272,575
Adult Specialities	116,627,260	134,207,592
Public Health & Community Wellbeing	30,150,325	30,586,801
Public Protection	7,606,413	6,406,413
Better Care Fund	(64,156,449)	(65,156,449)
Public Health grant income	(36,668,270)	(37,104,746)
PLACE		
Communities	101,733,516	110,739,543
Lincolnshire Local Enterprise Partnership	548,278	548,278
Growth	3,272,738	3,346,353
Highways	53,516,613	52,304,322
FIRE & RESCUE		
Fire & Rescue	26,747,768	28,269,768
RESOURCES		
Finance	9,313,913	9,567,967
Organisational Support	18,364,119	18,258,872
Governance	2,997,387	2,926,696
Corporate Property	18,715,148	18,448,864
Commercial	8,589,434	7,785,586
Transformation	7,235,738	7,304,269
IMT	17,954,531	18,084,240
Corporate Services	3,050,619	3,019,619
SERVICE TOTAL	**595,064,711**	**637,023,165**
OTHER BUDGETS		
Contingency	6,000,000	8,000,000
Capital Financing Charges	43,056,480	25,595,670
Other Budgets	11,012,136	33,376,550
OTHER BUDGETS TOTAL	**60,068,616**	**66,972,220**
SCHOOLS BUDGETS		
Schools Block	580,838,416	621,241,205
High Needs Block	130,002,718	139,910,832
Central School Services Block	3,157,402	3,429,901
Early Years Block	69,355,702	100,422,489
Dedicated Schools Grant	(786,030,153)	(867,680,342)
SCHOOLS BUDGETS TOTAL	**(2,675,915)**	**(2,675,915)**
BUDGET REQUIREMENT (pre-reserves)	**652,457,412**	**701,319,470**
Transfer to/from Earmarked Reserves	-	(7,845,165)
BUDGET REQUIREMENT	**652,457,412**	**693,474,305**

* *table incorporates rounding adjustments*

5.2 Appendix Q sets out a summary of changes to budgets in our service delivery areas. 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 cost pressures of £1.100m. No savings are proposed at this stage. A proposed cost pressure (£1.060m) relates to the statutory need to carry out an assessment as part of the Education Health Care (EHC) needs process. Lincolnshire has seen a significant rise in the number of requests and this looks set to be the case without national change to the system.

5.4 A proposed cost pressure relates to the rise in the national living wage (NLW) in April 2025 from £11.44 to £12.21 per hour (a rise of 6.7%). The rise in the NLW will have a direct impact on the costs for delivering direct payments in the support for children with disabilities (£0.040m).

Children's Social Care Services

5.5 Children's Social Care Services are proposing to make savings of £1.000m in 2025/26 and cost pressures of £10.604m. The budget proposal incorporates a £3.219m adjustment which relates to costs associated with the new CSC prevention grant.

5.6 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 opening of two new children's homes (Robin House and Riverhead House) providing more local and high-quality provision.

5.7 The Council has a Children's Services system which is working well and a CiC service which is outstanding, and the Council continues to strive for improved outcomes for children and families. There continues to be an emphasis on prevention from children coming into care and exit planning from the care system where it can be achieved. The number of children subject to a Child Protection Plan (406 at December 2024), which is broadly comparable to last year (398) and the higher baseline reflects the lasting impacts from the public health pandemic and increased pressures and financial hardship upon families at the current time. Child Protection Plans create safety, and early intervention with families and effective risk management continues to take place to ensure that only the right children are subject to a child protection plan.

5.8 A new Children's Social Care Prevention Grant has been announced by the Government for 2025/26 worth £270m nationally, which is intended to support children's social care reforms, enabling investment in preventative activities through Family Help. The ring-fenced funding will have specific grant conditions, which will be set at a similar time to the publication of the final settlement. Lincolnshire's funding allocation is £3.219m for 2025/26. Lincolnshire is currently a Families First for Children Pathfinder Local Authority, whereby it has received grant funding in the last two years to support innovative reforms to Family Help, Child Protection, Statutory Safeguarding Partnerships and Family Networks. At the time of writing the report, the funding and grant conditions for 2025/26 are yet to be confirmed. The Family Hubs programme has been confirmed for one further year with Lincolnshire's 2025/26 allocation being £2.103m, however long-term uncertainty to finding a funding solution remains for proven workstream.

5.9 Lincolnshire's number of CiC is currently 795. The CiC rate per 10,000 is 51 compared with statistical neighbours: 67 per 10,000 and England 70 per 10,000 is favourable, however the demands placed on public finance continue to rise. 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 (the latter has been recognised by national Government and steps to manage this are being considered), which is unsustainable.

5.10 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 (£7.754m) have been necessary to meet the current baseline commitments of CiC placements, which reflects higher CiC numbers and a higher composition in more specialist placements (independent fostering agencies; residential placements and intense needs supported accommodation). Demand for 2025/26 has been considered within the budget requirements, including forecast placement movement. The CiC programme will be focusing on five strategic aims to control future spending levels relating to CiC placements and a savings target of -£0.500m has been set for 2025/26. Increasing demand and price changes are however a common theme across the activities of Children's Services due to the challenging landscape.

5.11 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 £1.402m as a result for 2025/26.

5.12 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] (NMA) in April 2023 (12.4%); April 2024 (6.88%) and April 2025 (3.55%) 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. In the prior two years, Lincolnshire has applied the NMA uplift across all of the fostering age brackets, and the Council is proposing to continue with this approach by applying the NMA of 3.55% from April 2025 (£0.387m) through the budget decision. The Department has confirmed that the funding for the NMA uplifts is provided through the Local Government Finance Settlement through an increase in the core spending powers.

5.13 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, enhancing recruitment and retention and improved value for money.

5.14 A proposed cost pressure of £0.507m 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 from their birth parents which is endorsed by officers. The Council is however required to fund SGOs

[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

(subject to means testing) until the child reaches the age of 18 years. The expected increases make consideration of past trends.

5.15 A proposed cost pressure (£0.416m) relates to supporting increasing cost of strategic provider contracts through either contractual indexation or through hardship / forecast into the future as contracts will be retendered caused by the higher levels of inflation being experienced now, compared to when the strategic provider contracts were established. Options for efficiencies are explored in the first instance when hardship requests are made, 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.

5.16 Children's Services frontline social worker teams have faced 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 were deployed to retain qualified social workers and to support recruitment to those teams. To support the national shortage of social workers, the Council established a social worker apprentice programme. The programme has been 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 (£0.139m) in 2025/26 is the final year of base budget funding for the social worker apprentice programme.

5.17 A further saving of £0.5m has been proposed within social care legal costs through a reduction in Section 31 proceeding costs and pre-proceedings timescales. This proposal considers current spending assumptions.

Adult Care and Community Wellbeing (ACCW)

5.18 Aligned to the Council's corporate planning priority, Adult Care & Community Wellbeing continues to ensure People stay as healthy, 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 2029 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:
    i. delivering our duty of best value to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
    ii. considering 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.
- Deliver a Service Improvement Program within ACCW which will:
    i. Drive a shift in the cost structure away from the traditional/institutional higher cost residential care towards an increased community-based services.

ii. Improve the collective partnership offer to enable people to maintain their independence as long as possible.
iii. Deliver improved customer experience and turnaround times across the end-to-end adult social care pathway.
iv. Enable the use of digital based technology to deliver greater efficiency and cost-effective service solutions.
v. Support practice improvement and the use and implementation of strength-based approaches to maximise people's independence.
vi. Review structures and practice to confirm the most efficient and effective use of resources

- This approach will be delivered and managed via an ACCW Programme Office and will be supported by Corporate Transformation with Executive oversight.

5.21 ACCW funding structure is proposed to continue in 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. 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 LCC contribution towards public health and prevention 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.

5.22 The £18.9m 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 8,000 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 2025 of 6.7% taking it to £12.21 per hour. This rate is a core component of the unit cost the Council pay for commissioned care and is the key driver behind £16.4m of adult social care pressures. (Employers national insurance not included)

- The Market Sustainability and Improvement Grant is continuing into 2025/26. 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

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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.

- £12.8m financial pressure is driven by increasing demand for services across Adult Care and Community Wellbeing. Older persons services are seeing an increase in previous self-funders approaching the council for financial support due to diminishing capital. Demand for working age adults, mental health services in particular, continues to increase by some 3-6% per year. The complexity of the packages of care and increased transitions is behind the need to forecast an additional (gross) £11.8m for adult specialist services.

- 2025/26 will see a continuation of the Discharge Grant through the Better Care Fund (rolled into Local Authority Better Care Grant) to get people out of hospital on time into care settings, freeing up NHS beds for those who need them. This grant is supporting increases in clients being discharge from inpatient care in need of social care support. The services include residential care, homecare and community equipment.

- A service Improvement Program within ACCW has been developed as part of the budget process which identified efficiencies and income maximisation within 2025/26.

- The 2025/26 Public Health Grant allocation is expected to be announced early in 2025.

- Adult Social Care Charging Policy was due for review in 24/25, with minimal changes the policy was approved 6th November 2024. The changes reflected the Disability Related Expenditure decision contained in 24/25 budget process and adherence to national policy.

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. Work is currently underway to prepare a new plan for 2025/26. This is expected to be a roll forward of the 2023/2025 plan, however the opportunity is being taken to review voluntary elements.

5.25 The forecast value of the Lincolnshire BCF for 2024/25 was £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. The fund value is expected to reduce due to the local decision to remove the additional elements, largely around learning disability and mental health, that had been added on a voluntary basis. The growing national focussing of the BCF on urgent and emergency care means that these additional services are no longer well suited to the assurance methodology. Work is ongoing as to how the BCF should be best adjusted in light of the decisions. The joint work in these areas, however, will continue outside the BCF.

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
- Intermediate care services including reablement
- Hospital discharge services

Public Health

5.27 The Department of Health and Social Care have confirmed the Council's Public Health grant allocation in 2025/26 is £39.077m. Confirmation came after the finalisation of the budget report and budget book. The allocation includes a recurrent uplift for the additional pay pressures due to the higher than expected 2024/25 NHS pay awards, and the local government pay award. This element was adjusted for at the previous budget update. Therefore a further adjustment will be required during 2025/26 to bring the public health grant to the full allocation for 2025/26 (£1.972m increase). The Public Health grant will continue to be ring-fenced, requiring local authorities to use the grant exclusively on public health activity and meet other grant conditions.

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. 2025/26 budget assumes a flat cash position. 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.

Financial Risk

5.29 There are several risks which may impact on the 2025/26 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 1.7% built into the non-pay element of the commissioned rates isn't sufficient.

- As set out elsewhere in this report, the Government's decision to increase the rate and reduce the threshold at which employer national insurance contributions apply – from 13.8% to 15.0% and from £9,100 to £5,000 respectively – has a significant cost impact to the Council and significantly to ACCW due to commissioned care costs. The threshold change increases the cost of employment by £615, with a further increase for the rate change element which is variable depending on the pay level. To support commissioned providers, a process is being reviewed to potentially support providers in financial distress.

- The uncertainty over the funding base beyond 2025/26. 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.

Financial Benchmarking

5.30 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:

- Adult Social Care Activity and Finance Report (SALT)
- Use of Resources

5.31 The Adult Social Care Activity and Finance (ASCOF) report tool, takes submitted data in the SALT return and, looks at the value that councils are delivering when activity and financial information is combined. The data shows (alongside published ASCOF information), Lincolnshire County Council continues to deliver good outcomes for good value. Lincolnshire is achieving better outcomes for less budgeted spend than its statistical neighbours.

5.32 The latest Use of Resources analysis, published in December 2024, is being digested. Initial consideration indicates that adult social care services spend less per client than statistical neighbours. 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 2.3 above and the insourcing of Adult Care Finance and Exchequer into Financial Services in April 2024.

Conclusion

5.33 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. The budget proposals aim to reflect the Directorate priorities aligned to the councils Corporate Plan whilst operating within the resources available to it.

5.34 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.

5.35 The budget proposals have been developed alongside, and in accordance with, the Medium Term Financial Strategy.

Place

Communities

5.36 Waste is forecasting £4.736 million of additional costs. The key drivers are £2.526 million increased cost in gate fees covering actual increase in 2024/2025 gate fees and the forecast 2025/2026 inflationary increase we are expecting. A further £1.276 million is expected to arise through inflationary increases across the haulage and operational contracts associated with waste services. There are £0.25 million increased operational costs due to statutory requirement to separately store and haul waste material which contains Persistent Organic Pollutants from 1 December 2024. £0.236 million increase costs in haulage procurement costs and £0.118 million in increased volume resulting from gate fee increases at EFW (index linked).

5.37 The waste budget includes an Energy from Waste Forecast. The income received is based on wholesale energy prices which fluctuate. The 2025/2026 budget is based on receiving the same level of income in 2025/2026 as we did during 2024/2025. There is a risk that we may not receive this income level. The Council holds an inyear contingency as part of its approach to mitigating risk. In recognition of the risk associated with increasing energy from waste income targets, which cannot be guaranteed, a contingency has been created.

5.38 Allocations from a new £300 million Extended Producer Responsibility for Packaging (pEPR) were announced. We expect Lincolnshire to receive approx. £7.482 million for 2025/26. There will be clear expectations on how the funding is to be used. This funding is not likely to be sustained at this level, given its relation to influenceable behaviour whereby providers are likely to take action to reduce packaging which in turn will lead to reduced income in future.

5.39 Home to School's Transport continues to see higher costs in delivery reflecting activity and price increases. This demand-led budget and scale of spending is impacted by many external factors in delivering Lincolnshire's home to school's transport policy. Published studies continue to identify Education travel expenditure is increasing considerably across Local Authorities caused by a variety of challenges both in terms of broader education policy and the wider economic landscape. The increase in spending has been caused by many factors. Firstly, an increasing number of eligible pupils being transported, which is particularly evident for SEND transport with wider SEND system challenges are giving rise to more pupils with an Education Health Care plan. Wider market impacts of providing transport service include the underlying inflation costs associated with providing transport, such as fuel and vehicle prices (and parts) and drivers' wages impacted by living wage rises, combined with the lack of competitiveness of the market in which transport contracts are commissioned.

5.40 The budget proposal for transport incorporates the adjustment set out in the finance settlement relating to the rolling in of the Extended Rights for Home to School Transport Grant (£2.048 million).

5.41 Inflationary increases of £0.174 million for Public Transport Contracts are also built in.

<u>Growth</u>

5.42 In 2024/25 there was a Ruling group amendment to increase investment in the green masterplan delivery, tourism and public rights of way of £1 million which is removed from Growth and Environment in 2025/26 and in Flooding there was a Ruling group amendment to increase investment in the flooding team by £0.878 million in 2024/25 only. This is removed in 2025/26 and results in the negative cost position for Environment.

<u>Highways</u>

5.43 In Highways there is a £0.200 million cost for improving data capture and streamlining the invoicing process for 3rd party claims arising from damage to Highways assets following road traffic incidents.

5.44 Continuing inflationary pressures in the construction sector result in an expected increase of £1.03m in the cost of plant, labour, materials and equipment in the Highways maintenance contract.

5.45 The 2024/25 ruling group budget amendment of £2.5 million to maintain highways investment has been removed in 2025/26 as it was a one off investment.

Fire and Rescue

5.46 There is a £1.399m cost increase due to the Employee Pension Contribution increase from 28.8% to 37.6%. However, it is anticipated that there will be additional grant to cover this and therefore an assumption has been made in respect of this in the 2025/26 budget proposal.

5.47 The National change in the availability payments for on call staff which comes into place 01/01/2025. This will impact both our current and future workforce, however, this additional cost of £0.766m is assumed on the current workforce

5.48 There is a pressure of £0.496m for the Control Programme Revenue (including internal project costs and supplier costs (Phase 1 & 2).

5.49 There are an amalgamation of smaller cost pressures, including: airwave change in volume usage (£0.116m), fleet maintenance (£0.200m), fire control establishment (£0.160m), officer response vehicles (£0.085m), phasing out of the fire link grant (£0.076m), and green book contractual changes to enable twenty four hour working (£0.065m).

5.50 The budget proposal reverses the £0.4m one-off investment in 2024/25 which enabled purchase of an additional pump and vehicle for flood response, in addition to planned efficiency savings totalling £0.088m achieved through a change in performance software and income generation.

Resources

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

- £0.6m of additional cost which relates to additional investment in IT security and the control environment, in addition to ongoing costs associated with the interventions within the Boole Programme, which are more than offset by forecast savings set out in the savings section. This ensures the service has access to the right infrastructure and tools to better support the future and changing needs of the Council.

- Following the in sourcing of transactional finance and payroll in 2024/25, a combination of harmonisation onto LCC terms and conditions, system and process investment and the establishment of a front door transactional delivery model previous delivered by the Customer Service Centre has equated to a budgeted cost base increase of £0.4m in 2025/26 across both areas. Taken together, this investment will enable stabilisation of service delivery, and thereafter efficiencies enabled by more efficient and effective processes.

- The directorate has a relatively high exposure to inflationary pressures because of the contractual arrangements in place to support the delivery of support services. The recent economic stabilisation of inflation has resulted in a reduction in future years inflation on key contracts such as the Customer Service Centre and the Facilities Management contract. While significantly reduced, key inflation across corporate property, commercial, IT and transformation (systems), is expected result in a cost pressure of circa £0.5m.

- The Council's enterprise resource planning (ERP) system provider requires the Council to move to a cloud based contract, which is forecast to be £0.3m more expensive than the current cost. There are operational benefits associated with the change which moves away from physical infrastructure.

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

- In the budget proposal for 2024/25, savings associated with the re-procurement of the customer service centre contract were assumed, with half to be delivered in 2024/25 and the remainder in 2025/26. The budget proposal for 2025/26 assumes the remaining £0.9m is delivered.

- There are forecast savings associated with the investment in the Boole programme (£0.3m), in addition to a further saving in IT which is reflective of an inflation overestimate in 2024/25 on the wide area network contract (£0.2m).

- The vacancy rate within business support is currently trending slightly higher than the budget currently assumes, and therefore the budget assumes for the vacancy factor to be increased by 2% (£0.3m).

- The Council set 1% efficiency targets as part of a previous budget setting process, to be delivered over 2023/24, 2024/25 and 2025/26. Some savings have been delivered already across the directorate, and the remaining £0.4m is planned to be delivered in 2025/26 with future efficiencies planned beyond.

- The Property Rationalisation workstream continues to progress with the manifesto pledge reduction in office accommodation target set to achieve further savings of £0.2m in 2025/26 with most of the programme anticipated to be fully delivered in 2026/27.

- As a result of further Valuation Office Agency reviews following appeals on rateable value to cultural assets, business rates are forecast to reduce by £0.2m in 2025/26, primarily owing to the significant valuation appeal at the Lincoln Museum.

Corporate Services

5.53 The only change relates to a modest efficiency target which had been planned for in 2022/23 budget setting.

Other Budgets

5.54 Other Budgets incorporates central and technical budgets which do not relate solely to one service or directorate. This includes elements like historic pension obligations and the ongoing revenue cost of capital financing. In addition, other budgets contains allowance for inflation (e.g. pay award and national insurance), plus the in-year contingency budget which is proposed to be £8m for 2025/26, which incorporates an additional £2m which offsets a planned increase in forecast energy from waste electricity income, due to there not being fully certainty of achieving the increase.

5.55 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 2025/26. The cost of the pay award is estimated centrally and allocated to services when the pay award is agreed and the cost known. For 2025/26, a global 3.5% increase has been assumed for pay costs, at a cost of £7.823m. The actual pay award will be influenced by the forecast national living wage for April 2025, and the forecast rate of forward inflation. 3.5% 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.

5.56 As set out elsewhere in this report, the Government's decision to increase the rate and reduce the threshold at which employer national insurance contributions apply – from 13.8% to 15.0% and from £9,100 to £5,000 respectively – has a significant cost impact to the Council. The threshold change increases the cost of employment by £615, with a further increase for the rate change element which is variable depending on the pay level. The budget proposal contains adjustments for two elements, with the first factor funded by Government as set out below:

- Cost for LCC employees – the assessed cost of the national insurance change for the Council's workforce has been calculated as being approximately £5.5m. The provisional settlement confirmed an approach for allocating funding, with an allocation confirmed in the final settlement as £4.2m. The budget proposal currently assumes a cost pressure within the contingency for the additional cost, with the funding base incorporating the amount confirmed in the final settlement. This amounts to a net pressure for the Council.

- Cost for LCC suppliers – there will also be cost implications for external providers, who employ staff to deliver services through a contractual relationship with the Council. The impact is not uniform, because the percentage uplift is dependent on a range of factors for each contract including: contract value, proportion relating to staffing cost, average salary estimate (lower proportionate impact for higher paid staff), average FTE of staff within the contract. The other factor to be taken into account is whether the Council is contractually required to change the rate as a result of the change. The Government has confirmed that Councils will not be compensated for external impacts, and therefore the Council cannot afford to absorb the full cost and will therefore establish a process to manage the cost appropriately, only adjusting rates where contractually required to do so, and in a way that evidences the financial impact by considering the variable factors set out in this section.

5.57 The Council holds an in-year contingency as part of its approach to mitigating risk. In recognition of the risk associated with increasing energy from waste income targets to 2023/24 levels within Place, which cannot be guaranteed, a contingency has been created for an equal and opposite amount to provide a means by which to offset if income does not materialise at the planned level.

5.58 Directly linked to the Council's annual pay bill is the Apprenticeship Levy of 0.5%. As reported in financial updates to the Executive during 2024/25, there is a pressure against this budget which the proposed 2025/26 budget is seeking to address via an increase of £0.2m.

5.59 The Council funds the cost of pre-2000 legacy pension liabilities. As reported to the Executive during 2024/25, the Council is forecasting an in-year underspend against this budget due to the historic liabilities reducing over time and being subject to a lower than anticipated rate of inflation. This budget will be rebased in 2025/26 by reducing it by £0.2m to better reflect the forecast level of spend.

5.60 Recent increases in the ESPO Dividend that the Council receives have been driven by the growth in ESPO's surplus and a post Covid bounce back. The budget for this income will be increased by £0.1m to reflect this.

5.61 There are two changes to reflect as part of capital financing planned savings:

- The first element relates to lower forecast capital financing costs based on the as is policy approach, and primarily reflects lower net interest costs due to a deferred need to borrow and higher interest on savings balances currently being received. This is mitigated slightly by a slight increase in minimum revenue provision, but overall the budget assumes savings of £8.0m, which reduce annually thereafter reflecting re-phased delivery of the programme.

- The second element relates to the proposed policy decision to change the accounting methodology for calculating minimum revenue provision on post 2008 capital spend from the straight line method to the annuity method. This change adjusts the profile of minimum revenue provision, with a lower provision required up front and a higher provision required in later years. This change is consistent with the approach taken by many local authorities. The short-term saving forecast for 2025/26 is an additional £9.4m, which decreases on an annual basis thereafter.

Schools

5.62 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2025/26, 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 2025/26 is £867.680m and will be used to support all schools in Lincolnshire including Local Authority schools and academies. Lincolnshire Schools block value is £621.241m. Over two-thirds 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 123 mirroring[2] the NFF in 2024/25.

5.65 In 2024/25, Lincolnshire continued to adopt the monetary values of the NFF factors, however due to the increase in Free School Meals (FSMs) recorded on the October 2023 census resulting from the pandemic and cost-of-living challenges, of which Local Authorities are expected to finance this increase through their Schools block allocation, Lincolnshire undertook two steps in order to ensure the affordability of the NFF:

- Reduction of the Schools Growth funding budget by £1.438m whilst still ensuring the Council fulfilled its statutory duty of providing school places for pupils in Lincolnshire.
- A downward adjustment of 0.072% of the Key Stage Age Weighted Pupil Unit (AWPU) values from the Government's NFF rates (£0.223m).

