

SUBJECT: DRAFT MEDIUM TERM FINANCIAL STRATEGY 2024 - 2029

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

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1. Purpose of Report

- 1.1 To recommend to the Executive the draft Medium-Term Financial Strategy for the period 2024-2029 and the draft budget and council tax proposal for 2024/25, for consultation and scrutiny.
- 1.2 To present the draft Capital Strategy 2024-2029 for consideration.

2. Executive Summary

- 2.1 The refresh of the MTFS needs to be seen in the context of significant financial uncertainty for the Council. Exceptional economic factors such as; the impact of inflation on the Council's pay bill and the cost of goods and services it purchases; rising interest rates increasing the cost of borrowing; increased costs of construction impacting on capital schemes; and reductions in service income and collection rates, continue to add considerable cost pressures to the Council's budgets.
- 2.2 In addition, the Council is facing growing demands for some of its key services as those more vulnerable in the city look to the council for support as the cost-of-living crisis continues to impact on household incomes. The imbalance between housing supply and demand and the reliance on temporary accommodation, to provide the necessary support, are of particular challenge to the Council.
- 2.3 Alongside these cost and demand pressures, there still remains uncertainty around the level of funding for local government beyond the current Spending Review period and the implementation of the planned national funding reforms. These reforms have the ability to fundamentally alter the course of the MTFS. Although it has been confirmed that these fundamental reforms will not be implemented in 2024/25, and there is a high likelihood that this will be the case in 2025/26 as well, all this does is shift the financial challenges to later in the MTFS period. This is further compounded by the risk of a new round of public expenditure austerity measures. The funding outlook for local authorities therefore remains uncertain.
- 2.4 As a result of these factors, the financial landscape for local government continues to pose a challenge to the Council and is set in the context of this significant, inherent uncertainty. It is a long time since the Council had any medium-term certainty during budget setting, which makes financial planning in this climate extremely challenging.
- 2.5 Set against this backdrop and in line with the Council's overall financial objectives, the key elements of the 2024/25 budget, Medium-Term Financial Strategy 2024-29

and Capital Strategy are as follows:

- Delivery of a phased savings target, requiring total annual savings of £1.75m, to be delivered by 2027/28, in order to ensure the Council achieves its overriding objective of driving down its net cost base to ensure a sound and sustainable financial position is maintained. This could unfortunately require some difficult decisions about the size and scope of services it can continue to provide over the medium term.
- Facilitating capital investment in the City of £105m over the 5 year MTFS, supporting the local economy by providing opportunities for business, providing employment opportunities, encouraging inward investment in the city, promoting growth and the overall attractiveness of Lincoln as a place to live, work and visit, all of which should result in increased revenue streams to the Council in future years.
- Continuing with the One Council approach to service transformation, for instance, making new use of technology and improving how these systems operate, continuing with progress to enable access to more services electronically online and self- service by customers and reviewing the use of the Council's buildings and assets championing shared facilities and co-location.
- Reprioritising and reallocating resources to the strategic priorities, including the development of a new Vision 2030, and in particular at this current time towards providing further support in response to the cost-of-living crisis.
- Balancing the need to increase levels of Council Tax and Housing Rents to reflect the Council's increased operating costs, whilst ensuring increases are kept at an acceptable level and that support is provided to the most vulnerable. Council Tax increases of 2.92% and Housing Rent increases of 7.7% are proposed for 2024/25.
- The use of reserves to bridge gaps in the finances and to smooth the level of savings required. This is a short-term measure only.

2.6 This includes the following highlights, against the Council's Strategic Priorities:

- Let's drive inclusive economic growth
 - Delivering the 2nd year of the (Government funded) UK Shared Prosperity Fund, totalling £1.78m, aimed at improving life chances in the city by providing equality of opportunity.
 - Acting as the Accountable Body for the Lincoln Town Deal, delivering the remaining schemes as part of £19m of investment within the City.
 - Delivery of Phase 1a of the Western Growth Corridor, a total gross cost of £18.1m, providing the infrastructure to open up the overall site and delivery of the first 52 homes (this will be primarily funded from sales values and external grants).
 - The opening of the newly refurbished Central Market and City Square area.