These measures of addressing affordability of the NFF were formally approved (I030814).

5.66 Following the general election the Education and Skills Funding Agency (ESFA) confirmed that the Government are investing an additional £2.3bn for mainstream schools and high needs for 2025/26. Overall core schools funding will increase to £63.9bn in 2025/26 compared to £61.6bn in 2024/25, real terms growth of 1.8%. £1.0bn of the £2.3bn increase will be allocated to High Needs, resulting in High Needs funding nationally being £11.9bn in 2025/26 (£11.2bn through the High Needs block). The ESFA has confirmed that mainstream schools NFF is increasing by 2.23% per pupil on average in 2025/26 compared to 2024/25 from formula factor increases and pupil characteristic changes. This includes the funding of the full year effect of the 2024 teachers' pay awards (1.28% increase). Overall, a tightening of the fiscal funding policy for schools in 2025/26, and at this stage, schools will be required to budget for next year's pay award through this funding settlement

5.67 The High Needs block allocation is £140.955m for 2025/26, an increase of £9.956m. Local Authorities will be protected under the formula by seeing a minimum increase of 7% per head in 2025/26 compared to their 2024/25 High Need block allocation. To ensure Lincolnshire receives its 7% per head funding uplift, in addition to the national high needs formula, it receives protection funding of £6.802m (or £46.13 per pupil) within the funding allocation. The high needs funding formula basis for distributing funding to Local Authorities has moved towards more funding going through population and proxy factors.

5.68 Even allowing for the careful management of the DSG; focus on early intervention, and a strong financial position compared to many Local Authorities, the Council set a budget based on a planned overspend on its High Needs block of £8.145m in 2024/25, which would be met by one-off DSG reserves. This is in the context of Lincolnshire High Needs block funding for 2024/25 of £130.999m.

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

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5.69 Like nationally, Lincolnshire has seen significant growth in demand and price changes with more young people requiring specialist support, including an increased need for specialist placements, whereby mainstream schools are unable to meet need. This surge reflects both demographic changes and increased awareness of SEND needs, but it poses a challenge in terms of capacity and resources. This is having a material financial impact on the High Needs block spending. The financial position has however escalated further, which the Council forecast an overspend of £12.991m at quarter 2 with available uncommitted DSG reserves of £13.000m. There are considerable financial risks relating to the consistent growth in the level of demand and the additional reserve usage remaining in the current year. Lincolnshire is now at an imminent risk of going into a DSG deficit.

5.70 With the nature of the services that the High Needs block provides, which is driven by large, demand-led activities, (e.g. SEND-related budgets, including independent placements; top up funding for Education Health Care (EHC) plans for mainstream schools; special school placements; meeting the education needs for pupils through alternative provision arrangements following permanent exclusions, and added with the cost rises being seen), it is difficult to change spending levels quickly, as can be demonstrated with the number of Local Authorities involved and the size of their deficit, and the position being seen here in Lincolnshire.

5.71 In Lincolnshire, transformational work is still considered fundamental to securing further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable. Lincolnshire's Inclusive Ambition which incorporates a system ambition aims to ensure that the majority of children with SEND can fulfil their potential in mainstream settings where practitioners are clear how to meet their needs and the right support is available to do so at an early stage

5.72 Lincolnshire indicative Early Years block funding is £100.496m in 2025/26, which supports seven relevant funding streams:

- the early years universal entitlement for 3- and 4-year-olds
- the early years additional entitlement (30 hours) for 3- and 4-year-old children of eligible working parents
- supplementary funding for Maintained Nursery Schools.
- the Early Years Pupil Premium (EYPP)
- the Disability Access Fund (DAF)
- the early years entitlement for disadvantaged and working 2-year-olds
- the early years entitlement for under 2's for working parents (from September 2024)

5.73 The Government will be spending £8.483bn on early years entitlement in 2025/26. By September 2025, working parents of all children over the age of nine months until they start school will be entitled to 30 hours childcare support. This will be rolled out in phases.

5.74 The Council established the structures to the early years local funding formulas in 2024/25 (I030817) for the early year's entitlements, and these will continue to operate in 2025/26 with updated Government funding levels

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 2024 the balance stood at £16.4m. A reallocation of £3m to the general fund from service reserves has been made during 2024/25, to increase the proportionate value of the general fund to higher up the target range.

6.2 Given the uncertainty of the Council's future funding and the scale of the projected gap in our funding requirement, it is deemed prudent to further increase the general reserve by £4.8m to a total of £24.2m, which will bring the general fund reserve to the top of the target range as the Council approaches a challenging period. This will be achieved through reallocations from service reserves

6.3 The Council's budget proposal for 2025/26 incorporates social care pressures well in excess of the increase in social care specific funding, and therefore the adult care reserve is planned to be utilised to support a balanced budget being achieved in 2025/26. This is intended to preserve corporate reserves as the Council heads into a challenging period.

6.4 An amendment was approved at Full Council to create a new Emergency Flooding Reserve with a value of £1m, drawn from the Financial Volatility Reserve leaving a residual balance on that reserve of £45.9m.

6.5 The forecast deficit beyond 2025/26, which can be seen in the Council's financial strategy (appendix E), is of a material level and is subject to change through the numerous variables which are referenced in this report. The reserve statement does not assume that the financial volatility reserves is utilised beyond 2026/27 primarily due to the uncertainty and also due to the cumulative deficit being in excess of the value of the financial volatility reserve.

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

7. CAPITAL PROGRAMME

7.1 The proposed capital programme includes an updated programme for 2024/25, as well as a series of adjustments which incorporates additions to the programme including for cost pressures, programme reallocations, programme re-phasing and refinements to externally funded schemes where better information is now available. Furthermore, the programme also incorporates spend which is planned to be funded through annual revenue budget, revenue reserves (e.g. development fund) and capital grants received in previous years.

7.2 The Council maintains a 10-year capital programme, although it should be noted that the Council's appetite for capital investment needs to remain linked to its longer-term projections for spending power. This ensures that the capital programme remains affordable relative to anticipated resource availability. As discussed in detail elsewhere in this report, there has been significant funding uncertainty in recent years and this remains the case beyond the 2025/26 financial year, albeit there will soon be greater certainty once the outcome of the spending review and funding reform is known. At that point, the Council will be better placed to understand future investment affordability.

7.3 The Capital Programme has been compiled in line with the principles set out in the Capital Strategy, including the principle of Affordability. The full Gross Programme is shown at Appendix O and totals £260.6m for 2024/25 plus a further £707.2m for future years. After grants and contributions are taken into consideration, the Council has a Net Programme of £128.2m for 2024/25 plus a further £428.9m for future years. The overall capital programme and its funding are shown in Table 3 below:

TABLE 3 – Capital Programme

Capital	2024/25	2025/26	2026/27	2027/28 - 2033/34*
Total Investment	**260,575,291**	**236,485,073**	**124,356,044**	**346,401,737**
Funding				
External Funding				
Capital Grants (in year)	(105,439,524)	(140,772,672)	(55,148,468)	(59,890,785)
Capital Grants (received in prior years)	(26,936,602)	(7,683,174)	(14,805,828)	-
Total	(132,376,126)	(148,455,846)	(69,954,296)	(59,890,785)
Internal Funding				
Borrowing	(71,924,096)	(69,553,838)	(36,884,208)	(164,787,654)
Capital Receipts	(5,000,000)	(5,000,000)	(5,000,000)	(35,000,000)
Revenue (base budget)	(27,488,190)	(12,558,389)	(12,517,540)	(86,723,298)
Revenue (reserves)	(23,786,879)	(917,000)	-	-
Total	(128,199,165)	(88,029,227)	(54,401,748)	(286,510,952)
Total Funding	**(260,575,291)**	**(236,485,073)**	**(124,356,044)**	**(346,401,737)**

**amended from 2034/35 as shown in previous reports*

7.4 An overview of the capital programme in each directorate is considered in this section. This includes reference to where changes have been made. The main changes to the capital programme through the budget setting process are explained in this section.

7.5 There are proposed additions to the programme as considered below:

- Economic Investment Fund – on 3rd December 2024, the Executive approved the creation of an economic investment programme which will enable the Council to build, service, or extend business sites according to local requirements. The programme is proposed to run from spring

2025 and it is expected that it will generate c. 3,000 good quality jobs in the area. The proposed investment is £20m which has been added to the Place capital programme, profiled across 2025/26 to 2029/30.

- Spalding Western Relief Road (£4.600m) – the scheme has now concluded and requires an additional £4.6m in funding. This is considered to be a worst case scenario estimate due to a compensation event currently under discussion.

- Winter maintenance (£0.590m) – there are cost pressures associated with the scheme due to overprogramming reflecting the purchase of previously leased units reflecting supplier challenges.

7.6 There has been some re-phasing undertaken to ensure the programme remains in line with delivery timescales. A total of £11.007m has been re-phased from 2024/25 to ensure the budget remains aligned with latest delivery timescales.

7.7 In addition, there has been some reallocations from within the existing programme to ensure the programme remains current. This relates to the changes set out below:

- Reallocation of SEMH school funding – the original request for funding of £13m for the SEMH School Sleaford project, agreed by Executive in October, has been superseded due to this project being successful in the Wave 4 application for Free Schools construction. It is proposed to reallocate £4.5m to the West Grantham CofE Primary Academy development to further increase special school capacity. The remaining budget of £8.5m will be allocated to SEMH School Sleaford for site abnormals, additional risk and any changes in design which may be required.

- Nettleham roundabout – funding is proposed to be reallocated to this scheme from Local Highways Improvements (pinchpoints) to Support Coastal Route.

- The budget for the Lincolnshire Archives project (£2.5m in 2024/25 and £1.5m in 2025/26) is proposed to be split out from the Lincolnshire Museum project budget.

- Forecast funding from s106 contributions associated with Spalding Western Relief Road have been reallocated from other budgets to Place.

7.8 There are refinements to grant funding, which incorporates building in grant funding estimates or actuals where known, or updating previous estimates. The key changes are as follows:

- Highways Asset Protection grant (£60.441m)
- Bus Service Improvement Plans (£5.760m)
- Lincolnshire Secure Unit (£41.154m)
- Capital funding from devolution (£20m), which is split over six schemes as reported to the Executive in February 2024
- Basic Needs funding for Provision of School Places (£1.5m in addition to £20.035m already in the programme).

7.9 Finally, it is proposed that the capital programme be amended to incorporate planned spend which is funded through revenue (including reserves) and capital grants received in previous years. The key changes are:

- Revenue base budget – several years ago, the Council increased its council tax increase linked to a decision to replace a reduction in highways grant funding of approximately £12.4m. This remains part of the revenue base budget and is contributed to capital during the financial year. The proposed change is to incorporate the planned revenue contribution across the life of the programme, and adjust only when there is a change in planning within the revenue budget.

- Development fund – the Council has supported additional investment in the capital programme through the development fund. This is normally brought into the programme during the financial year. As with above, the proposal is to incorporate planned spend through revenue reserves including the development fund so that the programme reflects the full planned spend.

- Capital grants received in previous years – the Council has approximately £76m of capital grants received in previous years which only come into the programme when a drawdown is to be made. The proposed approach is to plan for their usage and update the phasing accordingly.

7.10 There is a modest balance remaining in the new development capital contingency in 2024/25 of £3.6m, with an annual block £5m budget earmarked between the period 2026/27 to 2033/24.

7.11 A consideration of the key updates by directorate follows.

Children's Services

7.12 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 all capital funding made available by the Department for Education (DfE) for schools to enable it to manage critical priority issues.

7.13 An allocation for Provision of Schools Place Basic Need Grant has previously been confirmed for 2025/26 as £21.536m. This funding allows 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 2026 school place pressures are accounted for with potential solutions in place. This was outlined within the Education Provision Planning decision report I034163 (24 October 2024). The Government plan to announce Basic Need capital allocations for both 2026/27 and 2027/28 by the late Spring, based on pupil forecasts for September 2028, which will support Lincolnshire's future financial planning.

7.14 The Government capital funding allocations for Special Educational Needs; Schools Conditions and Devolved Formula Capital have not been confirmed for 2025/26. The 2024/25 allocations were however: Special Educational Needs (£10.417m); Schools Conditions (£4.843m) and Devolved Formula Capital (£0.953m).

7.15 Capital funding of £1.461m was made available in 2023/24 to support the rollout of the early years entitlements. This was added to by converting £0.780m of Early Years block underspends from the Dedicated Schools Grant to support the sufficiency of childcare places in Lincolnshire, which received Secretary of State approval. Overall, c.25% of the overall budget is spent, therefore further development of childcare places will take place during 2025/26.

7.16 The Building Communities of Specialist Provision; Together in Lincolnshire Strategy has made significant changes to the existing special education provision, creating an integrated and sustainable school system where pupils with all complex needs can attend their nearest special school, confident that their education and health needs can be fully met. The programme is due to for completion by Summer 2025 and has increased the special schools estate by 425 places, with a further 102 places becoming available in phases by September 2025. The overall programme budget of £101.8m is on target.

7.17 The Executive approved Building Communities of Specialist Provision Strategy – Phase 2 (I033697) in October 2024, which is to further enhance Lincolnshire's education offer to children and young people with additional needs. Council capital funding approved in the capital programme in 2024/25 to support the increase in Special Educational Needs and Disability (SEND) capacity (£13.000m) along with the DfE Special Educational Needs capital funding (£11.881m) will finance this strategy and plans to increase SEND capacity through:

- a new Social Emotional and Mental Health School for 154 pupils aged 5 to 16 years, at a cost of £7.251m to the Council, approved as part of the DfE Wave 4 Free School process, which is providing additional capital funding of £16.987m.

- an eight-classroom expansion to Grantham Additional Needs Fellowship (GANF) special school, providing an additional 96 places for a cost of between £7.700m and £9.500m, with a Council contribution of £4.500m, with the rest of the funding earmarked from the DfE High Needs Capital Allocation (£5.000m).

- further minor works at two special schools to create an additional six classrooms and up to 56 places, at a cost of £0.606m from the DfE High Needs Capital Allocation.

- strengthening the Council's mainstream offer by developing Mainstream SEND hubs and Alternative Provision hubs, to ensure children and young people have access to the right education, health and care provisions, at the right time, as close to home as possible (£7.249m). This intends to fund up to 20 Mainstream SEND Hubs (16 primary and 4 secondary) providing a maximum of 200 places for children and young people with EHC plans. The process of identifying these schools and the extend on capital works involved is in progress. At least three new Alternative Provision settings within mainstream schools will be developed providing up to 32 additional places.

7.18 This strategy is in response to growth in the number of EHC plans (9% from the prior year), adding further pressure to the system and the demand for specialist provision continues to grow. The Council will consider the new Government's national SEND reforms in its planning on the use of the 2025/26 DfE Special Educational Needs capital funding.

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

7.20 Children's Services has other capital funding earmarked within the capital programme; this includes funding for:

- a short stay 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.
- the Schools Mobile Replacement (£0.3m): to support the increasing costs of mobile replacements to 2025/26 in addition to DfE Schools Conditions.
- Foster Carer capital (£0.050m): to support carers with small adaptations, such as appropriate transport provision to enable placements to take place, whether that is for children in care with disabilities, or larger sibling groups

7.21 The Council is building a new secure home funded by DfE grant funding in 2025/26 (£41.154m) with the build planned to be completed during 2026. Overall capital grant spending is planned to be £79.755m.

Adult Care and Community Wellbeing (ACCW)

7.22 The Council agreed to increase the Adult Care and Community Wellbeing capital allocation by transferring the 2022-23 underspend from revenue to capital. Total allocation was £15.695m. Total of £5.712m remains unallocated.

7.23 £12.071m has been approved for investment in housing opportunities. De Wint has been completed and works on Diamond Place are in progress and planned to be completed financial year 2024/25. Market Rasen is due to commence during financial year 2024/25, with completion expected during financial year 2025/26. £3.398m remains to be allocated.

7.24 Further allocation of £3.133m towards improvements to day services. Work has progressed at Ancaster Day Centre, (now renamed Boundary Street Hub). £2.314 is still to be allocated.

Place

7.25 On 3rd December 2024, the Executive approved the creation of an economic investment programme which will enable the Council to build, service, or extend business sites according to local requirements. The programme is proposed to run from spring 2025 and it is expected that it will generate c. 3,000 good quality jobs in the area. The proposed investment is £20 million which has been added to the Place capital programme, profiled across 2025/26 to 2029/30.

7.26 There are internally funded additions made to the programme in respect of:

- Spalding Western Relief Road (£4.600m) – the scheme has now concluded and requires an additional £4.6m in funding. This is considered to be a worst case scenario estimate due to a compensation event currently under discussion.
- Winter maintenance (£0.590m) – there are cost pressures associated with the scheme due to overprogramming reflecting the purchase of previously leased units reflecting supplier challenges.

7.27 With regards to Highways, the Highway Asset Maintenance programme has been updated to reflect grant allocations for 2025/26 which have been confirmed by the Department for Transport (£60.441m). This reflects an increase from previous years.

7.28 In addition, confirmed grant funding for Bus Service Improvement Plans (£5.760m) has also been built into the programme.

7.29 Capital funding enabled by devolution, split across six schemes as previously reported to the Executive, has been built into the capital programme (£20m).

7.30 Funding has been reallocated and re-phased from the Local Highways Improvements (pinchpoints) to the Nettleham Roundabout project.

7.31 Major road scheme budgets have been updated to reflect latest forecast scheme costs (Grantham Southern Relief Road and Spading Western Relief Road).

7.32 The budget for the Lincolnshire Archives project (£2.5m in 2024/25 and £1.5m in 2025/26) has been split out from the Lincolnshire Museum project budget.

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

7.34 Finally, there are also changes to the programme which reflects the adjustments set out in point 7.9. This builds in the annual revenue budget contribution (circa £12.4m), planned use of development fund funding where known and planned use of capital grants received in previous years. This increases the programme significantly and brings it closer into line with delivery plans.

7.35 There is risk associated with the budget for the Grantham Southern Relief Road project which may require additional budget being made available at a later date.

7.36 Please note that with regards to North Hykeham Relief Road, there are no changes in the proposed budget, but that the Council remains committed to the programme and will update the budget as necessary in future which includes for any necessary agreed scope changes with cost implications and any outcomes associated with the public inquiry.

Resources

7.37 IT – whilst there are no changes to the budget envelope, it is worth highlighting that IT investment for 2024/25 and 2025/26 is being concentrated into IT infrastructure through the Boole Programme, which is intended to ensure a sound baseline for when the new IT delivery service contract is implemented in 2026. This encompasses investment in network infrastructure, cloud and data centre, security, and applications & data.

7.38 Property – in line with previous commitments, a property repairs & maintenance strategic investment plan is due to be delivered in early 2025. This will seek to set out more information than has previously been shared with regards to planned spend on Council assets. This is a developing area which will continue to be expanded upon.

Other Programmes

7.39 The Council receives 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 2025/26.

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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 There has been a change in the calculation methodology for the two measures which compare financing costs with the net revenue stream. The calculation has historically included dedicated schools grant (DSG) funding within the funding component. However, as the grant is provided in support of local authorities' schools budgets, it cannot be used to fund capital financing costs and therefore the formulae have been adjusted. This has the effect of increasing the proportion of financing costs through reducing the funding base (i.e. net revenue stream). Please note that previous years have not been updated and this has been identified within the appendix.

8.3 In addition, the proposed change in the way the Council accounts for minimum revenue provision also has an impact on the prudential indicators. This is through reducing the short-term revenue cost of capital financing, which reduces the financing cost compared to the net revenue stream. It also means that, by setting aside a lower amount of minimum revenue provision in the short-term, the Council's capital financing requirement is higher than it would have otherwise been.

8.4 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 and council tax. This is projected to be 4.37% in 2025/26, increasing annually thereafter.

9. MINIMUM REVENUE PROVISION

Minimum Revenue Provision Policy Statement for Repayment of Debt 2025/26

9.1 In accordance with statutory guidance and regulations issued by the formally named Department for Levelling Up, Housing and Communities (DLUHC), now the Ministry for Housing, communities and Local Government (MHCLG), 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 Statutory Guidance on Minimum Revenue Provision (MRP), 5th edition, issued in April 2024 which comes into force on 1st April 2025.

9.2 The Council's current policy for calculating MRP adheres to the revised Statutory Guidance in full, and as such allows a level of prudent MRP to be charged in 2025/26.

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, the justification and impact of any changes to methodology from the previous year, have been included in the table below:

Borrowing	MRP Repayment Basis	Change to Previous Year
Pre 1st April 2008 Supported 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. We will move to the **Asset Life Annuity method** for 2025/26. 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, whilst still resulting in a prudent charge of MRP.	Will move to **Asset Life Annuity method,** in line with Statutory Guidance, for borrowing taken prior to 1st April 2008 for Supported capital expenditure from 2025/26 onwards. Moving to Annuity method would reduce the MRP charged in this area in earlier years (£2.95m in 2025/26) and this reduction is reprofiled over the remaining life of the assets to be incurred in later years in the asset profile.
Unsupported Debt-2008/09 onwards	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 is deemed prudent and links 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.	
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.	
Loans made for a Capital Purpose for Service Reasons – (including loans made to Wholly Owned LCC Companies)	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.	
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 Commercial loans made primarily for return, however this type of loan is against Council policy and hence the Council has no such applicable loans.	

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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 future years in order to smooth out capital programme financing requirements over future years. It is not intended to drawdown VRP to offset the MRP provision in 2025/26.

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 by 3rd Parties	Useful life of assets which loan is used to purchase by 3rd Parties
Share Capital	20

10. SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF RESERVES – 2025/26

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 up to 2028/29. 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 2025/26. The government is currently consulting on the objectives and principles of Local Authority funding reform, with an aim of these reforms being in place with a multi-year settlement from 2026/27.

10.4 Whilst a multi-year settlement provides some certainty to assist budget planning over the medium to long term, changes in Government policy set out in the 2025/26 settlement and intimated in the current funding consultation creates serious concern and uncertainty around our future funding levels. An example of this is the mechanism and approach used in shifting funding from rural county areas like Lincolnshire to urban areas like Birmingham, through the replacement of the Rural Services Delivery Grant with the Recovery Grant.

10.5 The budget is predicated on a 2.99% Council Tax increase in 2025/26 where a maximum 5% is allowed. As S151 Officer, I will always recommend setting the maximum Council Tax allowable. This ensures we maximise financial resilience through locally generated resources at the same time as reducing reliance on external resources that could be removed, for example through such changes in government policy which is a risk that has materialised already. The current funding consultation, whilst signalling a further shift towards deprivation based allocation methodologies also introduces the concept of assumed local taxation levels, and again not maximising the increase may work against us in the new funding regime as Lincolnshire is already one of the lowest rate authorities.

10.6 The budget is balanced using service reserves, and whilst that isn't new for us as a council, with further growing deficits in future years, strong organisational focus will be required during 2025/26 on mitigating future demand, further maximising efficiency and reducing expenditure so that future budgets balance without reliance on reserves and therefore ensuring the continued financial resilience of the council.

10.7 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.

2025/26 Budget Process and Proposals

10.8 During the 2025/26 budget process, our expenditure has been reviewed and updated to reflect continuing cost pressures and demands on the councils services. This has been significantly impacted by previous high levels of inflation being set into our base costs and growing complexity of a number of services provided, particularly in social care. This review has ensured the budget reflects an expected baseline of spend in 2025/26 and deliverable efficiencies.

10.9 Our transformation programme is supporting corporate initiatives focused on providing 'good value council services'. 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. In 2025/26, this will be further complemented by the first fruits of the investment in the Boole Programme in IT where we will be starting to automate processes using new technology where it makes sense to do so.

10.10 In support of the budget setting process, 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. Extensive work will be required during 2025/26 to ensure future demand trajectories are well understood and managed.

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

- 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). Given the many mitigations this council has already implemented, such as through the Schools of Specialist Provision programme, without national reform our High Needs Block falling into a growing deficit position, and the corresponding impact on our financial resilience, will be inevitable.

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

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

- Continued reliance on specific grants (which are usually only notified to us one year at a time) to fund core activity, such as the better care grant and social care grant.

- Major short term savings arising from changing elements of our approach to capital financing, but which will increase costs in later years. This approach seeks to apply the annuity basis as the most prudent way of reflecting the benefits flowing from our capital assets aligning to the time value of money.

10.11 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.

10.12 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.

10.13 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.

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

<u>Funding</u>

10.15 The government has provided a single year settlement for 2025/26 and this has been used to forecast future funding income over the period of our MTFP. The government is currently consulting on its objectives and principles for Local Authority Funding Reform, with a view of issuing a multi-year settlement using updated funding formula from 2026/27.

10.16 The government’s consultation of the objectives and principles of Local Authority Funding Reform is stated to be aiming to ‘allocate funding efficiently to reflect an updated assessment of local need and revenues’. We face a risk that in the government’s aim to simplify funding, relevant funding formulas do not reflect the challenges of delivering services in a rural county such as Lincolnshire – this is evident in the removal of the Rural Services Delivery grant in the 2025/26 settlement. Additional grants have been provided for social care, however, these are not keeping pace with the growing demand and complexity of services being delivered in this area.

10.17 A new grant was provided to compensate for the policy changes made to National Insurance Contribution rates and thresholds. However, this has only been provided to approximately compensate for our own workforce, whereas this change is likely to have a significant cost impact to our contracted providers, and subsequent contract costs.

<u>Financial Performance & Resilience</u>

10.18 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.

10.19 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.

10.20 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

10.21 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.

10.22 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 will be set at the level of £8.0m in 2025/26. This level on contingency was set as a direct response to the growing inflationary increases around our cost of delivering services and specific volatility of income generated from the Energy from Waste plant.
- 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.

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

Risks and Issues	Mitigations
Government reforms of local authority funding reducing the grant provided to support the delivery of local services.	Application of maximum available council tax levies when available. Maintaining adequate earmarked reserves to support future financial uncertainty.
Longer term impact of the inflation peak 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.
Impact of government policy change on National Insurance Contribution rates and threshold on contracted providers	Corporate contingency to respond to pressures caused by contract price increases not budgeted for.
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.

10.24 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

10.25 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.

10.26 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 (FVR), has a current value of £46.922m. The recommendations set out in the budget papers do not seek to draw down from this reserve in 2025/26, but do so from other unused service reserves. However, without corrective action the FVR will be needed to support the following financial years over the medium term plan period.

10.27 The following S151 commentary was provided on the amendment put forward at Full Council to create a new Emergency Flooding Reserve of £1m drawn from the Financial Volatility Reserve: The amendment put forward is valid and does not create unfunded cost pressures in future years. Section 10 of the budget report sets out my professional advice in respect of the budget being set and that advice is clear that the Financial Volatility Reserve is maintained at its current value, with future potential additions to be considered. This is in order to maintain financial resilience given the uncertain financial outlook, which is arising from the medium-term financial plan gap, increasing demand and potential funding changes that will likely emerge during 2025/26.

10.28 Given the uncertainty outlined elsewhere in this statement, the council should consider adding further to its reserves, if possible during the year end reporting process, in order to boost financial resilience and mitigate against the challenges posed by the current medium term forecast.

<u>Conclusion</u>

10.29 Taking into account all these factors I am satisfied that the budget for 2025/26 is realistic and reflects our expected service delivery requirements and that the current level of reserves is adequate to mitigate the immediate current financial risks.

10.30 However, the medium term financial outlook for council is less certain with a combination of projected growing demand and potentially less funding requiring decisive action in the short term to ensure we remain financially resilient. The medium term financial strategy will continue to be updated and reviewed to consider the impact beyond 2025/26 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 4 February 2025.

11.2 Businesses, Trade Unions and other public organisations were invited to a budget consultation meeting on 24 January 2025. Comments from participants made at this meeting were collated and presented to the Executive when it considered the Council’s budget on 4 February 2025.

11.3 The Council also invited the public to comment via an online survey on the Council's budget proposals outlined in the 7 January 2025 Executive report. It also welcomed email submissions, of which some have been received and included with the other consultation analysis.

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

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REVENUE BUDGET 2025/26 APPENDIX A

2024/25 Budget		(£)	(£)
	CHILDREN'S SERVICES		
16,047,987	Children's Education	1,100,322	17,148,309
100,235,312	Children's Social Care	12,822,981	113,058,293
	ADULT CARE & COMMUNITY WELLBEING		
153,182,331	Adult Frailty & Long Term Conditions	4,090,244	157,272,575
116,627,260	Adult Specialities	17,580,332	134,207,592
30,150,325	Public Health & Community Wellbeing	436,476	30,586,801
7,606,413	Public Protection	(1,200,000)	6,406,413
(64,156,449)	Better Care Fund	(1,000,000)	(65,156,449)
(36,668,270)	Public Health grant income	(436,476)	(37,104,746)
	PLACE		
101,733,515	Communities	9,006,028	110,739,543
548,278	Lincolnshire Local Enterprise Partnership	-	548,278
3,272,738	Growth	73,615	3,346,353
53,516,613	Highways	(1,212,291)	52,304,322
	FIRE & RESCUE		
26,747,768	Fire & Rescue	1,522,000	28,269,768
	RESOURCES		
9,313,913	Finance	254,054	9,567,967
18,364,119	Organisational Support	(105,247)	18,258,872
2,997,387	Governance	(70,691)	2,926,696
18,715,148	Corporate Property	(266,284)	18,448,864
8,589,434	Commercial	(803,848)	7,785,586
7,235,738	Transformation	68,531	7,304,269
17,954,531	IMT	129,709	18,084,240
3,050,619	Corporate Services	(31,000)	3,019,619
595,064,710	**SERVICE TOTAL**	**41,958,455**	**637,023,165**
	OTHER BUDGETS		
6,000,000	Contingency	2,000,000	8,000,000
43,056,480	Capital Financing Charges	(17,460,810)	25,595,670
11,012,136	Other Budgets	22,364,414	33,376,550
60,068,616	**OTHER BUDGETS TOTAL**	**6,903,604**	**66,972,220**
	SCHOOLS BUDGETS		
580,838,416	Schools Block	40,402,789	621,241,205
130,002,718	High Needs Block	9,908,114	139,910,832
3,157,402	Central School Services Block	272,499	3,429,901
69,355,702	Early Years Block	31,066,787	100,422,489
(786,030,153)	Dedicated Schools Grant	(81,650,189)	(867,680,342)
(2,675,915)	**SCHOOLS BUDGETS TOTAL**	**-**	**(2,675,915)**
652,457,411	**BUDGET REQUIREMENT (pre-reserves)**	**48,862,059**	**701,319,470**
-	Transfer to/from Earmarked Reserves	(7,845,165)	(7,845,165)
652,457,411	**BUDGET REQUIREMENT**	**41,016,894**	**693,474,305**
	FUNDING		
(388,270,010)	County Precept	(17,395,268)	(405,665,278)
(152,667,966)	Business Rates	(3,160,498)	(155,828,464)
(37,654,429)	Non-Specific Government Grants	(3,884,065)	(41,538,494)
(73,865,006)	Social Care Grants	(16,577,063)	(90,442,069)
(652,457,411)	**TOTAL FUNDING**	**(41,016,894)**	**(693,474,305)**

COUNTY PRECEPT 2025/26 — APPENDIX B

Council Tax Requirement

	£
Total Budget Requirement	693,474,305.00
less Government grants and other funding	287,809,027.61
County Precept	405,665,277.39
less net surplus on Council Tax element of collection funds	2,442,283.51
Council Tax Requirement	403,222,993.88

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	25,764.25	41,888,805.86	(288,897.09)	41,599,908.77
Boston	20,290.00	32,988,496.50	(765,245.56)	32,223,250.94
East Lindsey	48,166.00	78,310,691.10	554,648.00	78,865,339.10
West Lindsey	32,756.75	53,257,561.99	1,335,673.30	54,593,235.29
North Kesteven	40,000.00	65,034,000.00	1,335,929.86	66,369,929.86
South Kesteven	50,140.50	81,520,931.93	27,203.00	81,548,134.93
South Holland	30,890.00	50,222,506.50	242,972.00	50,465,478.50
Total	**248,007.50**	**403,222,993.88**	**2,442,283.51**	**405,665,277.39**

County Council Element of Council Tax by Property Band

Property Band	Proportion of Band D	Council Tax per Property (£)
Band A	6 / 9	1,083.90
Band B	7 / 9	1,264.55
Band C	8 / 9	1,445.20
Band D	9 / 9	1,625.85
Band E	11 / 9	1,987.15
Band F	13 / 9	2,348.45
Band G	15 / 9	2,709.75
Band H	18 / 9	3,251.70

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	
Title of the policy, project or service being considered	Council tax rate increase proposal for 2025/26 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	21/02/2025
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 2025/26, 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 2025/26, the original budget proposal set out a range of council tax increase options, ranging between 2.99% and 4.99%. As set out in the report, the preferred option is now to raise council tax by 2.99% in 2025/26.

Details	
	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 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. Whilst demand is the biggest current cost driver for the Council (both quantum and complexity), inflation continues to be above the 2% Bank of England target and it should be noted that inflation drivers on many Council costs tend to track higher than CPI (e.g. national living wage increase). Taken together, both represent key areas of ongoing risk for the Council. In the Local Government finance settlement, the Government set out plans for a review of funding levels between different local authorities, with a stated intent of focussing more on deprivation. They also made some changes in the 2025/26 settlement which effectively redistributed grant funding away from Lincolnshire to other areas. Therefore, the Council received proportionately less of the national grant uplift than it has in recent years, which means that grant funding has not kept pace with cost increases, further exacerbated by the decision to not fund the cost associated with the increase in employer national insurance. It must be noted that the Council strives to keep council tax as low as possible, evident by it being in the bottom quartile of council tax levels when compared on a like for like basis. 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. This is the primary driver behind the recommendation to increase by 2.99%, which was the lowest of the three options set out.

Details	
	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 2.99% 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 factor. 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.

Protected characteristic	Response
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 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 2025/26. The other key aspect is a range of across the board efficiency savings as set out in the report. The Council is currently undertaking a public engagement exercise on the budget proposals, which is due to close 28th January 2025 (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.

	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.

Protected characteristic	
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? The purpose is to make sure you have got the perspective of all the protected characteristics.	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.
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.

Further details

	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 2025/26 financial year	Michelle Grady	23/01/2025	Andrew Crookham	24/01/2025

This Appendix provides details of the budget engagement events which have taken place in January 2025.

Statements on Budget Proposals for 2025/26 from Overview and Scrutiny Committees

The following statements have been received from Scrutiny Committee meetings which have taken place during January 2025:

Adults and Community Wellbeing Scrutiny Committee – 22 January 2025

The Committee unanimously supported the budget proposals for Adult Care and Community Wellbeing.

The Committee would like to emphasise the following three points to the Executive: -

(1) Prevention – The Committee supports the need for a national conversation on how health, social care and public health services are funded, to redirect more resources into preventative services. There is also a need for a local conversation on how services are structured and delivered. Ideally, episodes of ill-health at the end of people's lives, which can be up to ten years, should be avoided, so people are able to live an independent life for as long as possible, without constraining the life choices of individuals.

(2) Digital Technology - The Committee is pleased that there continues to be flexibility in the budget to prioritise a person-centred approach, identifying an individual's strengths; and providing digital technology to support people retaining their independence at home and quality of life. As an example, an outlay, say, of £1,000 on digital technology in a person's home might enable the person to remain independent for six months longer than otherwise, where six months of home care could cost as much as £10,000. As services are means-tested, both the Council and most particularly the individuals themselves, if they are self-funding, derive savings on outlay, which in turn supports their quality of life.

(3) Transformation Programme - The Committee has also considered an item on the Adult Care and Community Wellbeing transformation programme, which will enable the department to make the most of available resources, streamlining processes and creating efficiencies.

The Committee would also like to record its thanks to the finance officers involved in the preparation of the budget proposals in a very short period of time, following a late notification of the Council's financial settlement by the government.

In addition to the above, the following factual clarifications were made during the Committee's consideration:

(1) Capital Programme – Developments, such as extra care housing, which bridges the gap between independent living and residential care, are being evaluated as a potential use of unallocated funds.

(2) Better Care Fund – A national review was taking place, but the scope of the Better Care Fund for 2025/26 was expected to be broadly similar to 2024/25.

(3) National Living Wage – Whilst increases in the National Living Wage led to significant financial pressures on adult social care budgets, it improved workforce conditions and supported recruitment and retention.

Children and Young People Scrutiny Committee – 17 January 2025

The Children and Young People Scrutiny Committee unanimously supported the budget proposals for Children's Services for 2025/26. The Committee acknowledged the Council's long-term commitment to Children's Services and endorsed the additional funding for the £11.704 million cost pressures.

The Committee made the following comments:

(1) The Committee recognised that while this was a challenging period for the Council, there was a commitment to managing within budget despite the challenges and ensuring that children continued to receive a good offer and the necessary services.

(2) The Committee raised concerns about the accuracy of financial projections for Children's Services, given the demand-led nature of the budget. Assurance was provided that the projections were as accurate as they could be based on sound assumptions, but there was an acknowledgement of the challenges and variables involved.

(3) The Committee was pleased to hear that the Council was actively lobbying the Government regarding the financial pressures on Children's Services, working through various national groups to advocate for better funding and updates to national practice.

(4) Concerns were raised regarding the cost pressure of £1.060 million for Education, Health and Care (EHC) needs assessments and whether this would be sufficient. Assurance was given that currently this would be enough funding to manage the increasing demand for EHC needs assessments. The Government has announced additional responsibilities for local authorities in the Children's Wellbeing and Schools Bill, but funding details were unclear. It was anticipated that this would become a new burden on the Council and a new burdens assessment would need to be undertaken to address the costs of the additional responsibilities.

(5) The Committee acknowledged that in relation to spending and funding for children with Special Educational Needs and Disabilities (SEND), national reforms were required to ensure more effective use of funding. Even though the Council was in a much better position than the vast majority of local authorities in the country, no assurance could be provided that the Council was not heading towards a structural deficit on the Dedicated Schools grant caused by High Needs Block spending due to trajectory of spending being seen.

(6) Concerns were raised about the impact of moving towards a unitary authority which aimed to improve efficiencies by consolidating council services. It was confirmed that detailed modelling and timelines were not yet formalised and the potential impact on Children's Services was currently unclear.

(7) The Committee questioned whether there would be any additional funding for the Holiday Activities and Food (HAF) Programme beyond March 2025. Confirmation was provided that no announcements had been made yet by the Government regarding the continuation of this funding beyond the current year.

Environment and Economy Scrutiny Committee – 28 January 2025

The Environment and Economy Scrutiny Committee unanimously supported the budget proposals for Environment and Economy service areas for 2025/2026.

The Committee would like to emphasise the following points to the Executive: -

(1) Budget Deficit- The Committee acknowledged the plan on addressing the £9.7 million budget deficit whilst cautioning about over-reliance on reserves, which are finite and unsustainable as a long-term solution.

(2) Changes in Gov Funding- A concern was raised regarding the implications anticipated on the back of the shift in government funding away from rural areas toward metropolitan areas. Members were pleased to hear about the ongoing efforts to challenge funding decisions through consultations and representations were ongoing.

(3) EPR Funding- Members received assurances that whilst EPR funding was a one off, it aimed to move non-recyclable waste into recycling streams and encourage manufacturers to reduce packaging which was bound to reduce residual waste and associated costs over time.

(4) Waste Management- The Committee was satisfied that the introduction of food waste plans in subsequent years would be expected to generate cost savings.

(5) Flooding and Risk Management- Relevant to the one-off £0.78 million investment in Flood Management, Members were assured that funding had been used to increase staff capacity and manage an unprecedented number of Section 19 investigations. The additional staff and capital funds were being utilised to develop a pipeline of flood alleviation schemes.

Highways and Transport Scrutiny Committee – 27 January 2025

The Committee unanimously supported the budget proposals for Highways and Transport service areas. Members acknowledged the Council's strong financial foundations, which had placed it in a better position to navigate current challenges and expressed satisfaction over the Council's preparedness, considering the pressures ahead.

The Committee would like to emphasise the following points to the Executive: -

1. Proportionate Funding Share - Concerns raised about the reduction in Lincolnshire's proportionate share of national funding compared to previous years acknowledging that the situation could not be changed but noting its potential impact on services.

2. National Insurance Impact - Members highlighted the significant cost impact of the national insurance threshold reduction and rate increase, which amounted to £5.5 million for the Council.

3. External Providers - Members raised concerns about the financial burden on external providers due to the national insurance changes. The uncertainty surrounding the exact costs was noted, as was that these additional expenses would not be reimbursed, further straining the Council's budget.

Overview and Scrutiny Management Board – 30 January 2025

<u>"Council Budget 2025/26" report (agenda item 7)</u>

The Overview and Scrutiny Management Board unanimously agreed to support the proposed budget plans across all service areas for 2025/26.

The Board made the following comments:

(1) Compensation for National Insurance Costs- Members were informed that the final compensation figure would not be confirmed until the settlement was received. While the government had stated it would fully compensate councils, the method of calculation suggested otherwise. Officers highlighted that determining exact workforce costs across local authorities was complex due to varying levels of in-house and externally funded provisions and also confirmed that no compensation would be provided for externally contracted providers.

(2) Flooding and Budget Allocation – Members were pleased to hear investment in flood schemes continued through the capital programme, with at least £5 million allocated for the next year and £3 million for future years. The Leader reiterated that the County Council was investing in flood resilience despite it not being a statutory duty. Whilst the County Council had invested additional resources, such as enhanced highway maintenance equipment and advisory teams for landowners, to address incidents, it was stressed that flooding responsibilities largely fell on other agencies (i.e., Environment Agency, Anglian Water, and drainage boards) and argued that

lobbying efforts should focus on securing more government funding for these entities.

(3) Abolition of Rural Services Delivery Grant (RSDG)- The grant had now been reallocated to urban areas through a new Recovery Grant. It was emphasised that it is necessary to make a strong case during ongoing consultations to ensure that rural areas received appropriate recognition in future funding models.

(4) Council Reserves and Funding Allocation- Members noted that the General Fund reserve appeared lower than in previous years and asked about its control and flexibility. Officers outlined the policy to maintain the General Fund reserve between 2.5% and 3.5% of the net budget, confirming that current levels were at the lower end of this range. It was further explained that grant reserves consisted of various funds, some of which had strict conditions attached (e.g., Public Health grants and the Better Care Fund).

“Service Revenue and Capital Budget Proposals 2025/26” report (agenda item 8)

On 30 January 2025, the Overview and Scrutiny Management Board considered the report to the Executive on the Service Revenue and Capital Budget Proposals for 2025/26. The Board praised the thoroughness of the report and unanimously endorsed the recommendations of the report relevant to the Service Revenue and Capital programme for the new financial year.

Clarifications were sought by Members of the Board on the following matters:

- Castle Walls Remedial Works Funding

Members were informed that there was no external funding available for the castle walls remedial works (e.g., contributions from the Heritage Lottery Fund) and therefore the total cost was being borne by the Council.

- Office Space and Smarter Working Policy

Members raised concerns regarding the refurbishment of office space and whether there would be sufficient capacity for all staff returning to the office under the current working arrangements.

Officers explained that the major focus had been the refurbishment of Orchard House, which was progressing on schedule. The building was expected to reopen in April 2025, accommodating both staff and registration ceremonies. The refurbishment would ensure the Council could fully implement its Smarter Working Policy, providing the necessary infrastructure to support this working model effectively.

- Pension Fund Security and Potential Government Reforms

Members inquired about potential risks to the Council’s pension fund in light of recent government discussions on pension fund surpluses.

Officers provided assurances that the Council's pension assets were primarily managed through the Border to Coast Pensions Pool, which remained the principal vehicle for investment. At present, there were no proposed changes affecting the methodology of local government pension schemes. Lincolnshire's position within an already well-established pool meant there was no immediate concern, further acknowledging that the broader structure of pension fund management was expected to evolve over time.

In relation to a further question, regarding potential mandates for a percentage of pension funds to be invested locally (and the definition of local), officers confirmed that a consultation was underway regarding local investment requirements, and the Council had strongly advocated for any such mandates to apply at least at the national (UK) level rather than a narrowly defined local area.

Public Protection and Communities Scrutiny Committee – 21 January 2025

The Public Protection and Communities Scrutiny Committee supported the budget proposals for Public Protection and Communities services for 2025/26. The recommendations of the report around budget proposals for relevant service areas were supported unanimously.

The Committee made the following comments:

(1) In relation to the allocation of funds for broadband expansion under future growth spending, Members specifically asked for clarity on the areas that would benefit from the allocation, noting the vastness of the county and the dire need in some rural areas. Officers offered to include a note in the report to outline the intended areas for spending. Furthermore, direct feedback on the programme would be provided later this year.

(2) With regards to the status of securing funding for the North Hykeham Relief Road project, it was clarified that there was no written confirmation and conversations were ongoing. Spending plans were forecast based on the existing project assumptions and costs to date.

(3) The Committee was pleased to hear that the proposed budget for Trading Standards in 2025/26, remained static and aligned with realistic and proportionate service demands.

(4) In response to a query regarding further insights into the £5.5 million cost increase attributed to National Insurance (NI) changes, and the extent and impact of new unfunded burdens, Officers clarified that the £5.5 million cost increase related to the Council's directly employed staff. Outsourced services would also face significant cost hikes due to NI and the National Living Wage increases. However, no funding was anticipated to cover these additional costs; this would likely impact service budgets through increased contractual costs.

(5) Members raised concerns about a legislative backlog of over 20 years for rights of way and asked why there was no budget allocation for 2025/26. Officers noted that plans were pending legislative changes, which would dictate prioritisation and action. Currently, no funding had been allocated to address the backlog.

(6) Members questioned the adequacy of the Community Safety budget, citing concerns over increasing crimes such as shoplifting and reduced police presence in towns and villages. Officers explained that the Council's statutory responsibilities under the Crime and Disorder Act were covered by many council departments such as scams and financial harms within the trading standards service. The community safety budget is primarily around coordination activities. The budget covered staff costs for coordinating efforts across seven district councils and partner organisations. Additional targeted funding for specific community safety initiatives such as antisocial behaviour was available separately.

(7) Relevant to the ~£3.4 million cost pressure for Fire and Rescue, Members asked for clarity over whether this related to increasing demand for flooding responses. Members expressed concerns about the substantial local expenditure expected on flood defences, highlighting the necessity of collaboration with other agencies. Officers clarified that flooding incidents contributed marginally to cost pressures, estimated at over £50,000 for recent floods. Officers confirmed that responding to flooding events is not a statutory duty and therefore does not attract direct funding for this capability. The primary cost drivers included contractual changes, increased employee pension contributions, and operational equipment enhancements. Both Members and Officers acknowledged and stressed the importance of promoting the Council's proactive measures in this area, siting specific activities undertaken in the past year in support to Lincolnshire Fire and Rescue service in their ability to respond to such incidents effectively.

Meeting with businesses, trade unions and other public bodies – 24 January 2025

Councillor M A Whittington, Executive Support Councillor for Resources, Communications and Commissioning, 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 each individual service areas. Recommendations would then be made to the Full Council at its meeting on 21 February 2025, 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 – 24 January 2025", 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. During the course of discussion, the following points were noted:

- It was commented that as Unison was a union that represented members of staff of the Council, it would urge for a 5% increase to council tax to be considered to safeguard jobs and services to residents. There was an assumption by government that councils would maximise council tax, and the settlement for LCC was not as good as previous years.
- It was queried whether the settlement received by LCC this year was poorer than previous years. Officers confirmed that the increase to funding received was lower

than in previous years. In percentage terms, this years' increase was around 4.9% compared to over 6% in previous years. It was also highlighted that whilst the increase was lower than expected, there were also increased costs as a result of national policy changes.

- It was acknowledged that there would be significant challenge, as the government had committed to compensate authorities for increases to costs of the workforce, however a lot of services were provided by contractors and so would not be covered.
- Clarification was sought regarding the funding for academies, and it was noted that the funding received was for all schools. It was also noted that the additional funding to cover the NI increase for the workforce would include schools.
- There were only one or two maintained secondary schools left in the county, and around 100 maintained primary schools.
- It was queried how LCC compared to other counties in the East Midlands in terms of level of council tax. Officers advised that Nottinghamshire was the highest, and there were two counties which had lower council tax than Lincolnshire. There was also a need for an adjustment for being a fire authority, as not all counties were also fire authorities.
- It was queried whether the amount of the lost rural services grant would be equivalent to the difference between a 3% and 5% council tax increase. Officers advised that the value of the lost grant was around £9.3m and if council tax was maximised, this would raise just under £8m.
- In relation to the application of vacancy factors, it was queried whether this would be a hard policy that vacancies would not be filled. Officers advised that this related to jobs that were vacant for a number of months whilst recruiting and replacing people, it was not a recruitment freeze. In some cases there may be a need to cover positions through an agency, and this would be added cost pressure. It was confirmed that at this time the authority was not planning to freeze recruitment. In more challenging times a panel had been established to determine whether a vacancy should be replaced.
- It was queried in what ways was the Council looking at creating more efficiency and increasing productivity, and also how was the use of AI in service delivery being considered and what impact would this have on jobs. Officers advised that all services were being asked how digital options could benefit processes, particularly those with a lot of manual hand-offs. AI would be the next step and there could be options for summarising documents etc, but first of all there would be exploration of how some of the admin processes could be streamlined with digital and IT applications. It was noted that it was important that staff felt that it was adding value to their work and could improve some of the more basic tasks. It was very much the view that IT should be helping people to do their jobs, not replace them.
- In relation to the property rationalisation and smarter working projects, it was queried if this had helped with efficiency, and were projects that Unison members were really supportive of. Officers advised that the budget did include savings from property rationalisation and ensuring that office accommodation was fit for purpose. It was noted that the works on Orchard House B were almost complete and the building should be available from April 2025. There were also building on The Avenue which were being disposed of. Work was also underway reviewing lease properties and investing in those assets and freeing them up when they were no longer needed.
- It was also noted that several groups of staff had been insourced to the Council.

External attendees to the session were as follows:

Present	Representing
Andrew Watts	NEU
Thomas Crofts	Unison
Trudy Alexander-Blow	North Kesteven District Council
Valerie Waby	Linkage
Paula Stephens	Unite the Union

2025/26 Budget Consultation (final results)

Introduction

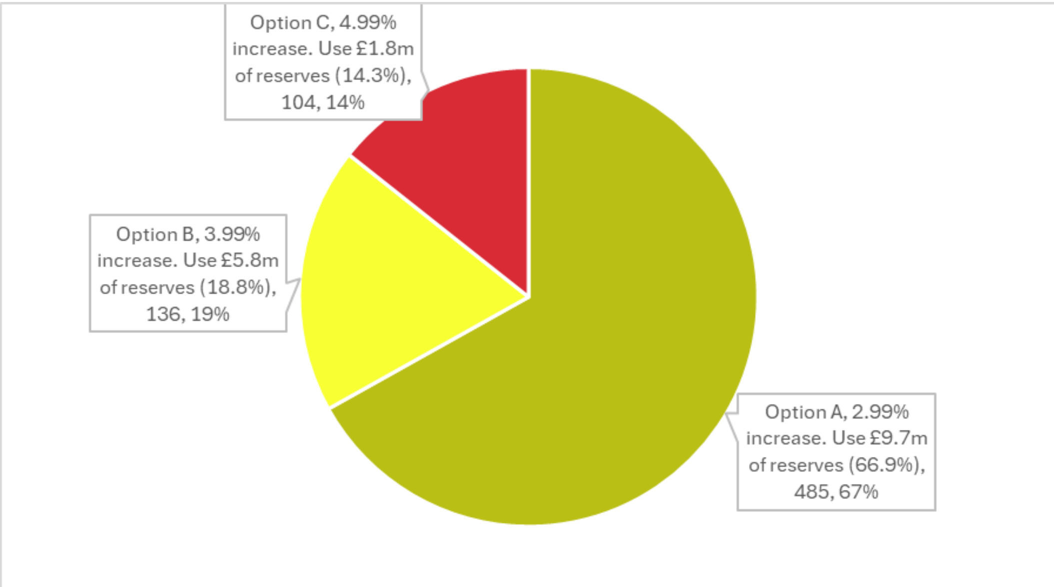
The budget consultation was published after the meeting of the Executive on 7 January 2025 and closed on 28 January 2025.

The budget consultation sought views to inform the public about the budget and associated council tax proposals. Members of the public were asked to indicate a preference out of the three council tax options being considered.

Engagement

The survey launched on 7 January and closed on 28 January 2025. There were 1331 project page visitors and 740 responses from 653 contributors (people, devices, households, agencies). Nearly 9 in 10 (617, 89%) came direct or via an email link sent to them.

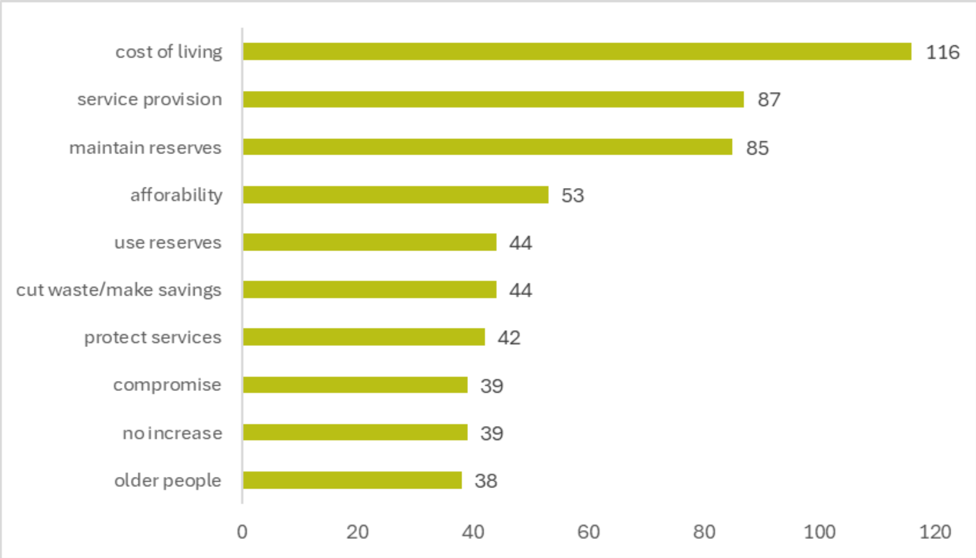
There were 725 responses to the question about preferred options, 15 people skipped it.



The responses shown in the chart were as follows:

- Over two thirds (67%, 485) respondents agreed with Executive's recommendation and feel option A (2.99% increase) should be chosen
- Almost 2 in 10 respondents (19%, 136) would like option B (3.99% increase)
- More than 14% (104) felt option C (4.99% increase) would be best

There were 470 comments. The largest proportion were neutral (38.5%). The following chart shows the 10 most frequently mentioned topics:



Analysis

Further analysis of the comments submitted identified the following themes:

- Affordability and the cost of living remained the most frequently raised point (164 comments, adjusted for duplicates, 34.9% as a proportion of all comments). Many recognised household and council budget pressures and 39 saw the budget proposals as a sensible compromise.
- Reserves were mentioned 129 times with some supporting their use to minimise taxpayer burden (9.4% of all comments) and not using them to ensure service continuity (18.1% of all comments). Protecting reserves was especially important to those supporting a larger rise in council tax.
- 87 comments mentioned service provision, in context of needing to protect (42), improve quality or a lack of rural services for council tax paid (26). There were 27 additional mentions of policing, NHS/GP and district council services.
- 39 respondents asked for no rise at all (nine of whom skipped the options question), despite this not being part of the proposals.
- Devolution and local government restructuring were mentioned 13 times.
- Six comments referenced flooding and climate change investment.

Considering impact on those with protected characteristics included the following:

- Issues affecting older people (38 times) in context of expenditure increasing out of line with income, including 12 references to losing the winter fuel allowance
- Financial impact on families with children (13)
- Three matters affecting people with disabilities plus two references to carers

Some respondents suggested alternative solutions/approaches. They included:

- reduce staff, councilor and contract costs (22)
- raise council tax further to provide better services (13)
- stop funding large scale projects (6) and lobby government for fairer funding (5)
- review council tax bandings to make it more equitable (3)

Conclusion

In conclusion, households are still struggling amid rising costs and mismatched incomes. There is strong support this year for the Executive's preference. The suggestion isn't without objection, as some do not agree that reserves should be used again. There is some difference in opinion across groups with different characteristics, but in all cases a majority would prefer option A.

Public Engagement – Responses Received via Email

Following consideration of the budget proposals 2025/26 by the Executive on 7 January 2025, a public engagement was published on the Council website and closed on 28 January 2025. The following responses were received by email:

Response 1 by email

I pick option A, the people of Lincolnshire are not an unlimited purse of money. And given you are going to be taking away my single persons discount in 2026, I am VERY disinclined to pay you more. You need to get your spending under control, and you need to reign in the PCC demands.
We are all suffering and Labour is not helping, I also recommend you look at how much you pay for translation services both verbal and translated material costs. Start charging them for those services not the rest of us.
Further more people or companies that own multiple houses should be paying the maximum council tax.
RB (name redacted)

Response 2 by email

It's do understand your budget is tough but you should spread your cost over all departments with increases and we all know the council tax will increase every year but this year has made it abit tough we are over 70s with health problems my husband has a pacemaker and copd I have a heart condition and I'm a diabetic on insulin why doesn't Mr Sterma go for the elderly and cutting your money so put more presure on you to balance the books and for us to.pay more with less money coming in
CC (name redacted)

Response 3 by email

Single people young or old will be forced into poverty or living on the streets if council tax goes up more than 5 percent.especialy if loosing 25 percent single person allowance is abolished. Being a pensioner and having worked for more than 50yrs, I won't be able to afford to live or die.
PM (name redacted)

Response 4 by email

I've read report, and generally very impressed. But key information I could not find is how big reserves are and how they have been growing/diminishing. We seem to have been drawing on them for some years, which I'd generally think undesirable, but then maybe they've been so well invested that they've still gone up. Could you refer me to this information please, or assuming it is not in budget report, add it to your engagement email?
BB (name redacted)

Response 5 by email

It is essential core services are maintained including highway maintenance and the aim must be to balance the budget without the need to draw on reserves. Any reserves the County may have should be invested in providing social housing and the properties provided to be kept in public ownership for the life of the property to aid those on lower incomes. However some of the reserves must be available to meet any emergency that might arise.
Although not something that can be addressed by the County Council on it’s own, I would like to see

a programme where able bodied unemployed people are required to do work within their communities in order to receive unemployment benefit. An example would be litter collection, clearing of drainage ditches, cleaning road signs, cutting back hedges and clearing footpaths. Those that fail to present themselves for work should receive food and clothing vouchers exchangeable at specified stores. Such a programme might be beneficial for those suffering with depression as it would give them a purpose in life and provide a means of easing them back into work. Those Council employees already employed in the identified community work could become supervisors of these teams.
JC (name redacted)

<u>Response 6 by email</u>

Having read the detailed 25/26 Budget proposals and submitted my preference for option A in the survey, I remain concerned that the following are inadequately explained or provided for:

PLACE. Provision for highway maintenance is already inadequate as is clearly evidenced by continued deterioration in road surfaces, and yet no increased provision is made despite acknowledged higher than inflation contract costs. This vital area needs radical reform, possibly including consideration of taking maintenance services back in-house.

MIGRANT HOUSING. I found no reference to the considerable costs of housing, feeding and other imposed provisions for illegal migrants in the County. Are these fully funded by Central Government?
DW (name redacted)

<u>Response 7 by email</u>

Thank you for forwarding the survey re the 2025/26 budget consultation.
Unfortunately despite tapping on the link I was unable to open the document.

But I'll take the opportunity to repeat my reason for choosing the lowest council tax increase, supplemented with reserves, because for many of us our incomes are also FALLING annually.
I note the charge for green waste collection is increasing despite it's already higher than that charged by other councils.

In my own case I'm a pensioner living alone on a fixed income (State and private pensions)
I have the option to work part-time at my bmw agency cleaning job, but age and the ridiculously low income tax threshold makes working increasingly physically difficult and no longer financially viable when travel costs are added.

You'll be aware that the current regime has removed wfa from millions of low-income pensioners like me despite that, being a year older (71), I need MORE heating during the winter, not less.
I'm a 1953-born woman so I've only been receiving wfa since 2019 when I finally received my State Pension plus pension-related benefits, after a 63 month delay. Unable to get another job until my current one, I also had to use all my savings for retirement on living costs after losing my job to a new contractor in 2010, and my husband the same year to cancer aged 57.

So I for one will be unable to afford ANY increases at all in either council tax or energy costs, though I will continue to pay the same as during 2024/25 which I've already budgeted for.

Many thousands of other council taxpayers will be in the same position as me, and you, the council. Central government is able to simply rob us of £100s or even £1000s of our income almost on a whim with absolutely no concern as to how we continue paying our bills, or in your case, maintain services on our behalf.

I keep my MP fully informed of my situation.
PM (name redacted)

<u>Response 8 by email</u>

I scanned the content of the Report provided. I notice that the Council advocates prudence in financial management, and ask if you have considered the following, with a view to increasing income, to ease the burden of increased Council Tax charges to people already struggling to make ends meet; particularly pensioners such as me?

1. A thorough review of the considerable under-valuation for Council Tax of large, renovated to higher value, properties in Lincolnshire. I have experience of this in my local area of SHDC. One particular property near me has been highly renovated from an unresidential shell to a luxurious standard, has large grounds, but is valued at a disproportionately low Band for Council Tax to other properties in the hamlet. The Valuation Office tell me this is for "historical" reasons. This is a great loss of income to the Council of several thousands of pounds per year, and is just one of many properties paying under the correct Council Tax Banding. There appears to have been a mistake in identifying this particular property with another. How many other properties have not been visited, identified, and reviewed to ensure correct Council Tax Bands are providing the Council with correct income?

2. Are breaches in Planning Approvals being properly identified? Fines for negligence and failure to comply with the Conditions of the Planning Approval would again provide improved income to the Council, especially in cases where, in my experience, the offender is allowed to apply for Retrospective Approval without any penalty. Why have Rules and not enforce them, particularly if it brings in much needed revenue?

3. As Government Care Plans have been "kicked down the road", the Council will definitely find that more of their Baby-Boomer pensioners will no longer be able to pay their Council Tax, especially if you plan to increase it yet again. State Pension is currently below the living wage. Has the Council considered how it will deal with such a large lack of income from so many pensioners living on the breadline in their County, and no facilities available to properly care for them?

4. What steps are being taken to bring Council employees back into the offices, to use the facilities / buildings that Council Tax payers provide for them, instead of the additional expense of the extra tech required to instal them at their homes?

5. I notice that our local Parish Council Clerk is very well paid for what amounts to about twelve, monthly meetings followed by writing up Minutes, and preparing Agendas. I suggest savings could be made here.
LE (name redacted)

<u>Response 9 by email</u>

Ref Budget consultation. My choice is A.
SS (name redacted)

<u>Response 10 by email</u>

Lincolnshire does not pylons or reservoirs or the like, we need a better public transport system.

- The bus services from Grimsby to Boston are diabolical, they take that long the buses need toilets on them.
- Boston to Spalding are even worse - no early morning buses, no evening or weekend buses.

- Since the cessation of the 446 coach service, a bus service from Sleaford railway station to Bourne is desperately needed.
- More flyovers above the railways and, more stations reopened.
- A Lincolnshire coastal tramway network perhaps.

And please, no more super-roundabouts that nobody wants, you're getting too much critism already.
GL (name redacted)

Response 11 by email

My view is to keep reserves and make increases. Option B
CE (name redacted)

Response 12 by email

i understand that the council tax as to go up but u are cutting a lot of service for the tenants and business in the lincoln area so its not fair that u cut the services that people need like local bus services youth clubs as thats why there is a tie social behaviour in all areas cutting bck on librayes also u cut back on services for the o.a.ps and they the ones that are moblie then struggle to get out and about to meet there friends and do there shopping as well plus the footpaths and roads are very bad with the potholes plus then all councils wonder why a lot of people includeing kids start putting the weight on them they get to heavy even thought some pedants are to blame but if there is nothing to do for either kids or aduilts and they stay in doors playing on there game consoles and eating junk food due to more take away being open that's what happens and then it or goes wrong by people going to hospital
SB (name redacted)

Response 13 by email

The Firsby Group Parish Council are of the view that the increase to the Council Tax for 2025-26 should be 2.99%
Firsby Group Parish Council

Response 14 by email

Legbourne Parish Council considered your budget proposal at its meeting held 13th January 2025.

Their chosen option is the 2.99% increase and to use the £9.7m of your reserves. Any higher tax proposal will not be welcome. As a parish council representing residents, the councillors are minded that there have been significant increases in the cost of living and less money in residents' pockets.
Legbourne Parish Council

Response 15 by email

I am writing to you on behalf of North Hykeham Town Council to convey their thoughts on LCC's proposals for its budget for 2025-26.

In principle, the town council supports the proposal of 2.99% increase. However the following comments have been raised, which the council would also like to be recorded as part of its response to the consultation:-

- 2.99% is not indicative of the funding needs and the Councils obligations across a wide range of service provisions, e.g. road, education, and policing. By under-funding of low precept request it should not be used as a lever for proving Lincolnshire is not receiving correct Central Government funding. This is not reflecting resident's needs.

- given the uncertainty around the future of local government (with the restructure in mind), the proposed rise is fair overall
- If LCC chooses the increase of 2.99%, it cannot expect later in the financial year 2025-26 to make statements of insufficient funds to do what is needed in communities.
- Residents will be happier with a lower increase this year than previously.
- The town council supports the advice given that a Financial Volatility Reserve level of around £40m to £50m is prudent, given the financial outlook beyond 2025/26, together with the inherent uncertainty.

North Hykeham Town Council

Response 16 by email:

At the Parish Council meeting 21/1/2025 It was RESOLVED to support Option A (£2.99% increase and use £9.7m of reserves/additional savings).
Nettleham Parish Council

Response 17 by email:

I'd be interested if the council could provide guidance on what % investment (if any) is expected to be made to transport infrastructure and other construction projects in our part of the county? And how do they intend to ensure that residents in rural areas see some value for money from this rise in council tax, not just those in the cities and towns?
Baston Parish Council

Response 18 by email:

Councillors have considered the three options and are unanimous in supporting Option C. (4.99% increase and uses £1.8m of reserves/additional savings)

We are a rural parish and agree that if we want better local services we have to pay for them. The poor state of the roads is a big concern and we are aware costs are increasing due to damage caused by recent weather events. The repairs are urgently needed which needs paying for. We are also aware of reports in the media that there is a proposal that if Councils don't increase the council tax by 5% they will be penalised by the Government and grants withheld. Small rises each year are better than a huge rise when the money runs out. However, we would ask that any savings made are reported via Newsletters etc to make people aware that this is also happening.
Irnham Parish Council

Response 19 by email:

Thank you for your e-mail. I am aware that the consultation formally closed yesterday but I wanted to let you know that the preference of Sleaford Town Council would be for LCC to raise its share of the Council Tax by 2.99% (Option A).
Sleaford Town 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.
- Trajectory of expected demand for services delivered by the council.
- 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 2025/26 – 2028/29 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 specific 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. This looks to continue into 2025/26.

2.3 The new government has committed to undertake a local authority funding reform as part of its fixing the foundations approach. Their aim is to 'allocate funding efficiently to reflect updated assessment of local need and revenues'. The government are currently consulting on the objectives and principles of this reform, with an aim of providing a multiyear settlement based on an updated basis of funding from 2026/27. Whilst a multi- year settlement is helpful for longer term financial planning, the new financial burdens arising from policy changes and the shift in the funding in the 2025/26 draft settlement present a significant risk for the councils longer term available funding.

2.4 The government is implementing changes to National Insurance Contributions (NICs), for which they have committed to compensate local councils for staff they employ. This compensation isn't being provided for external provision of services. These contracted providers are essential to delivery of our services especially adult social care.

2.5 At present, inflation is now more in line with the target 2%, however, the recent inflationary spikes are now baked into our core cost for services. The ongoing impact of cost increases 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.

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

2.7 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 2025/26 – 2028/29. We will continue to develop our longer term financial strategy to respond to future funding challenges to ensure our approach supports the council's financial sustainability over the medium and longer term.

4. The Current Financial Context

4.1 The period from 2010 has been a time of on-going financial challenges for councils, with Government funding reducing significantly over this period and service costs and demands increasing to outstrip government funding provided. Councils like ours, with Social Care responsibilities, have been supported with new specific government grants, 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.

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 2024/25:

Year	General Govt. Grant £m	Social Care Grant £m	Total Govt. 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**
2024/25	38	74	**112**	153	388	**652**

* 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 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
2024/25	**652**	26	75	4.99%	0

4.7 The current regime for funding councils has been in place since 2013 and is now out-dated. The new government has proposed reform to local authority funding with an objective of providing funding efficiently based on an updated assessment of need and local revenues available. They have committed to providing a multiyear settlement for local councils from 2026/27, based on the new basis of funding distribution.

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 also deferred elements of the proposed Adult Care reforms until October 2025. In July 2024, the new Chancellor announced that these reforms would be cancelled. 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. Whilst inflation is currently fluctuating around the target rate of 2%, the previous inflationary peaks have created permanent increases into the cost base of delivering our services.

5. The Medium Term Forward View

5.1 Following the general election, the new Chancellor announced her Autumn Budget which contained policy measures relevant to Local Government. This was followed by Local Government Policy Statement 2025/26 from MHCLG which set out intentions of the new governments funding approach to assist local councils with financial planning. These were then reflected in the draft funding settlement for a single year of 2025/26 published on the 18th December 2024.

5.2 Alongside the draft settlement the government also published its open consultation on 'Local authority funding reform: objectives and principles' with an aim of reforming the basis of funding local councils and producing a multi-year funding settlement for local authorities from 2026/27. Whilst a multi-year settlement is helpful in assisting financial planning over the medium term, the indications of how the government plans to redirect funding based on its review of relative need and resources, appears detrimental to us as a rural county council.

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.

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 2025/26 the Government has proposed a referendum limit for council tax increases of not more than 5% (3% general increase and 2% adult social care).

7.2 Our budget proposals are to implement a 0.99% general increase to support expected cost increases for all services and 2% Adult Social Care Council Tax increase for 2025/26. Our modelling assumes that beyond 2025/26 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. No surplus of deficit has been assumed in our budget planning for 2025/26. 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 and we assumed the receipt of compensation to reflect government policy for 2025/26.

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 £2.035m for 2025/26.

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 £28.879m in 2025/26 (which is inclusive of £2.061m rolling in of extended rights home-to-school travel grant and transparency code grant). This grant will form part of the government local authority funding reforms. The draft settlement for 2025/26 has given an indication of the level of RSG we will receive going forward to enable us to forecast this over the medium term.

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; Social Care 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 £110.821m planned income from these charges in 2024/25. 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 At the end of the current year, our General Reserves are forecast to stand at £19.400m, 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 near the bottom of this range and given the uncertainty of our future funding and the forecast gap in our in our funding requirement, it is deemed prudent to increase the general reserve to a total of £24.2m to bring it to the top our range within this strategy.

7.12 Our Earmarked Reserves are currently valued at £225.736m, which includes an Earmarked Reserve which is ring-fenced for Schools of £29.329m. 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. Since that time the government has continued to allow the flexible use of capital receipts as a measure to support revenue costs of transformation. The government has confirmed that this flexibility will be extended to 2030.

7.15 Since 2020/21, we have not used Capital Receipts to fund transformation projects. Instead, we continue to use our revenue budgets or earmarked reserves for this purpose. This allows us to use Capital Receipts to repay borrowing or to finance new Capital expenditure. This approach is planned to continue into 2025/26 , 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".
- In January 24, our external auditors provided an unqualified opinion of our statement of accounts for 2023/24, with no significant risks or weaknesses identified in our arrangements for securing value for money.

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 set our revenue contingency at £8m to mitigate any in year pressures from the current price and demand challenges and income volatility.

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 In line with the funding settlement received from government, we are only setting a detailed budget for one year for 2025/26. To support our summary budget position the MTFP table below sets out our expected budget position for the period 2025/26 – 2028/28:

SUMMARY REVENUE BUDGET	2025/26 Budget (£)	2026/27 Budget (£)	2028/29 Budget (£)	2029/30 Budget (£)
EXPENDITURE				
Net Base Budget	652,457,412	701,319,470	737,530,667	773,695,687
Cost Pressures (including inflation)	83,744,220	39,577,448	37,127,217	32,807,020
Savings & Additional Income	(36,567,090)	(3,635,526)	(1,293,443)	904,368
Other Movements (e.g. service grant funding)	1,684,928	269,275	331,246	92,614
Total	701,319,470	737,530,667	773,695,687	807,499,689
Transfer to (+) / from (-) Earmarked Reserves	(7,845,165)	-	-	-
BUDGET REQUIREMENT	**693,474,305**	**737,530,667**	**773,695,687**	**807,499,689**
FUNDING				
County Precept	(405,665,278)	(422,459,311)	(440,996,541)	(460,383,083)
Business Rates	(155,828,464)	(158,520,358)	(159,074,713)	(160,333,450)
Non-Specific Government Grants	(41,538,494)	(40,731,058)	(40,731,058)	(40,731,058)
Social Care Grants	(90,442,069)	(90,442,069)	(90,442,069)	(90,442,069)
TOTAL FUNDING	**(693,474,305)**	**(712,152,796)**	**(731,244,381)**	**(751,889,660)**
RESIDUAL DEFICIT	**-**	**25,377,871**	**42,451,306**	**55,610,030**

8.2 The MTFP table shows how our base budget each year during 2025/26 – 2028/29 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 (or additional savings) to balance the difference between the total income and total funding.

8.3 The table above shows that we are expecting to draw on our earmarked reserves and find additional savings in 2025/26, 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, a full review of budgets and an assessment of further likely savings will need to be made during 2025/26. This can be supported by our Financial Volatility Earmarked Reserve to smooth the delivery of future savings required.

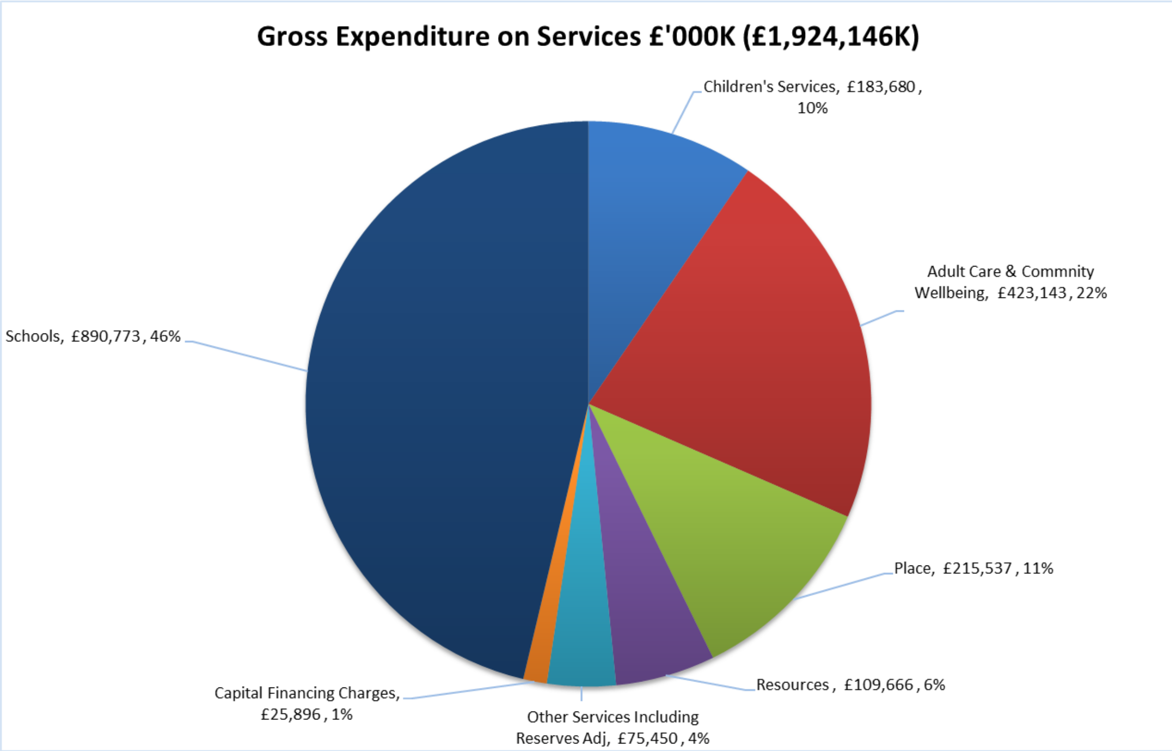
8.4 We have a ten year Capital Programme, which is a budget set aside to deliver new or improved assets and to maintain existing assets used to deliver services. The proposed Capital Programme is affordable over the longer term, within the context of our budget assumptions and in line with our Capital 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	2024/25	2025/26	2026/27	2027/28 - 2033/34*
Total Investment	**260,575,291**	**236,485,073**	**124,356,044**	**346,401,737**
Funding				
External Funding				
Capital Grants (in year)	(105,439,524)	(140,772,672)	(55,148,468)	(59,890,785)
Capital Grants (received in prior years)	(26,936,602)	(7,683,174)	(14,805,828)	-
Total	(132,376,126)	(148,455,846)	(69,954,296)	(59,890,785)
Internal Funding				
Borrowing	(71,924,096)	(69,553,838)	(36,884,208)	(164,787,654)
Capital Receipts	(5,000,000)	(5,000,000)	(5,000,000)	(35,000,000)
Revenue (base budget)	(27,488,190)	(12,558,389)	(12,517,540)	(86,723,298)
Revenue (reserves)	(23,786,879)	(917,000)	-	-
Total	(128,199,165)	(88,029,227)	(54,401,748)	(286,510,952)
Total Funding	**(260,575,291)**	**(236,485,073)**	**(124,356,044)**	**(346,401,737)**

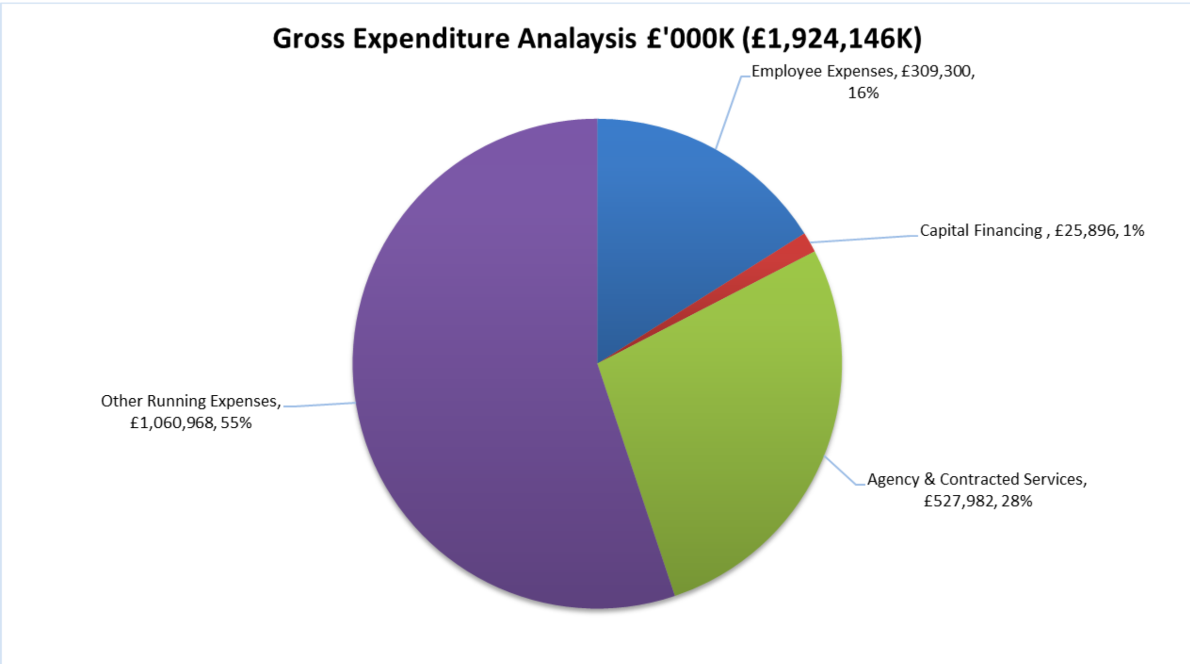
**amended from 2034/35 as shown in previous reports*

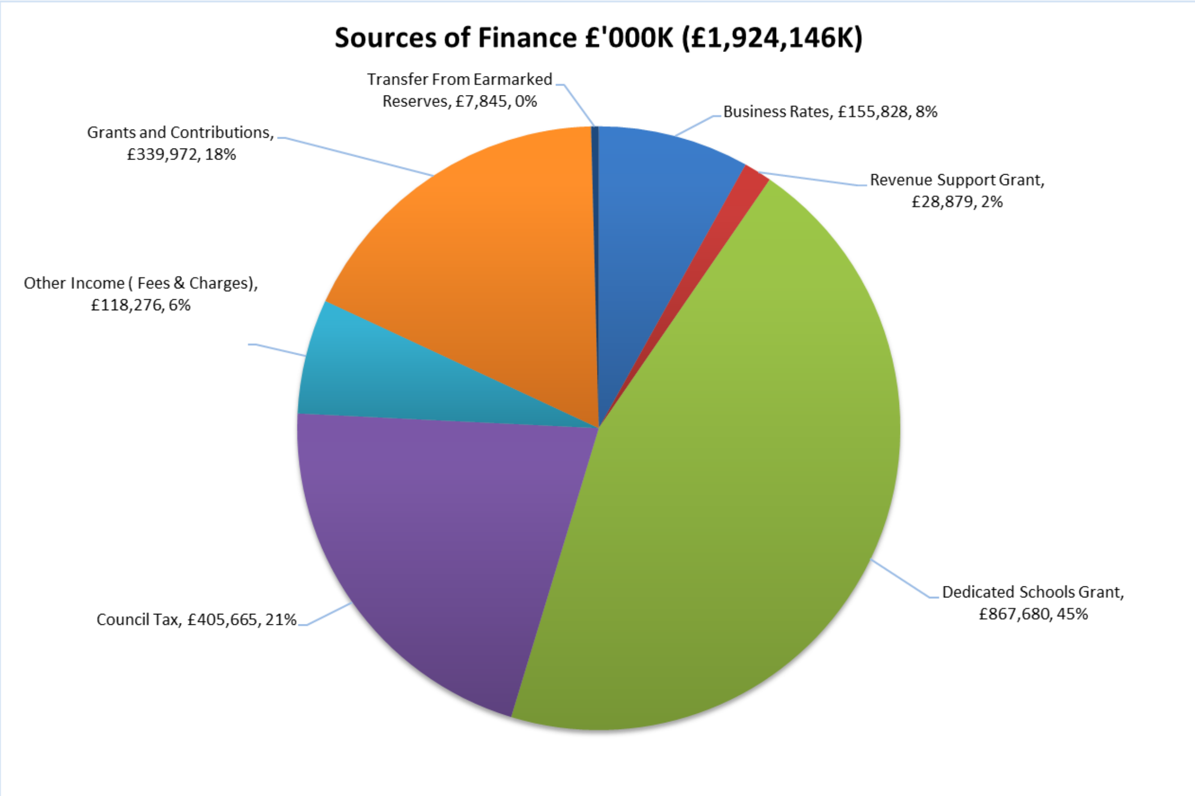
KEY FINANCIAL HEALTH AND PERFORMANCE MEASURES

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2024/25 Estimate	2025/26 Estimate
1	Council tax compared with other counties	Council Tax in lowest quartile for county authorities once adjusted for Fire Authority precept (out of 21 county councils)	Yes	Yes
2	Government grants	Lobby for annual increases in general government grants to be above the county average	N/A	Yes
3	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	3.99%	4.37%
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



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




Sources of Finance £'000K (£1,924,146K)
Transfer From Earmarked Reserves, £7,845, 0%
Business Rates, £155,828, 8%
Revenue Support Grant, £28,879, 2%
Grants and Contributions, £339,972, 18%
Other Income (Fees & Charges), £118,276, 6%
Dedicated Schools Grant, £867,680, 45%
Council Tax, £405,665, 21%

The revenue budget for 2025/26 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	87,223
Children's Social Care Prevention Grant	3,219
Revenue Support Grant	28,879
Rural Services Delivery Grant	0
Extended Rights to Free Travel	0
Homes Bonus Grant	807
Services Grant	0
Inshore Fisheries Conservation Authorities	128
Extended Producer Responsibility	7,482
National Insurance Contributions	4,242
Schools Budgets	
Dedicated Schools Grant (ring fenced) (*1)	867,680
Pupil Premium (*2)	12,357
Universal Infant Free School Meals Grant	3,161
PE and Sport Grant	2,739
Service Budgets	
Public Health Grant (ring-fenced) (*3)	39,077
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 £867.7m, 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 2025/26 (£12.4m) is currently an estimate, based on October 2024 census data and has been calculated using the Department of Education funding rates per pupil for 2025/26. The final allocation for 2025/26 is not expected to be announced until later in 2025.

(*3) Public Health Grant - As explained in paragraph 5.27 of the main report, confirmation of the 2025/26 Public Health grant allocation came after the finalisation of the budget report and budget book. The value in this table therefore differs from the value in the budget tables throughout the documents.

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

BUDGET BOOK LINE	2025/26 Cost Pressures (*1) £'000	2025/26 Savings / Additional Income £'000	2025/26 Other Movements £'000
Children's Education	1,100	-	-
Children's Social Care	10,604	(1,000)	3,219
Adult Frailty & Long Term Conditions	9,682	(5,592)	-
Adult Specialities	21,170	(3,590)	-
Public Health & Community Wellbeing	-	-	436
Public Protection	-	(200)	(1,000)
Better Care Fund	-	(1,000)	-
Public Health grant income	-	(436)	-
Communities	10,925	(2,090)	170
Lincolnshire Local Enterprise Partnership	-	-	-
Growth	74	-	-
Highways	1,288	-	(2,500)
Fire & Rescue	3,333	(1,411)	(400)
Finance	303	(49)	-
Organisational Support	291	(397)	-
Governance	49	(120)	-
Corporate Property	141	(407)	-
Commercial	150	(954)	-
Transformation	261	(193)	-
IMT	827	(698)	-
Corporate Services	-	(31)	-
TOTAL SERVICE BUDGETS	**60,200**	**(18,167)**	**(74)**
OTHER BUDGETS			
Contingency	-	-	2,000
Capital Financing Charges	-	(17,461)	-
Other Budgets	23,545	(939)	(241)
OTHER BUDGETS TOTAL	**23,545**	**(18,400)**	**1,759**
TOTAL EXPENDITURE	**83,744**	**(36,567)**	**1,685**

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

CHANGE IN REVENUE BUDGET BETWEEN 2024/25 AND 2025/26 APPENDIX J

COST PRESSURES	Impact on budget requirement £'000	%
Children's Education		
Children with Disabilities	41	0.01%
SEND - EHCNA	1,060	0.16%
Children's Social Care		
Children in Care	1,402	0.21%
Children in Care (CiC) - Placements	7,754	1.19%
Fostering and Adoption - foster carer allowances	387	0.06%
Social Workers	139	0.02%
Special Guardianship Orders	507	0.08%
Strategic Contracts	416	0.06%
Adult Frailties		
Contractual inflation - LCES, Reablement	8,278	1.27%
Population need - Legal Services, Reablement	1,404	0.22%
Adult Specialities		
Increased learning disabilities & mental health demand	11,887	1.82%
Rate uplifts across adult specialities	9,284	1.42%
Communities		
Culture	422	0.06%
Environment	41	0.01%
Home to Schools Transport	5,552	0.85%
Transport	174	0.03%
Waste Management	4,736	0.73%
Growth		
Economic Infrastructure	74	0.01%
Highways		
Highways	200	0.03%
Highways Asset Management	1,088	0.17%
Fire & Rescue	2,837	0.43%
Finance	303	0.05%
Corporate Property		
Property Contract Inflation	121	0.02%
Property Leases	20	0.00%
Commercial	150	0.02%
Transformation	261	0.04%
Governance	49	0.01%
Organisational Support	291	0.04%
IMT		
IT Security	460	0.07%
New Service devlivery partner	188	0.03%
Boole Programme	179	0.03%
Other Budgets & Pension Liabilities		
Apprenticeship Levy	170	0.03%
Eastern Inshore Fisheries & Conservation Authority	12	0.00%
Insurance	46	0.01%
Pay Award and NI	23,317	3.57%
TOTAL COST PRESSURES	**83,248**	**12.76%**

SAVINGS	£'000	%
Children's Education	-	0.00%
Children's Social Care	(1,000)	-0.15%
Adult Frailties	(5,592)	-0.86%
Adult Specialities	(3,590)	-0.55%
Public Health & Community Wellbeing	-	0.00%
Public Protection	(200)	-0.03%
Better Care Fund	(1,000)	-0.15%
Public Health grant income	(436)	-0.07%
Communities	(2,090)	-0.32%
GLLEP	-	0.00%
Growth	-	0.00%
Highways	-	0.00%
Fire & Rescue	(1,411)	-0.22%
Finance	(49)	-0.01%
Organisational Support	(397)	-0.06%
Governance	(120)	-0.02%
Corporate Property	(407)	-0.06%
Commercial	(954)	-0.15%
Transformation	(193)	-0.03%
Information Technology	(698)	-0.11%
Corporate Services	(31)	0.00%
Other Budgets & Pension Liabilities	(18,400)	-2.82%
TOTAL SAVINGS	**(36,567)**	**-5.60%**

OTHER MOVEMENTS	£'000	%
Use of Earmarked Reserve	(7,845)	-1.20%
Ruling group amendments	1,926	0.30%
Technical adjustment	(241)	-0.04%
Total Other Movements	**(6,160)**	**-0.94%**

TOTAL CHANGE IN BUDGET REQUIREMENT	**41,017**	**6.29%**

GENERAL FUNDING	£'000	%
Social Care Support Grant	16,577	2.54%
Services Grant	(778)	-0.12%
Business Rates Pooling	0	0.00%
Districts Business Rates AND Collection Fund Surplus (from District Council's NNDR1 form)	2,804	0.43%
Revenue Support Grant	2,501	0.38%
Section 31 Grant (Business Rates)	356	0.05%
Local Council Tax Support Grant	0	0.00%
Rural Service Delivery Grant	(9,418)	-1.44%
Increase in other council general grants	11,724	1.80%
Reduction in other council general grants	(145)	-0.02%
Increase in Council Tax Base and Council Tax Collection Fund Surplus	17,395	2.67%
TOTAL CHANGE IN GENERAL GRANT AND COUNCIL TAX INCOME:	**41,017**	**6.29%**

RESERVE STATEMENT AND STRATEGY **APPENDIX K**

RESERVE STATEMENT	2023/24 (Actual)	2024/25 (Estimate)	2025/26 (Estimate)	2026/27 (Estimate)	2027/28 (Estimate)
GENERAL FUND	**16.400**	**24.200**	**24.200**	**24.200**	**24.200**
EARMARKED RESERVES:					
Corporate Reserves					
Financial Volatility Reserve	46.922	46.922	45.922	45.922	45.922
Emergency Flooding Reserve	-	-	1.000	1.000	1.000
Development Fund*	36.524	8.476	3.788	2.295	0.802
Insurances	5.375	5.375	5.375	5.375	5.375
Other Services*	1.899	-	-	-	-
Total	90.721	60.773	56.086	54.593	53.100
Adult Care & Community Wellbeing					
Community Safety Reserve	0.050	0.050	0.050	0.050	0.050
Community Engagement Reserve	0.059	0.059	0.059	0.059	0.059
Total	0.108	0.108	0.108	0.108	0.108
Children's Services					
Schools Sickness Insurance Scheme	0.406	0.406	0.406	0.406	0.406
Families Working Together	0.418	0.225	0.032	-	-
Music Service Reserve (carry forward)	0.088	0.088	0.088	0.088	0.088
All Other	0.151	0.151	-	-	-
Total	1.064	0.870	0.526	0.494	0.494
Place					
Energy from Waste Lifecycles	1.358	0.608	-	-	-
Traffic Management Reserve	1.858	1.858	1.858	1.858	1.858
Growth Reserve	0.997	0.906	0.906	0.906	0.906
Cultural Services Reserve	0.295	0.295	0.295	0.295	0.295
All Other	0.779	0.649	0.649	0.649	0.649
Total	5.287	4.316	3.708	3.708	3.708
Resources					
Procurement	1.190	1.190	1.190	1.190	1.190
Legal	0.898	0.898	0.898	0.898	0.898
CSSC Transformation	-	-	-	-	-
Purchase of Employee Leave Scheme Reserve	0.305	0.305	0.305	0.305	0.305
Elections	0.547	0.847	-	0.300	0.600
All Other	0.025	0.025	0.025	0.025	0.025
Total	2.965	3.265	2.418	2.718	3.018
TOTAL EARMARKED RESERVES	**100.144**	**69.332**	**62.845**	**61.621**	**60.428**
REVENUE GRANTS:					
Children's Services	21.667	7.610	4.045	2.071	0.480
Place	8.408	7.980	7.980	7.980	7.980
ACCW	64.268	45.735	31.941	27.885	27.866
Other Budgets	1.536	1.481	1.431	1.431	1.431
Fire & Rescue	0.384	0.192	0.192	0.192	0.192
TOTAL GRANT RESERVES	**96.263**	**62.998**	**45.589**	**39.559**	**37.949**
SCHOOL BALANCES	**29.329**	**3.951**	**0.739**	**0.576**	**0.423**
TOTAL RESERVES	**242.136**	**160.481**	**133.373**	**125.956**	**123.000**

* *the 2023/24 balances reflect allocations from the 2023/24 outturn underspend approved by Full Council approval on 13 September 2024*

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 planned funding reform approach set out by Government. It’s important to emphasise that the Government has already started to reallocate funding between local authorities in 2025/26, with funding such as the rural services delivery grant being reallocated to other grants which the Council is unlikely to receive the same proportion of. The increased uncertainty amounts to an increased risk of funding or expenditure shock, particularly beyond 2025/26.

5) The Council also considers the financial indicators published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those previously published by the Office for Local Government (OFLOG), 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 grant conditions. School reserves are held on behalf of schools, with their usage decided by schools themselves, subject to Council oversight.

Corporate Reserves

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 2025/26. If there was a significant reduction in the tax collection in any district, it may eradicate 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 56% 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 £3.6m 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 2025/26 however recent precedent suggests that there is a risk that the cost may increase further. For context, the increase in 2024/25 was in excess of £3m, and the planned increase for 2025/26 is currently £5.6m. 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	Over recent years, the previous and now new Government have provided a series of one-off financial settlements, with recent cash increases helping to support with increasing costs. The Government confirmed in the Autumn budget that 2026/27 will be a multi-year settlement, and following this a consultation on local government funding reform was published alonside the draft settlement. This reform has already begun taking place as funding has been reallocated between local authorities in the 2025/26 settlement. The Council has been negatively impacted by the changes in 2025/26, which included abolition of rural grant funding and a nil recovery grant allocation. This approach provides indications of how the Government might approach local authority funding reform during 2025/26 for implementation in 2026/27.
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 high levels of inflation in recent years have been well considered through financial reporting. Whilst the rate is on a decreasing path, the budget proposal contains inflationary increases equating to 5.01% of the 2025/26 base budget. A further 1% increase would equate to nearly £7m.

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 2025/26, although it should be noted that there are deficits forecast beyond 2025/26 and all else being equal there would be a level of reserve use required (refer to the table in para 8.1 in Appendix E), noting that there is significant uncertainty as set out elsewhere in this report.

11) An amendment was approved at Full Council to create a new Emergency Flooding Reserve with a value of £1m, drawn from the Financial Volatility Reserve leaving a residual balance on that reserve of £45.9m. This is reflected in the reserves statement at the start of this appendix.

Earmarked and Grant Reserves

12) 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

13) 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

14) 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. The current balance of the general fund reserve is £19.4m, which is towards the bottom of this range.

15) Given the uncertainty of the Council's future funding and the scale of the projected gap in our funding requirement, it is deemed prudent to increase the general reserve by £4.8m to a total of £24.2m, which will bring the general fund reserve to the top of the range. This will be achieved through reallocations from service reserves and is reflected in the reserve statement at the start of this appendix.

DEVELOPMENT FUND INITIATIVES **APPENDIX L**

Revenue/ Capital	Directorate - Service	Project	Total Budget	Prior Spend 2020/21 – 2023/24	Residual Budget	Planned Spend 2024/25	2025/26	2026/27	2027/28	Residual Balance	Ref*
Revenue	Place - Environment	Green Masterplan	**0.350**	0.312	**0.038**	0.038	-	-	-	**-**	
Revenue	Place - Communities	Anaerobic digestion Facilities - Business Case Viability	**0.150**	0.150	**-**	-	-	-	-	**-**	
Revenue	Place - Highways and Growth	Highways Advance Design/Economic Development Pipeline Projects	**2.713**	1.657	**1.056**	0.050	1.006	-	-	**-**	1
Revenue	Place -Highways	Traffic signals - Wireless communications	**0.005**	-	**0.005**	0.005	-	-	-	**-**	
Revenue	Fire and Rescue	Research study - LFR prevention work	**0.010**	0.008	**0.002**	0.002	-	-	-	**-**	
Revenue	Resources - Transformation	Digital	**0.280**	0.280	**-**	-	-	-	-	**-**	
Revenue	Place - Growth	Broadband - 4G	**0.135**	-	**0.135**	-	0.135	-	-	**-**	
Revenue	Place - Highways	Drainage Investigation and Flood Repairs	**0.200**	0.200	**0.000**	-	-	-	-	**-**	
Revenue	Resources - Transformation	Transformation Programme	**7.394**	0.567	**6.817**	1.542	2.289	1.493	1.493	**-**	2
Revenue	Councilwide	Emergent council priorities	**1.359**	-	**1.359**	1.359	-	-	-	**-**	3
Capital	Place - Communities	Education Transport links to School (Route sustainability)	**0.440**	-	**0.440**	-	0.440	-	-	**-**	
Capital	Place - Highways	Community Maintenance Gangs	**3.981**	3.981	**-**	-	-	-	-	**-**	
Capital	Place - Highways	Drainage Investigation and Flood Repairs	**3.444**	2.668	**0.776**	0.459	0.317	-	-	**-**	4
Capital	Place - Highways	Works on B class roads and lower	**10.000**	10.000	**-**	-	-	-	-	**-**	
Capital	Fire and Rescue	Flood Management Pumps	**0.116**	0.116	**-**	-	-	-	-	**-**	

Revenue/ Capital	Directorate - Service	Project	Total Budget	Prior Spend 2020/21 – 2023/24	Residual Budget	Planned Spend 2024/25	2025/26	2026/27	2027/28	Residual Balance	Ref*
Capital	ACCW - Public Protection - Trading Standards	Replacement Trading standards Metrology equipment	**0.050**	-	**0.050**	0.050	-	-	-	**-**	
Capital	Place -Highways	Traffic signals - Wireless communications	**0.080**	0.080	**-**	-	-	-	-	**-**	
Capital	Place - Growth	Broadband - 4G	**0.800**	-	**0.800**	-	-	-	-	**0.800**	5
Capital	Place - Highways	Highways initiatives/works	**29.045**	6.600	**22.445**	22.445	-	-	-	**-**	6
Capital	Place - Highways	Lines and signage	**1.000**	-	**1.000**	1.000	-	-	-	**-**	7
Capital	Place - Various	Minor infrastructure works, skills development and public rights of way	**0.658**	0.059	**0.599**	0.599	-	-	-	**-**	8
Capital	Place - Various	Invest to save highways depot programme	**1.000**	-	**1.000**	0.500	0.500	-	-	**-**	9
			63.200	26.678	36.522	28.048	4.687	1.493	1.493	0.800	

* 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, MHCLG, etc). A balance of £0.846m has been earmarked for these works and a small amount (circa £0.010m) is expected to be drawn down in 2024/25. In addition, it is enabling the development of a pipeline of Economic Infrastructure schemes to bid against emerging government, LCC and other funding opportunities. A balance of £0.209m has been earmarked for these schemes and circa £0.040m is expected to be drawn down in 2024/25.
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 case basis.
3	Emergent council priorities	The balance has been updated to reflect the proposal from the Executive to set aside £1.359m from the 2023/24 outturn underspend to fund emergent Council priorities. This was approved at the Full Council meeting on 13 September 2024.
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

Ref	Project	Narrative
		from having the best possible digital services. This is a particular problem for our rural, farming, and tourism businesses. The balance will be considered as part of plans to address the viability gap. The scope of planned usage is currently under review and the allocated funding is currently show as uncommitted until this has concluded.
6	Highways initiatives/works	The allocation for this area has built up over several years, with allocations made during budget setting and outturn processes to support investment in highways schemes. The build-up has been as follows: - 2020/21 outturn (£10m) – *subsequently allocated to fund investment in B class roads (separate line in development fund)* - 2021/22 outturn (£5m) - 2022/23 outturn (£10.045m) - 2023/24 budget setting (£7m) – *funded from reserve reallocation* - 2023/24 outturn (£7m) – *this reflects the Executive proposal, approved by Full Council on 13 September 2024* The highways service provides regular updates on delivery of the wider programme, which includes these constituent elements. The remaining allocation has been programmed and spent in 2024/25 leaving the development fund balance at nil.
7	Highways Lines and signage	As part of budget setting for 2023/24, the Council approved reallocation of reserves which had been identified as no longer being required for their original stated purpose, with £1m allocated to investment in lines and signage. The full allocation has been programmed and spent in 2024/25.
8	Minor infrastructure works, skills development and public rights of way	As part of budget setting for 2023/24, the Council approved reallocation of reserves which had been identified as no longer being required for their original stated purpose, with £0.658m allocated to investment in minor infrastructure works, skills development and public rights of way. 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) expected to be fully utilised in 2024/25.
9	Invest to save highways depot programme	As part of the financial outturn process for 2023/24, the Executive approved for £1m of the outturn underspend to be allocated to investment within the highways depot programme. This was approved by Full Council on 13 September 2024. The scheme is expected to be completed in 2025/26 with £0.5m drawn down in 2024/25.

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATORS		2023-24 Actual	*2024-2025 Original Estimate*	2024-2025 Updated Estimate	2025-26 Estimate	2026-27 Forecast	2027-28 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**	**197.437**	***144.706***	**260.575**	**236.485**	**124.356**	**102.068**
Net Capital Expenditure	**£m**	**83.034**	***94.625***	**155.136**	**95.712**	**69.208**	**56.848**
Capital Financing							
Borrowing	**£m**	40.390	*89.425*	71.924	69.554	36.884	39.375
Grants & Contributions	**£m**	114.403	*50.081*	105.440	140.773	55.148	45.220
Capital Receipts, Reserves & Revenue	**£m**	42.644	*5.201*	83.212	26.159	32.323	17.473
Total Capital Financing	**£m**	**197.437**	***144.706***	**260.575**	**236.485**	**124.356**	**102.068**
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**	677.199	*719.447*	681.716	754.261	811.552	834.790
Add Additional Borrowing	**£m**	40.390	*89.425*	71.924	69.554	36.884	39.375
Add Additional Credit Liabilities (PFI & Finance Leases)	**£m**	0.000	*2.500*	15.000	0.000	0.000	0.000
Less Revenue Provision for Debt Repayment (MRP)	**£m**	21.127	*21.070*	14.379	12.263	13.646	14.480
Less Revenue Provision for Debt Repayment (VRP)	**£m**	14.746					
Capital Financing Requirement	**£m**	**681.716**	***790.302***	**754.261**	**811.552**	**834.790**	**859.685**
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**	578.736	*585.758*	540.080	583.967	604.971	637.614
Other Long Term Liabilities	**£m**	11.018	*7.756*	21.890	20.442	18.761	17.031
Total Authorised Limit	**£m**	**589.754**	***593.514***	**561.970**	**604.409**	**623.732**	**654.645**
4) Operational Boundary for External Debt							
Borrowing	**£m**	563.736	*570.758*	525.080	568.967	589.971	622.614
Other Long Term Liabilities	**£m**	9.018	*5.756*	19.890	18.442	16.761	15.031
Total Operational Boundary	**£m**	**572.754**	***576.514***	**544.970**	**587.409**	**606.732**	**637.645**
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**	679.120	*784.609*	834.790	859.685	897.319	891.390
Forecast of Long Term External Borrowing and Credit Arrangements	**£m**	464.818	*535.200*	469.951	527.168	550.330	575.154
Headroom	**£m**	**214.302**	***249.409***	**364.839**	**332.517**	**346.989**	**316.236**

PRUDENTIAL INDICATORS		2023-24 Actual	*2024-2025 Original Estimate*	2024-2025 Updated Estimate	2025-26 Estimate	2026-26 Forecast	2027-28 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). The Council will also set the following voluntary indicator limit: minimum revenue provision and interest not to exceed 10% of net revenue stream NRS). Note: Dedicated Support Grant (DSG) has been removed from 2024-25 Updated NRS figures onwards, to remove the effect of income that is not influenced by the Council from the PI.							
Proportion of Financing Costs to NRS	**%**	**4.86%**	***3.35%***	**3.62%**	**3.82%**	**4.22%**	**4.54%**
Proportion of MRP & Interest Costs to NRS -Limit 10% (Voluntary Indicator)	**%**	**5.85%**	***3.99%***	**4.76%**	**4.37%**	**4.74%**	**4.87%**
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). This is to manage financial exposure to the Council from potential loss of income from these investments. Note: Dedicated Support Grant (DSG) has been removed from 2024-25 Updated NRS figures onwards, to remove the effect of income that is not influenced by the Council from the PI.							
Net Income from Non-Treasury Investments (Including County Farms)	£m	2.234	*2.200*	2.124	2.018	1.919	1.824
Net Revenue Stream (NRS).	£m	907.153	*991.526*	652.457	693.474	711.328	733.065
Proportion of Net Commerical and Service Investment Income to Net Revenue Stream -Limit 3%	**%**	**0.25%**	***0.22%***	**0.33%**	**0.29%**	**0.27%**	**0.25%**
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***	**19.400**	**19.400**	**19.400**	**19.400**
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.019	***0.027***	0.025	0.019	0.019	0.015
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	**%**	**0.11%**	***0.17%***	**0.13%**	**0.10%**	**0.10%**	**0.08%**
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 (or 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 is included in the Treasury Management Strategy for 2025/26.							
Investment Liquidity Benchmark	£m	100.000	*100.000*	100.000	100.000	100.000	100.000
Debt Liability Benchmark	£m	318.765	*472.659*	352.826	479.407	504.323	585.947
Existing External Borrowing	£m	458.649	*450.083*	450.061	443.486	436.948	425.461
Under / Over (-) Borrowed Position	£m	-139.884	*22.576*	-97.235	35.921	67.375	160.486
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	%	1.90%	*25.00%*	25.00%	25.00%	25.00%	25.00%
12 months and within 24 months	%	1.40%	*25.00%*	25.00%	25.00%	25.00%	25.00%
24 months and within 5 years	%	10.10%	*50.00%*	50.00%	50.00%	50.00%	50.00%
5 years and within 10 years	%	4.00%	*75.00%*	75.00%	75.00%	75.00%	75.00%
10 years and above	%	82.50%	*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**	**1.105**	***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	%	15.00%	*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 (Voluntary Indicator)	**£m**	**0.000**	***-1.423***	**20.132**	**12.033**	**15.632**	**7.926**

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 more fundamental refresh of the strategy remains required, however this needs to take into consideration the long-term funding position of the Council, informed by the funding review being undertaken by Government which should then give rise to multi-year financial settlements.

1.5 Therefore, whilst the strategy set out here represents an incremental change from the strategy set out for 2024/25, the progression of the Government's funding review will act as a catalyst for the Council in understanding its longer-term funding availability to support capital investment aspirations. And therefore, a fundamental review of the capital investment strategy is proposed for during 2025/26.

1.6 In any event, the capital investment strategy needs to 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.

1.7 By extension of point 1.6, a key change proposed for 2025/26 is the expansion of the capital programme to incorporate all planned spending across the Council, including: capital grants received in previous years, recurrent revenue contributions to the programme and contributions from revenue reserves (e.g. development fund). This is a fundamental change in approach which increases the planned size of the programme, making it consistent with service delivery plans.

1.8 The aim of this change is to aid improvements in capital monitoring and reporting, which in turn enable enhanced scrutiny of the fuller programme. Finally, this change will enable a greater focus on non-financial updates (i.e. benefits to Lincolnshire as a result of the planned capital investment).

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 2025/26 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 through the use of capital receipt flexibility.

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

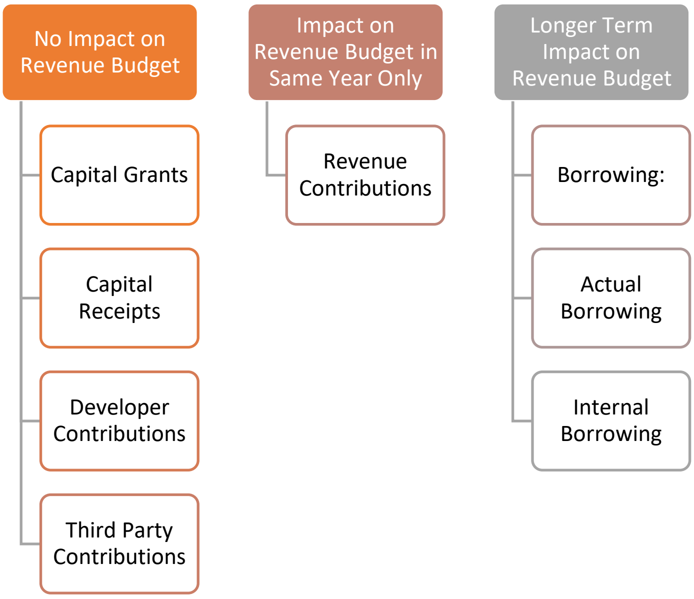
3.7 The rules on what types of expenditure can or cannot be capitalised are set out in International Financial Reporting Standards and in the CIPFA Accounting Code of Practice, as well as in law. Councils are allowed to set a minimum threshold value for capital expenditure to ensure that only the more 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.

3.11 The planned use of capital grants unapplied (i.e. grants received in prior years) will also be planned and reported as part of the full capital programme.

Capital Receipts

3.12 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

3.13 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

3.14 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

3.15 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 Debt Management Office (DMO), 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 DMO loans.

3.16 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).

3.17 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 through the annuity method over the number of years the asset concerned is expected to be in use, with lower principal repayments in early years increasing annually thereafter (n.b. subject to Full Council approving the change in policy change). This charge is made to the revenue budget every year until the end of the asset's life.

3.18 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

3.19 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 for Finance and Communications, a draft Capital Programme will be prepared by the Executive Director of Resources 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 Executive Director of Resources and Deputy Chief Executive (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 for Finance and Communications 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 DMO 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 Executive Director of Resources and Deputy Chief Executive 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 The Council undertakes budget monitoring on a regular basis and through this process budget and spend managers are required to review the financial and non-financial progress of capital programme delivery. Any variances in cost or funding contributions compared to the budget assumption need to be raised at the earliest opportunity, and be reviewed by the Directorate Leadership Team prior to onward reporting to Corporate Leadership Team and Executive. Mitigations need to be explored as part of this process prior to any additional funding request being raised.

9.5 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 2025/26

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 2025/26. 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. <u>Decision Making and Reporting Arrangements (supported by IMP4)</u>

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. <u>Performance Measurement and Management (supported by IMP5)</u>

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. <u>Arrangements for Training and Qualifications (supported by IMP6)</u>

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. <u>Investment Objectives (supported by IMP1)</u>

   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. <u>Investment Criteria (supported by IMP2)</u>

   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. <u>Risk Management Arrangements (supported by IMP3)</u>

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 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 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 (n.b. a further change will be proposed to Full Council as part of the 2025/26 budget)
   - 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 2025/26 and future years up to 2034/35 is included at Annex D (the detailed capital programme is included in the Council's Budget Book). There is a diminished appetite to grow the programme at this stage because of the wider funding uncertainty. However, the programme has needed to grow with the main factors being:

i. The Executive decision to invest £20m in economic growth schemes,
ii. The emergence of overspends across a few schemes which have either already materialised or expected to do so,
iii. The change in approach for planning in spending which is funded by either capital grants received in previous years, recurrent revenue budget or revenue reserves (e.g. development fund).

The cost of financing the capital programme is expected to increase in future years, after completion of schemes. The forecast cost of the capital programme has been reflected in the revised medium term financial plan, albeit may change through re-phasing. 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 2026, with added uncertainty due to the wider funding review being undertaken by Government. For planning purposes the Council’s grant funding is expected to remain flat over the plan period.

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. Please note that there has been a change to the calculation methodology (removal of DSG from funding base).

11.8 This indicates that the Capital Programme for 2025/26, 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 2025/26, 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 2025/26 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 2025/26, 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

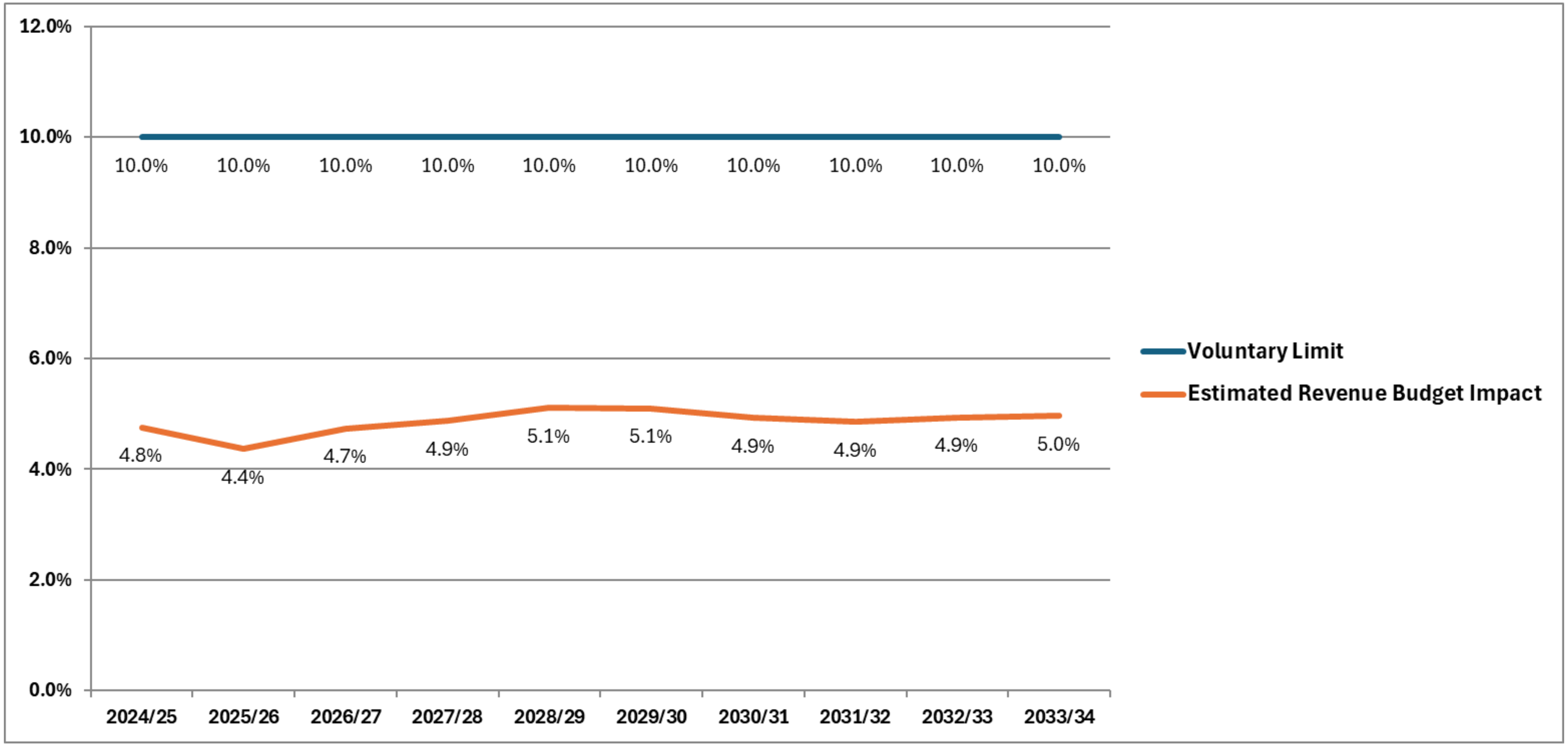
Annex D

Capital	**2024/25**	**2025/26**	**2026/27**	**2027/28 - 2033/34***
Investment in Blocks				
Adult Care and Community Wellbeing	8,104,995	-	-	-
Children's Services	18,971,359	35,818,719	19,374,528	34,275,000
Place	96,579,925	87,082,322	15,360,316	100,126,338
Fire and Rescue	1,854,289	2,127,719	2,296,589	2,500,000
Resources & Corporate	10,536,160	5,650,000	5,500,000	31,000,000
Total	136,046,728	130,678,760	42,531,433	167,901,338
Investment in Projects				
Adult Care and Community Wellbeing	3,228,000.00	1,460,000.00	-	-
Children's Services	28,033,478	49,461,409	19,904,724	1,500,000
Place	78,356,278	49,358,649	56,303,920	152,000,399
Fire and Rescue	1,977,266	1,999,605	-	-
Resources & Corporate	9,383,537	3,526,650	615,967	-
Total	120,978,559	105,806,313	76,824,611	153,500,399
New Development Capital Contingency	3,550,004	-	5,000,000	25,000,000
Capital Fund	-	-	-	-
Total Investment	**260,575,291**	**236,485,073**	**124,356,044**	**346,401,737**
Funding				
External Funding				
Capital Grants (in year)	(105,439,524)	(140,772,672)	(55,148,468)	(59,890,785)
Capital Grants (received in prior years)	(26,936,602)	(7,683,174)	(14,805,828)	-
Total	(132,376,126)	(148,455,846)	(69,954,296)	(59,890,785)
Internal Funding				
Borrowing	(71,924,096)	(69,553,838)	(36,884,208)	(164,787,654)
Capital Receipts	(5,000,000)	(5,000,000)	(5,000,000)	(35,000,000)
Revenue (base budget)	(27,488,190)	(12,558,389)	(12,517,540)	(86,723,298)
Revenue (reserves)	(23,786,879)	(917,000)	-	-
Total	(128,199,165)	(88,029,227)	(54,401,748)	(286,510,952)
Total Funding	**(260,575,291)**	**(236,485,073)**	**(124,356,044)**	**(346,401,737)**

**amended from 2034/35 as stated in previous reports*

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	Principal Outstanding as at 31/03/2024 £000's	Estimated Interest Income 2024/25 £000's
B14080 School Academies	Loan	Low	Various	578	-3
B20040 TransportConnect Revolving Credit Facility	Loan	Medium	*3*	0	-17
B20041 Legal Serviices Lincolnshire (Trading) Ltd Revolving Credit Faci	Loan	Medium	*3*	10	-1
Total				**588**	**-21**

Service Investments: Equity Purchase for Service Reasons	Classification	Risk Level	Fair Value as at 31/03/2024 £000's	Estimated Dividend Income 2024/25 £000's
B14010 Investors in Lincoln Shares	Non-Specified Investment	Low	287	0
B14160 Hoople Ltd Shares	Non-Specified Investment	Low	240	0
Total			**527**	**0**

Commercial Investments for Non Service Reasons:	Classification	Risk Level	Fair Value as at 31/03/2024 £000's	Estimated Rental Income 2024/25 £000's
B11005 County Farms	Investment Properties	Low	106,308	-1,965
B11005 Other Non-Farm Properties	Investment Properties	Low	7,474	-138
Total			**113,782**	**-2,103**

PRUDENTIAL INDICATORS		2023-24 Actual	*2024-25 Original Estimate*	2024-25 Updated Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 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). This is to manage financial exposure to the Council from potential loss of income from these investments. Note: Dedicated Support Grant (DSG) has been removed from 2024-25 Updated NRS figures onwards, to remove the effect of income that is not influenced by the Council from the PI.							
Net Income from Non-Treasury Investments (Including County Farms)	**£m**	2.234	*2.200*	2.124	2.018	1.919	1.824
Net Revenue Stream (NRS).	**£m**	907.153	*991.526*	652.457	693.474	711.328	733.065
Proportion of Net Commerical and Service Investment Income to Net Revenue Stream -Limit 3%	**%**	**0.25%**	***0.22%***	**0.33%**	**0.29%**	**0.27%**	**0.25%**
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***	**19.400**	**19.400**	**19.400**	**19.400**
Sums at Risk (Based on Expected Credit Loss Model)	**£m**	0.019	***0.027***	0.025	0.019	0.019	0.015
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	**%**	**0.11%**	***0.17%***	**0.13%**	**0.10%**	**0.10%**	**0.08%**

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)	2024/25			2025/26			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	0.425	0.230	0.195	-	-	-	-	-	-
B	Safer Communities	0.051	-	0.051	-	-	-	-	-	-
B	Registration Celebratory & Coroners Services	0.020	-	0.020	-	-	-	-	-	-
B	Better Care Fund	7.610	7.610	-	-	-	-	-	-	-
P	Welton - Extra Care Housing	0.964	0.964	-	-	-	-	-	-	-
P	Grange Farm, Market Rasen	0.804	0.804	-	-	-	-	-	-	-
P	Hoplands - Extra Care Housing	1.460	1.460	-	1.460	1.460	-	-	-	-
	Sub-total	**11.333**	**11.068**	**0.265**	**1.460**	**1.460**	**-**	**-**	**-**	**-**
	Children's Services									
B	Schools Maintenance Programme	8.728	8.728	-	1.284	1.284	-	2.286	2.286	-
B	Provision of School Places (Basic Need)	8.200	3.900	4.300	26.152	24.735	1.417	51.063	18.738	32.325
B	Devolved Capital	0.940	0.940	-	-	-	-	-	-	-
B	Foster Care	0.133	-	0.133	0.050	-	0.050	0.300	-	0.300
B	Other Children´s Social care	0.008	-	0.008	-	-	-	-	-	-
B	Connect the Classroom	0.004	0.002	0.002	-	-	-	-	-	-
B	Early Years and Childcare	0.701	-	0.701	-	-	-	-	-	-
B	Children’s Centres Capital Improvements	0.090	-	0.090	-	-	-	-	-	-
P	SEMH Schools - Expanding provision	4.871	2.449	2.423	8.332	-	8.332	-	-	-
P	SEND Reorganisation	8.633	-	8.633	2.287	0.907	1.380	-	-	-
P	Children´s Homes	0.409	-	0.409	0.750	-	0.750	-	-	-
P	Lincolnshire Secure Unit	0.001	0.001	-	-	-	-	-	-	-
P	Lincs Secure Unit	13.557	13.455	0.102	41.154	41.154	-	19.605	19.605	-
P	School Mobile Classroom Replacement	0.730	-	0.730	0.770	-	0.770	1.800	-	1.800
P	West Grantham CofE Primary Academy dev.	-	-	-	4.500	-	4.500	-	-	-
	Sub-total	**47.005**	**29.473**	**17.532**	**85.280**	**68.081**	**17.199**	**75.054**	**40.629**	**34.425**
	Fire and Rescue									
B	Fire Fleet and Equipment	1.854	-	1.854	2.128	-	2.128	4.797	-	4.797
P	LFR Control Project	1.977	-	1.977	2.000	-	2.000	-	-	-
	Sub-total	**3.832**	**-**	**3.832**	**4.127**	**-**	**4.127**	**4.797**	**-**	**4.797**

		2024/25			2025/26			Future Years		
*****	**Scheme by Area (all figures in £m)**	**Gross Investment**	**External Funding**	**Internal Funding**	**Gross Investment**	**External Funding**	**Internal Funding**	**Gross Investment**	**External Funding**	**Internal Funding**
	Other Budgets									
B	New Developments Contingency Fund	3.550	-	3.550	-	-	-	30.000	-	30.000
	Sub-total	**3.550**	**-**	**3.550**	**-**	**-**	**-**	**30.000**	**-**	**30.000**
	Place									
	Communities									
B	HWRC & Waste Transfer Centres	-	-	-	0.135	-	0.135	-	-	-
B	Equipment & Vehicles at Waste Transfer Stations	0.131	-	0.131	0.488	-	0.488	-	-	-
B	Fire Suppression at Waste Transfer Stations	-	-	-	0.116	-	0.116	-	-	-
B	Flood & Water Risk Management	0.272	-	0.272	4.957	-	4.957	-	-	-
B	Local Flood Defence Schemes	1.466	1.107	0.359	1.394	-	1.394	3.000	-	3.000
B	Libraries	0.220	-	0.220	-	-	-	-	-	-
B	Countryside Rights of Way	0.600	0.063	0.537	-	-	-	-	-	-
B	Other Environment & Planning	0.006	-	0.006	-	-	-	-	-	-
B	Other Transport Initiatives	0.807	0.413	0.395	0.002	0.002	-	-	-	-
B	Integrated Transport (Communities)	1.527	1.100	0.427	1.367	1.276	0.090	-	-	-
B	Drainage Investigation and Flood Repairs	0.459	-	0.459	0.317	-	0.317	-	-	-
P	Waste - Separated Paper and Card Scheme	0.015	-	0.015	0.374	-	0.374	-	-	-
P	HWRC Skegness	-	-	-	2.000	-	2.000	-	-	-
P	Lincolnshire Archives	2.500	-	2.500	1.500	-	1.500	-	-	-
P	Lincolnshire Museum	1.035	-	1.035	-	-	-	-	-	-
P	HWRC Tattershall	-	-	-	(0.011)	-	(0.011)	-	-	-
P	Usher Gallery Works	(0.137)	-	(0.137)	-	-	-	-	-	-
P	Waste Transfer Stations	0.250	-	0.250	5.850	-	5.850	-	-	-
P	Bus Service Improvement Plans (BSIP) grant	-	-	-	5.760	5.760	-	-	-	-
	Growth							-	-	-
B	Lincolnshire Enterprise Partnership Contribution	0.559	-	0.559	-	-	-	-	-	-
B	Economic Development- Business Unit Development	0.211	-	0.211	-	-	-	-	-	-
B	Lincoln Growth Point	0.050	-	0.050	-	-	-	-	-	-
P	Broadband	1.110	1.110	-	0.800	0.800	-	6.451	1.617	4.833
P	Economic Development - Horncastle Industrial Estate Extension	0.560	-	0.560	0.940	-	0.940	-	-	-
P	Sutton Bridge Place Marking	0.033	-	0.033	-	-	-	-	-	-
P	Local Electric Vehicle Infrastructure	0.694	0.694	0.000	0.254	0.254	-	-	-	-
P	Economic Investment Fund	-	-	-	0.550	-	0.550	19.450	-	19.450
P	UK Food Valley Grant Programme	2.600	2.600	-	-	-	-	-	-	-

		2024/25			2025/26			Future Years		
*	Scheme by Area (all figures in £m)	Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding
P	Flood Prevention Schemes (Kirkby on Bain and Market Rasen)	0.900	0.900	-	-	-	-	-	-	-
P	Streetworks Programme in Grantham	2.000	2.000	-	-	-	-	-	-	-
P	Sleaford Moor Enterprise Park	2.200	2.200	-	-	-	-	-	-	-
	Highways									
B	Highways Asset Protection	79.171	44.284	34.887	73.954	60.441	13.513	98.881	-	98.881
B	Integrated Transport	3.442	3.337	0.105	-	-	-	-	-	-
B	Boston Development Schemes	0.092	-	0.092	-	-	-	-	-	-
B	Network Resilience	1.092	-	1.092	-	-	-	-	-	-
B	Other Highways	2.698	-	2.698	-	-	-	-	-	-
B	Local Highways Improvements (pinchpoints) to support Coastal Routes	-	-	-	-	-	-	11.106	-	11.106
B	A46 Roundabouts	3.775	3.300	0.475	4.353	-	4.353	2.500	-	2.500
B	A16/A1073 Spalding to Eye Road Improvement	0.001	-	0.001	-	-	-	-	-	-
P	Grantham Southern Relief Road	20.203	-	20.203	15.837	-	15.837	-	-	-
P	Spalding Western Relief Road (Section 5)	4.788	-	4.788	-	-	-	-	-	-
P	Spalding WRR Section 5 S106	(2.100)	-	(2.100)	-	-	-	(2.100)	-	(2.100)
P	North Hykeham Relief Road	9.381	6.310	3.071	14.548	10.382	4.166	162.324	87.599	74.725
P	Lincoln Eastern Bypass	4.376	-	4.376	-	-	-	-	-	-
P	A16 Levelling Up Fund (LUF)	15.260	4.351	10.909	-	-	-	-	-	-
P	A52 Skegness Roman Bank Reconstruction	0.670	-	0.670	-	-	-	-	-	-
P	A631 Louth to Middle Rasen Safer Road Fund	0.232	0.020	0.212	-	-	-	-	-	-
P	A46 Welton Roundabouts (Int. Transport/NPIF)	0.056	-	0.056	-	-	-	-	-	-
P	Spalding Western Relief Road Section 1	-	-	-	0.090	-	0.090	27.700	-	27.700
P	Street Lighting Transformation	1.500	-	1.500	-	-	-	-	-	-
P	Coastal County Park Footpath	(0.002)	-	(0.002)	-	-	-	-	-	-
P	C543 Old Roman Bank Coast Road	(0.067)	-	(0.067)	-	-	-	-	-	-
P	Old Roman Bank, Sandilands	9.000	9.000	-	-	-	-	-	-	-
P	Cross Keys Bridge electrification	0.300	-	0.300	0.867	-	0.867	-	-	-
P	Highway Depot Strategy	1.000	-	1.000	-	-	-	-	-	-
	Sub-total	**174.936**	**82.788**	**92.148**	**136.441**	**78.915**	**57.526**	**323.791**	**89.216**	**234.575**
	Resources & Corporate									
	Corporate Property									
B	Property	5.458	-	5.458	3.225	-	3.225	19.350	-	19.350
B	County Farm Block	0.897	-	0.897	0.425	-	0.425	1.650	-	1.650

*	Scheme by Area (all figures in £m)	2024/25			2025/26			Future Years		
		Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding	Gross Investment	External Funding	Internal Funding
P	Property Area Review	0.067	-	0.067	-	-	-	-	-	-
P	Waddington Training Facility - Capital	0.032	-	0.032	-	-	-	-	-	-
P	Fire Door Replacement	0.197	-	0.197	0.272	-	0.272	-	-	-
P	Orchard House B Refurbishment	4.829	-	4.829	-	-	-	-	-	-
P	Castle Walls	0.730	-	0.730	0.154	-	0.154	-	-	-
P	RAF Woodhall Spa	-	-	-	1.600	-	1.600	-	-	-
	IT									
B	Improvement Transformation	1.075	-	1.075	-	-	-	-	-	-
B	Infrastructure and Refresh Programme	3.015	-	3.015	2.000	-	2.000	15.500	-	15.500
B	Replacement ERP Finance System	0.091	-	0.091	-	-	-	-	-	-
P	IT Security	2.664	-	2.664	-	-	-	-	-	-
P	2023 Device Replacement (Refresh)	0.866	-	0.866	1.500	-	1.500	0.616	-	0.616
	Sub-total	**19.920**	**-**	**19.920**	**9.177**	**-**	**9.177**	**37.116**	**-**	**37.116**
	Total Investment	**260.575**	**123.329**	**137.247**	**236.485**	**148.456**	**88.029**	**470.758**	**129.845**	**340.913**

* 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 note that some are estimated and therefore not all have been built into the capital programme.

Capital Government Grants		**2025/26 £000's**
Disabled Facilities Grant	*	8,657
Adult Care and Community Wellbeing		**8,657**
Schools Devolved Formula Capital	*	953
Schools Basic Needs		21,535
Schools Condition Allocation	*	4,843
SEND Provision Capital Funding for Pupils with EHC plans	*	10,417
Lincs Secure Unit		41,154
Children's Services		**78,903**
Highways Asset Protection		60,441
Highways Integrated Transport	*	3,337
North Hykeham Relief Road	*	10,382
Bus Service Improvement Grant		5,760
Place		**79,920**
Total Capital Grants		**167,480**

* Funding allocations for 2025/26 have not yet been confirmed so the amount of grant has been based on the 2024/25 allocations.

The total capital grants figure shown in the table above differs from the total 2025/26 external funding shown in Appendix O because some of the grants included in the table are estimates and therefore not included in the programme, or they were confirmed late in the budget process so aren't included in the programme.

CHILDREN'S SERVICES

EDUCATION (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		15,162,858		
2.0	BUDGET CHANGES:		885,129		
3.0	TOTAL REVISED BUDGET		16,047,987		
4.0	COST PRESSURES				
4.1	Children with Disabilities		40,624	Ref 4.1	The rise in the national living wage has a direct impact on the costs for direct payments in the support for children with disabilities.
4.2	Education Health Care Needs Assessments		1,059,698	Ref 4.2	There is a statutory need to carry out an assessment as part of the Education Health Care (EHC) needs process. Lincolnshire has seen a significant rise in the number of requests, creating an increased demand for assessment time.
5.0	SAVINGS		0		
6.0	**2025/26 BUDGET**		**17,148,309**		

EDUCATION (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	SPECIAL EDUCATIONAL NEEDS AND DISABILITIES	10,323,632	1,106,596	11,430,228
2.0	SCHOOL IMPROVEMENT	714,924	(19,335)	695,589
	-			
3.0	EDUCATION SUPPORT SERVICES	1,227,258	1,000	1,228,258
4.0	STATUTORY/REGULATORY DUTIES	3,782,173	12,061	3,794,234
	-			
5.0	**NET TARGET BUDGET**	**16,047,987**	**1,100,322**	**17,148,309**

CHILDREN'S SOCIAL CARE (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		98,544,710		
2.0	BUDGET CHANGES:		1,690,602		
3.0	TOTAL REVISED BUDGET		100,235,312		
4.0	COST PRESSURES				
4.1	Children in Care		7,753,555	Ref 4.1	To fund the current baseline commitments of Children in Care (CiC) requirements and placements which reflects the changing landscape with higher CiC numbers and needs; a higher composition in more specialist placements, and current market price conditions.
4.2	Children in Care		1,402,045	Ref 4.2	To support the forecast price rises caused by national living wage and inflation assumptions to placement types for CiC, including recognition for the current market price conditions.
4.3	Fostering & Adoption Allowances		386,587	Ref 4.3	To support the increase in the internal foster carer rates by 3.55% from April 2025.
4.4	Social Workers Workforce		138,939	Ref 4.4	The Social Worker Apprentice programme was established in September 2022, creating 14 apprentices. This supports the Council's medium to long term strategy on social workers attraction and retention. The programme is now at maximum capacity.
4.5	Special Guardianship Orders		506,960	Ref 4.5	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. This cost considers growth trends.
4.6	Strategic Contracts		415,957	Ref 4.6	To support inflation costs in the delivery of core strategic contracts.
5.0	SAVINGS				
5.1	Children in Care		(500,000)	Ref 5.1	Children in Care (CiC) workstream that is focusing on five strategic aims that plan to control future spending levels relating to CiC placements.
5.2	Legal Costs		(500,000)	Ref 5.2	Saving relating to a reduction in S31 proceedings costs and a focus on achieving the PLO (Public Law Outline) pre proceedings timetable within 26 weeks.
6.0	OTHER				
6.1	Other		3,218,938	Ref 6.0	Additional budget relating to the Children's Services Prevention Grant
7.0	**2025/26 BUDGET**		**113,058,293**		

CHILDREN'S SOCIAL CARE (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	0-19 HEALTH SERVICES	11,264,284	23,332	11,287,616
2.0	EARLY HELP SERVICES	11,843,597	3,068,938	14,912,535
3.0	FAMILY ASSESSMENT AND SUPPORT TEAMS	24,098,203	1,148,692	25,246,895
4.0	ADOPTION AND FOSTERING SERVICES	20,296,301	(534,060)	19,762,241
5.0	RESIDENTIAL HOMES AND PLACEMENTS	21,518,400	9,001,753	30,520,153
6.0	LEAVING CARE AND SUPPORTED ACCOMMODATION	6,443,828	72,646	6,516,474
7.0	TARGETED SUPPORT FOR YOUNG PEOPLE	1,380,825	40,900	1,421,725
8.0	YOUTH OFFENDING	3,389,874	780	3,390,654
9.0	**NET TARGET BUDGET**	**100,235,312**	**12,822,981**	**113,058,293**

ADULT CARE & COMMUNITY WELLBEING

ADULT FRAILTIES (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		154,486,741		
2.0	BUDGET CHANGES:		(1,304,410)		
3.0	TOTAL REVISED BUDGET		153,182,331		
4.0	COST PRESSURES				
4.1	Pre Agreed - Inflation & Demographic Growth		8,763,645		
4.2	Increase in Demand		918,552		
5.0	SAVINGS				
5.1	Capital Investment		(194,000)		
5.2	Transformation Program ie Tech/ Digital/Service efficiency		(2,113,000)		
5.3	Increase in Client contribution/Partner Income		(2,075,953)		
5.4	Vacancy Factor 1.5%		(567,000)		
5.5	Ringfenced Market Sustainability Grant - Autumn Statement		(92,000)		
5.6	Other Service efficiency		(550,000)		
6.0	**2025/26 BUDGET**		**157,272,575**		

ADULT FRAILTIES (Control Totals)

Line No	Description	2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	Residential Care	75,227,595		4,798,731		80,026,326
2.0	Home Based Services	28,989,873		(2,821,633)		26,168,240
3.0	Direct Payments	16,449,805		(938,805)		15,511,000
4.0	Daycare	210,000		0		210,000
5.0	Reablement	4,505,000		275,023		4,780,023
6.0	LCES & Telecare	2,828,105		117,210		2,945,315
7.0	Fieldwork Team	22,708,104		3,307,145		26,015,249
8.0	Commissioning Support	2,263,849		(647,427)		1,616,422
	-					
9.0	**NET TARGET BUDGET**	**153,182,331**		**4,090,244**		**157,272,575**

ADULT SPECIALTIES (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		114,318,720		
2.0	BUDGET CHANGES:		2,308,540		
3.0	TOTAL REVISED BUDGET		116,627,260		
4.0	COST PRESSURES				
4.1	Increased demand within Adult Specialties across Mental Health and Learning Disability services		11,886,800		
4.2	Rates uplifts across Adult Specialties to reflect NLW		9,283,532		
4.3	Use of grant income to offset AMPH budget costs		(250,000)		
5.0	SAVINGS				
5.1	Reduction in high cost placements		(500,000)		
5.2	Increased use of technology and digital		(150,000)		
5.3	1.5% Vacancy Factor		(63,000)		
5.4	Savings to occur from reconfiguring the Deprivation of Liberty Service		(500,000)		
5.5	Increased Service user contributions across both residential and non-residential services		(217,000)		
5.6	Increased Learning Disabilities S75 income		(1,910,000)		
6.0	**2025/26 BUDGET**		**134,207,592**		

ADULT SPECIALITIES (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	LD LONG AND SHORT TERM CARE	35,416,920	1,315,795	36,732,715
2.0	LD HOME BASED CARE SERVICES	34,065,223	2,677,071	36,742,294
3.0	LD DIRECT PAYMENTS	12,730,795	2,180,040	14,910,835
4.0	LD DAY CARE SERVICES	7,413,946	374,443	7,788,389
5.0	LD FIELDWORK	4,441,665	177,667	4,619,332
6.0	MENTAL HEALTH	18,041,854	9,433,627	27,475,481
7.0	SAFEGUARDING FIELDWORK	1,965,373	458,876	2,424,249
8.0	BEST INTEREST ASSESSMENTS	2,491,732	949,354	3,441,086
9.0	SAFEGUARDING BOARD	59,752	13,459	73,211
10.0	**NET TARGET BUDGET**	**116,627,260**	**17,580,332**	**134,207,592**

PUBLIC HEALTH & COMMUNITY WELLBEING (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		29,766,293		
2.0	BUDGET CHANGES:		384,032		
3.0	TOTAL REVISED BUDGET		30,150,325		
4.0	COST PRESSURES				
4.1	Increase in Public Health grant		436,476		
5.0	SAVINGS				
6.0	**2025/26 BUDGET**		**30,586,801**		

PUBLIC HEALTH & COMMUNITY WELLBEING (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	HEALTH IMPROVEMENT, PREVENTION AND SELF MANAGEMENT	3,892,419		3,892,419
2.0	PUBLIC HEALTH STATUTORY SERVICE	6,730,758	436,476	7,167,234
3.0	WELLBEING SERVICE	3,300,000		3,300,000
4.0	SEXUAL HEALTH	4,940,314		4,940,314
5.0	HOUSING RELATED SERVICE	2,121,000		2,121,000
6.0	PREVENTION AND TREATMENT OF SUBSTANCE MISUSE	5,547,020		5,547,020
7.0	ADULT AND YOUNG CARERS SERVICE CONTRACTS	2,039,496		2,039,496
8.0	CARERS PERSONAL BUDGETS	650,000		650,000
9.0	QUALITY AND INFORMATION	929,318		929,318
10.0	**NET TARGET BUDGET**	**30,150,325**	**436,476**	**30,586,801**

PUBLIC PROTECTION (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		7,250,541		
2.0	BUDGET CHANGES:		355,872		
3.0	TOTAL REVISED BUDGET		7,606,413		
4.0	COST PRESSURES				
4.1	removal of one year funding for Anti Social Behaviour		(1,000,000)		
5.0	SAVINGS				
5.1	contract reviews and planned efficiencies		(100,000)		
5.2	income maximisation within the registration service		(100,000)		
6.0	**2025/26 BUDGET**		**6,406,413**		

PUBLIC PROTECTION (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	COMMUNITY SAFETY	3,047,937	(935,904)	2,112,033
2.0	REGISTRATION AND CORONERS	2,470,413	(200,000)	2,270,413
3.0	- EMERGENCY PLANNING	417,579	(417,579)	0
4.0	TRADING STANDARDS	1,670,484	0	1,670,484
5.0	ASSISTANT DIRECTOR		353,483	353,483
	-			
6.0	**NET TARGET BUDGET**	**7,606,413**	**(1,200,000)**	**6,406,413**

PLACE

COMMUNITIES (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		102,889,226		
2.0	BUDGET CHANGES:		(1,155,710)		
3.0	TOTAL REVISED BUDGET		101,733,516		
4.0	COST PRESSURES				
4.1	TRANSPORT SERVICES		7,774,241		including home to school delivery cost increase (£7,600,241) and Public Transport contract inflation
4.2	ENVIRONMENT & FLOODS MANAGEMENT		(1,836,705)		Includes removal of 1 year investment 2024/25 (-£1878,060)
4.3	WASTE MANAGEMENT		4,676,869		Includes increased gate fees (£2,094,311) and contract inflation
4.4	CULTURAL SERVICES		421,622		Includes inflation on Libraries contract (£389,470)
5.0	SAVINGS				
5.1	WASTE MANAGEMENT		(2,030,000)		EfW sale of electricity increased income
6.0	**2025/26 BUDGET**		**110,739,543**		

COMMUNITIES (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	TRANSPORT SERVICES		65,395,573		7,774,241		73,169,814
2.0	CULTURAL SERVICES		6,999,636		421,622		7,421,258
3.0	ENVIRONMENT & FLOODS MANAGEMENT		5,847,342		(1,836,705)		4,010,637
4.0	SUSTAINABLE PLANNING		1,665,832		0		1,665,832
5.0	WASTE MANAGEMENT		21,825,133		2,646,868		24,472,001
	-						
6.0	**NET TARGET BUDGET**		**101,733,516**		**9,006,026**		**110,739,542**

GL LEP (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		508,383		
2.0	BUDGET CHANGES:		39,895		
3.0	TOTAL REVISED BUDGET		548,278		
4.0	COST PRESSURES		0		
5.0	SAVINGS		0		
6.0	**2025/26 BUDGET**		**548,278**		

GL LEP (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	GL LEP		548,278		0		548,278
2.0	**NET TARGET BUDGET**		**548,278**		**0**		**548,278**

GROWTH (Changes)

Ref No	Main Area of Expenditure	2025/26 Proposed Budget (£)	Notes
1.0	2024/25 BUDGET	3,128,743	
2.0	BUDGET CHANGES:	143,994	
3.0	TOTAL REVISED BUDGET	3,272,737	
4.0	COST PRESSURES		
4.1	Economic Infrastructure	73,615	Loss of Income Minerva House
5.0	SAVINGS	0	
6.0	**2025/26 BUDGET**	**3,346,352**	

GROWTH (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	ECONOMIC DEVELOPMENT	1,322,605	0	1,322,605
2.0	ECONOMIC INFRASTRUCTURE	747,292	73,615	820,907
3.0	INFRASTRUCTURE INVESTMENT	1,047,295	0	1,047,295
4.0	DEVELOPMENT MANAGEMENT	155,545	0	155,545
5.0	**NET TARGET BUDGET**	**3,272,737**	**73,615**	**3,346,352**

HIGHWAYS (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		53,148,869		
2.0	BUDGET CHANGES:		367,744		
3.0	TOTAL REVISED BUDGET		53,516,613		
4.0	COST PRESSURES				
4.1	Client and Contractual Management		(1,412,291)		Removal of 24/25 one year budget increase (-£2m), Contract Inflation (£1,027,110) and Asset Growth (£60,599)
5.0	CHANGES IN INCOME				
5.1	Client and Contractual Management		200,000		Improved data capture and streamlining invoicing process for 3rd party claims
6.0	**2025/26 BUDGET**		**52,304,322**		

HIGHWAYS (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	HIGHWAYS DESIGN	375,093	0	375,093
2.0	ASSET AND LOCAL MANAGEMENT SERVICES	1,835,043	(130,104)	1,704,939
3.0	CLIENT AND CONTRACTUAL MANAGEMENT	50,701,715	(1,082,187)	49,619,528
4.0	INFRASTRUCTURE AND LABORATORY SERVICES	604,762	0	604,762
5.0	**NET TARGET BUDGET**	**53,516,613**	**(1,212,291)**	**52,304,322**

FIRE & RESCUE

FIRE & RESCUE (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		25,427,099		
2.0	BUDGET CHANGES:		1,320,669		
3.0	TOTAL REVISED BUDGET		26,747,768		
4.0	COST PRESSURES				
4.1	Control Programme		496,000		
4.2	Reduction of DBS budget		(30,000)		
4.3	Removal of 1 year budget 2024/25 re: pump		(400,000)		
4.4	Fire Control Establishment		160,000		
4.5	Fire Link Grant		76,000		
4.6	Fleet Maintenance Costs		200,000		
4.7	Response Officer Lease Vehicles		85,000		
4.8	RDS availability payments		766,000		
4.9	PSTN lines		22,000		
4.10	Airwave change in usage volume		116,000		
4.11	Fire Safety Enforcement		65,000		
4.12	East Coast Dissolution cost		32,000		
4.13	Airwave inflation increase		22,000		
5.0	SAVINGS				
5.1	1% Efficiency Savings		(88,000)		Change in performance software (£18,000) increased income generation (£70,000)
6.0	**2025/26 BUDGET**		**28,269,768**		

FIRE & RESCUE (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	Fire & Rescue		26,747,768		1,522,000		28,269,768
	-						
2.0	**NET TARGET BUDGET**		**26,747,768**		**1,522,000**		**28,269,768**

RESOURCES

FINANCE (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		8,859,908		
2.0	BUDGET CHANGES:		454,005		
3.0	TOTAL REVISED BUDGET		9,313,913		
4.0	COST PRESSURES				
4.1	FINANCIAL SERVICES STAFFING		303,107		Harmonisation of LCC staff, operational model
5.0	SAVINGS				
5.1	CORPORATE AUDIT EFFICIENCIES		(18,909)		1% efficiency savings
5.2	FINANCIAL SERVICES EFFICIENCIES		(30,144)		1% efficiency savings
6.0	**2025/26 BUDGET**		**9,567,967**		

FINANCE (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	FINANCIAL SERVICES		8,219,533		272,963		8,492,496
2.0	CORPORATE AUDIT AND RISK MANAGEMENT		1,094,380		(18,909)		1,075,471
3.0	**NET TARGET BUDGET**		**9,313,913**		**254,054**		**9,567,967**

ORGANSISATIONAL SUPPORT (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		17,374,181		
2.0	BUDGET CHANGES:		989,938		
3.0	TOTAL REVISED BUDGET		18,364,119		
4.0	COST PRESSURES				
4.1	CONTRACT PROCUREMENT		108,000		Records Management Contract Re-Procurement
4.2	PAYROLL STAFFING		183,390		Payroll Harmonisation Costs Following In Source
5.0	SAVINGS				
5.1	BUSINESS SUPPORT STAFFING		(252,424)		Increase in Vacancy Factor To Reflect Current Service Trend Levels
5.2	HUMAN RESOURCES EFFICIENCIES		(57,255)		1% Efficiency Savings Target
5.3	HUMAN RESOURCES STAFF BENEFITS		(86,958)		Increase In Service Income Targets On Green Car & PAL Update
6.0	**2025/26 BUDGET**		**18,258,872**		

ORGANSISATIONAL SUPPORT (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	HUMAN RESOURCES	2,645,687	(144,424)	2,501,263
2.0	BUSINESS SUPPORT	14,139,650	(144,213)	13,995,437
3.0	HEALTH & SAFETY	561,737		561,737
4.0	PAYROLL, PENSION AND PEOPLE ADMIN	1,017,045	183,390	1,200,435
5.0	**NET TARGET BUDGET**	**18,364,119**	**(105,247)**	**18,258,872**

GOVERNANCE (Changes)

Ref No	Main Area of Expenditure	2025/26 Proposed Budget (£)	Notes
1.0	2024/25 BUDGET	2,789,063	
2.0	BUDGET CHANGES:	208,324	
3.0	TOTAL REVISED BUDGET	2,997,387	
4.0	COST PRESSURES		
4.1	INFORMATION ASSURANCE STAFFING	49,282	Increased Staffing Capacity
5.0	SAVINGS		
5.1	GOVERNANCE EFFICIENCIES	(119,973)	1% Efficiency Savings Target
6.0	**2025/26 BUDGET**	**2,926,696**	

GOVERNANCE (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	Legal		(619,089)		(87,973)		(707,062)
2.0	Information Assurance		954,470		49,282		1,003,752
3.0	Democratic Services		2,662,006		(32,000)		2,630,006
4.0	**NET TARGET BUDGET**		**2,997,387**		**(70,691)**		**2,926,696**

CORPORATE PROPERTY (Changes)

Ref No	Main Area of Expenditure	2025/26 Proposed Budget (£)	Notes
1.0	2024/25 BUDGET	18,642,898	
2.0	BUDGET CHANGES:	72,250	
3.0	TOTAL REVISED BUDGET	18,715,148	
4.0	COST PRESSURES		
4.1	SOFTWARE LICENCNES	82,000	Concerto License Fee
4.2	BUSINESS RATES	58,801	Increased to business rates, maintenance costs
5.0	SAVINGS		
5.1	RUNNING COST DISPOSALS PLAN	(407,085)	Property rationalisation, reduced NNDR business rates
6.0	**2025/26 BUDGET**	**18,448,864**	

CORPORATE PROPERTY (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	CORPORATE PROPERTY		20,253,340		(219,641)		20,033,699
2.0	COUNTY FARMS		(1,610,442)		25,607		(1,584,835)
3.0	**NET TARGET BUDGET**		**18,642,898**		**(194,034)**		**18,448,864**

COMMERCIAL (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		8,453,678		
2.0	BUDGET CHANGES:		135,756		
3.0	TOTAL REVISED BUDGET		8,589,434		
4.0	COST PRESSURES				
4.1	CONTRACT INFLATION		149,761		Customer Service Centre - Contract Inflation
5.0	SAVINGS				
5.1	CONTRACT PROCUREMENT		(933,669)		CSC Contract Cost Reduction
5.2	EFFICIENCY SAVINGS		(19,940)		1% Efficiency Savings Target
6.0	**2025/26 BUDGET**		**7,785,586**		

COMMERCIAL (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	COMMERCIAL - INFRASTRUCTURE		1,552,519		89,093		1,641,612
2.0	PEOPLE SERVICES		2,423,320		0		2,423,320
3.0	CUSTOMER SERVICE CENTRE		4,613,595		(892,941)		3,720,654
4.0	**NET TARGET BUDGET**		**8,589,434**		**(803,848)**		**7,785,586**

TRANSFORMATION (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		7,031,152		
2.0	BUDGET CHANGES:		204,586		
3.0	TOTAL REVISED BUDGET		7,235,738		
4.0	COST PRESSURES				
4.1	PERFORMANCE TEAM		66,211		Increase in Establishment Supporting ACCW Business Intelligence
4.2	ERP SYSTEM		176,000		On going cost of move to Business World Cloud Contract
4.3	CONTRACT INFLATION		19,209		Supplier System Inflation Increases
5.0	SAVINGS				
5.1	TRANSFORMATION EFFICIENCY SAVINGS		(131,889)		1% Efficiency Savings Target
5.2	SOFTWARE LICENCES		(61,000)		Decommissioning of Business Objects Software Licence
6.0	**2025/26 BUDGET**		**7,304,269**		

TRANSFORMATION (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	CORPORATE SYSTEMS	3,680,023	177,440	3,857,463
2.0	TRANSFORMATION PROGRAMME	1,127,671	(114,120)	1,013,551
3.0	CORPORATE PERFORMANCE	2,428,044	5,211	2,433,255
	-			
4.0	**NET TARGET BUDGET**	**7,235,738**	**68,531**	**7,304,269**

INFORMATION TECHNOLOGY (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		17,888,847		
2.0	BUDGET CHANGES:		65,684		
3.0	TOTAL REVISED BUDGET		17,954,531		
4.0	COST PRESSURES				
4.1	CYBER SECURITY		459,942		Increased Investment In IT Security Operations Centre
4.2	MANAGED SERVICES CONTRACT		188,402		Contract Uplift To Accommodate Enhanced Service From New Managed Service Delivery Partner
4.3	BUSINESS INTELLIGENCE		178,996		Project Boole Intervention Costs
5.0	SAVINGS				
5.1	IT EFFICIENCIES		(50,086)		1% Effiiciency Savings Target
5.2	IT SUBSCRIPTIONS		(71,400)		IT Membership & Subscription Reductions
5.3	CONTRACT INFLATION		(260,145)		Net Change Of Contracted Spend And Inflation Reductions Within Service
5.4	BUSINESS INTELLIGENCE		(316,000)		Cost Base Reductions As A Result of Project Boole Interventions
6.0	**2025/26 BUDGET**		**18,084,240**		

INFORMATION TECHNOLOGY (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	IMT ENTERPRISE ARCHITECTURE		2,377,652		(85,954)		2,291,698
2.0	DATA SERVICES AND BUSINESS INTELLIGENCE		732,807		(5,430)		727,377
3.0	CHIEF INFORMATION OFFICER		2,332,021		(226,430)		2,105,591
4.0	IT USER ENGAGEMENT		10,710,647		79,616		10,790,263
5.0	IT PROJECT DELIVERY		1,161,164		(13,350)		1,147,814
6.0	CYBER SECURITY		640,240		381,257		1,021,497
7.0	**NET TARGET BUDGET**		**17,954,531**		**129,709**		**18,084,240**

CORPORATE SERVICES

CORPORATE SERVICES (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		3,054,260		
2.0	BUDGET CHANGES:		(3,641)		
3.0	TOTAL REVISED BUDGET		3,050,619		
4.0	COST PRESSURES				
5.0	SAVINGS				
5.1	EFFICIENCY SAVINGS		(31,000)	REF 1.0	1% Efficiency Savings Target
6.0	**2025/26 BUDGET**		**3,019,619**		

CORPORATE SERVICES (Control Totals)

Line No	Description	2024/25 Budget (£)	Budget Changes (£)	2025/26 Proposed Budget (£)
1.0	STRATEGIC COMMUNICATIONS	2,261,550	(31,000)	2,230,550
2.0	CHIEF EXECUTIVE	473,833	0	473,833
3.0	POLICY	315,236	0	315,236
4.0	**NET TARGET BUDGET**	**3,050,619**	**(31,000)**	**3,019,619**

OTHER BUDGETS

OTHER BUDGETS & PENSION LIABILITIES (Changes)

Ref No	Main Area of Expenditure		2025/26 Proposed Budget (£)		Notes
1.0	2024/25 BUDGET		68,244,267		
2.0	BUDGET CHANGES:		(8,175,651)		
3.0	TOTAL REVISED BUDGET		60,068,616		
4.0	COST PRESSURES				
4.1	Contingency		2,000,000		Additional costs to underwrite an increase to the Waste EfW income target
4.2	Pay Negotiations		23,316,659		An allocation for cost relating to pay negotiations and national pay spine changes.
4.3	Pension Liabilities		(240,826)		Cost reduction due to inflation increases offset by attrition.
4.4	Levy Payments		170,412		Increase in levy payments.
4.5	Insurance		45,832		Inflationary uplift of insurance costs.
4.6	ESPO Dividend		(115,459)		Change in income due to higher than anticipated dividends.
4.7	Eastern Inshore Fisheries & Conservation Authority		11,773		Inflationary uplift on annual payment
5.0	SAVINGS				
5.1	Capital Financing Charges		(17,460,810)		Update to the cost of capital financing to reflect a change in accounting policy to the annuity method and higher than previously anticipated interest receipts due to recent higher interest rates.
5.2	Service efficiencies		(823,977)		Additional savings from service development and efficiencies
6.0	**2025/26 BUDGET**		**66,972,220**		

OTHER BUDGETS & PENSION LIABILITIES (Control Totals)

Line No	Description		2024/25 Budget (£)		Budget Changes (£)		2025/26 Proposed Budget (£)
1.0	CONTINGENCY		6,000,000		2,000,000		8,000,000
2.0	CAPITAL FINANCING CHARGES		43,056,480		(17,460,810)		25,595,670
3.0	OTHER BUDGET EXPENDITURE		11,012,136		22,364,414		33,376,550
4.0	**NET TARGET BUDGET**		**60,068,616**		**6,903,604**		**66,972,220**

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	2024/25	2025/26
Rateable Value	599,972,063	608,666,188
Gross NNDR Income	**319,558,616**	**326,175,487**
Mandatory Relief's	(53,687,063)	(55,334,494)
Unoccupied Property Relief	(8,176,060)	(7,242,149)
Retail and Discretionary Relief	(26,786,535)	(16,847,937)
Collectable Income	**230,908,958**	**246,750,907**
Contribution to Appeals Provision	(4,451,524)	(5,054,286)
Non-Collection Estimate	(2,310,847)	(4,111,824)
Cost of Collection Allowance	(1,008,510)	(1,009,439)
Removal of Non-Collection Fund Items	(10,138,814)	(10,886,782)
Non-Domestic Rating Collection Fund Income	**212,999,263**	**225,688,576**
LCC Share of Collection Fund Income	21,299,926	22,568,858
Top-Up (+)	98,951,325	99,965,212
Section 31 Grants & Other Reliefs	29,541,972	29,898,046
Levy (-) / Safety Net (+)	-	-
Renewables (100% retention)	676,283	739,033
Pooling Gain	2,035,000	2,035,000
Non-Domestic Rating Income	**152,504,506**	**155,206,148**

COUNCIL TAX BASE **APPENDIX V**

COUNCIL TAX BASE	2024/25 Band D equivalent	2024/25 Price (£)	2025/26 Band D equivalent	2025/26 Price (£)
Tax Base (from CTB1 Return):				
Gross Properties	301,100.7	475,344,611	304,407.7	494,921,205
Exemptions	(8,505.7)	(13,427,811)	(8,401.8)	(13,660,030)
Disabled Reduction	(309.6)	(488,692)	(320.7)	(521,356)
Single Person Discount	(23,440.7)	(37,005,634)	(23,657.0)	(38,462,779)
Disregarded	(298.4)	(471,151)	(345.6)	(561,912)
Empty Property Adjustments	388.8	613,865	767.6	1,248,022
Family Annex	(75.9)	(119,758)	(74.5)	(121,072)
Council Tax Support Scheme	(23,933.9)	(37,784,131)	(23,658.4)	(38,465,013)
Armed forces accommodation	1,307.4	2,063,979	1,296.0	2,107,102
Net Taxbase	**246,232.8**	**388,725,278**	**250,013.3**	**406,484,167**
Tax Base (set by district's):				
Tax Base prior to collection rate	247,620.8	390,916,449	251,224.5	408,453,321
Collection Rate Adjustment	(2,947.6)	(4,653,283)	(3,217.0)	(5,230,327)
Tax Base (for budget setting)	**244,673.2**	**386,263,166**	**248,007.5**	**403,222,994**
Council Tax rate		1,578.69		1,625.85

Indicator Name	Details	2022/23	2023/24	Change	Comparison to CIPFA Neighbours	Comparison to County Councils	Contextual Narrative
Level of Reserves	Ratio of current level of reserves (useable less Public Health and Schools) to Net Revenue Expenditure	42.11%	36.40%	-5.7%	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	2.61%	-15.27%	-17.9%	Middle of the Range	Lower/Middle of the Range	The Council's reserves, including earmarked reserves and school reserves, has decreased slightly over the period in a similar way to other 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	4.03%	4.11%	0.1%	Upper end of the Range	Upper end 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 (£000's)	475,962	464,818	(11,144)	Lower/Middle of range	Lower/Middle of 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 Children's Social Care Expenditure to Net Revenue Expenditure	68.96%	72.40%	3.4%	Lowest of the group	Second 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 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.

Indicator Name	Details	2022/23	2023/24	Change	Comparison to CIPFA Neighbours	Comparison to County Councils	Contextual Narrative
Fees & Charges to Service Expenditure Ratio	Proportion of Fees and Charges to total Service Expenditure	6.68%	4.78%	-1.9%	Lower/Middle of range	Second lowest of the group	Service expenditure has increased at a faster rate than fees and charges, reflecting some increases being funded by other funding.
Council Tax Requirement /Net Revenue Expenditure	Ratio of Council Tax as a proportion of Net Expenditure	68.15%	66.63%	-1.5%	Smaller than most, only 2 or 3 at a lower level	Smaller than most, only 2 or 3 at a lower level	The council tax requirement remains a significant part of the funding base. There is a modest reduction in the ratio which reflects net expenditure increasing at a quicker rate than council tax. 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	3.27%	3.01%	-0.3%	Lower/Middle of range	Lower/Middle of the group	The value of unallocated reserves has increased slightly, and 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	38.84%	33.40%	-5.4%	Middle of the Range	Upper Middle of the Range	The value of earmarked reserves has reduced slightly, mainly due to utilisation of grant reserves. Combined with a higher net revenue expenditure, the change in proportionate value is in line with financial plans.
Change in Unallocated Reserves	Average change in Unallocated Reserves in the last 3 years	2.18%	1.23%	-0.9%	Middle of the Range	Lower/Middle of the group	Unallocated reserves have increased, albeit at a lower overall rate. The approach to reserve setting is considered at length in all financial reports, and relates to the level of risk identified.

Indicator Name	Details	2022/23	2023/24	Change	Comparison to CIPFA Neighbours	Comparison to County Councils	Contextual Narrative
Change in Earmarked Reserves	Average change in Earmarked Reserves in the last 3 years	2.64%	-12.25%	-12.9%	Middle of the Range	Lower/Middle of the group	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	22.18%	23.72%	1.5%	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	46.78%	48.67%	1.9%	Just one slightly lower	Smaller than most, only 2 or 3 at a lower level	See narrative above.

Indicator	LCC 2020/21	LCC 2021/22	LCC 2022/23	LCC 2023/24	Narrative
Non-ringfenced reserves as percentage of net revenue expenditure	52.3%	50.4%	42.1%	36.4%	The Council regularly reviews the level of reserves it holds and ensures the level is proportionate to the level of risk identified. The trend set out opposite is due to non-ringfenced reserves being utilised in line with financial plans, and net revenue expenditure increasing.
Non-ringfenced reserves as percentage of service spend	46.8%	45.3%	36.3%	42.3%	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 has broadly been holding a steady level of non-ringfenced reserves compared to service spend.
Total core spending power per dwelling (£)	1,458.27	1,483.43	1,624.44	1,788.76	The Council has slightly lower core spending power per dwelling when compared to the national average, which reflects a combination of council tax restraint in previous years and proportionally higher grant funding being received by some other local authorities exacerbated by the changes set out in the 2025/26 finance settlement.
Level of Band D council tax rates (£)	1,337.58	1,364.16	1,432.17	1,503.63	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. The council tax proposal in this report is expected to ensure this remains the case.
Social care spend as percentage of core spending power	57.1%	60.1%	60.2%	61.8%	When published comparator date was available, the Council scored 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	7.7%	11.0%	8.7%	9.0%	Whilst the Council appears relatively high on this measure, this is due to the Council making a series of voluntary revenue provisions against capital financing costs over the period, to prevent an increase in borrowing which would increase cost to the revenue budget. If this is excluded, the Council's rate would be much more in line with the national average.
Total debt as percentage of core spending power	119.0%	112.4%	105.9%	N/A	When comparator data was published, the Council tended to be 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:

- N/A refers to information not available.