- Let's reduce all kinds of inequality
 - Maintaining a no change scheme in respect of Local Council Tax Support. The scheme still provides a maximum entitlement of 100% and costs the Council c£1.29m per year
 - Facilitating the delivery of over £5m of Disabled Facilities Grants to private sector households.
 - Creating a new Cost of Living Co-Ordinator to deliver a range of initiatives to support residents.
- Let's deliver quality housing
 - Delivering a range of Homelessness & Rough Sleeping Initiatives (funded through Government grant) totalling £1.3m in 2024/25.
 - Investment of £61.5m in existing council housing to maintain the Decent Homes Standard and to further enhance this with the Lincoln Standard.
 - Investment of £7.7m set aside for new build developments, including plans to redevelop Hermit Street and future schemes such as QER and the acquisition of purchase and repair projects.
- Let's enhance our remarkable place
 - Delivery, alongside key partners, of a £2.6m investment in the Re-Imagining Greyfriars project to bring the important Heritage Asset back into use (this includes a significant element of external grant funding).
 - Annual spend of c£2.2m on street cleansing covering 350km of roads/paths and 30,000sqm of pedestrian areas, including a new annual City Centre Spring Clean.
 - Annual spend of £1.6m on providing and maintaining parks and open spaces within the City, including Hartsholme County Park, Boultham Park, the Arboretum and the Lawn, recreational grounds and commons, including the new woodland area Hope Wood.
 - Delivery of a range of measures designed to maintain a safe and vibrant city centre, including enhanced CCTV, provision of a night wardens service, additional ASB and Licensing Officers costing £0.395m in 2024/25 (this is 50% funded through the Police and Crime Commissioner for Lincolnshire).
- Let's address the challenge of climate change
 - Facilitating and delivering a range of climate change initiatives as part of the Climate Action Plan and Decarbonisation Plan, through a dedicated Climate Change Manager.
 - Ensuring all infrastructure projects are supported so that they are adaptable to climate change and buildings are low or zero carbon where possible.

2.7 The Council will continue to build on it's successful financial planning to date, driving down the net cost of services by implementing a range of transformational changes in the way in which it operates and delivers services, while continuing to prioritise investment in the City and its economy to grow future tax bases. Adopting this approach will ensure that the Council carefully balances the allocation of resources

to its vision and strategic priorities, whilst ensuring it maintains a sustainable financial position and delivers the required reductions in its net cost base.

- 2.8 Prior to submission of the MTFS 2024-2029 and budget and council tax proposal for 2024/25 to Full Council, on 27th February 2024, this initial draft will be subject to public consultation and member scrutiny.

3. Background

- 3.1 The MTFS sets out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities.
- 3.2 The MTFS integrates revenue allocations, savings targets and capital investment and provides the budget for the next financial year and provides indicative budgets and future council tax and housing rent levels for the period covered by the strategy.
- 3.3 In light of the current economic conditions and the impact these are having on the Council's finances, along with the inherent uncertainty in financial planning, the existing objectives of the MTFS have been reviewed to ensure they remain relevant. As a result, the key overriding objective continues to be;
- To drive down the Council's net cost base, in line with available resources, to ensure it maintains a sound and sustainable financial base, delivering a balanced budget over the life of the MTFS;

The further objectives that the MTFS seeks to achieve are as follows:

- To ensure the Council uses its reserves and balances carefully, seeking to maintain robust levels and replenishing where necessary, to address any future risks and unforeseen events without jeopardising key services and the delivery of outcomes;
 - To seek to maximise income levels, through growth in the Council Tax and Business Rates tax bases, whilst ensuring that Council Tax rate increases are kept at an acceptable level;
 - To ensure that the Council's limited resources are directed towards its vision and strategic priorities, redirecting where necessary to allow for improvement and investment.
 - To ensure the Council provides efficient, effective, and economic services which demonstrate value for money.
- 3.4 Over the last decade and a half the Council, alongside the majority of other local authorities, has experienced unprecedented financial challenges in various forms. They have had to adapt to; the impact of severe, unprecedented, central government funding reductions; radical reform of the methodology for funding local government - where councils are self-sufficient funded from local taxes with limited reliance on Central Government, changes in the use and demand for services; as well as

escalating costs. The reform of the methodology of funding local government has in particular transferred a significant amount of financial risk and uncertainty to local authorities, creating a greater degree of uncertainty over the budget planning parameters for the Council than was experienced previously.

- 3.5 Despite the significant reduction in income and increasing expenditure, the Council has, in recent years, been successful in protecting core services most needed by local residents and businesses, while still delivering plans for growth and maintaining a sound financial position. Although, given the scale of the savings delivered, this has required the Council to take some difficult decisions in terms of which services it continues to provide. This is an approach that has served the Council well and allowed savings of nearly £10.5m to be delivered over the last decade and half.
- 3.6 Looking ahead the financial landscape for local government continues to pose a high level of uncertainty, with a number of unknowns in relation to both national and local economic factors. Layered on top of this is the lack of clarity on further government funding reforms, and the level of overall resources for local government beyond the current Spending Review period. Therefore, in order to ensure that the Council maintains a robust and sustainable financial position and is able to respond to the impact of external events and increased financial risks that it faces, the MTFS needs to remain flexible, the council's reserves resilient and the soundtrack record of delivering savings needs to be sustained, whilst ensuring that resources are directed towards it's vision and strategic priorities.

4. The General Fund

- 4.1 The Council's General Fund budget covers the day to day running cost of providing all of it's services with the exception of Council Housing. Excluding the cost of Housing Benefit payments, the gross expenditure budget of the General Fund is c£42m per year. After allowing for service income through fees and charges, contributions and grants etc, the net budget for the General Fund in 2024/25 will be £15.435m. This net budget is then funded through Business Rates and Council Tax.

4.2 Spending Pressures

Over the past twelve months the Council has continued to face escalating costs, pressures on income streams and rising demand for services. Inflation, pay inflation, maintenance and (capital) borrowing costs and reductions in local income streams all have a significant impact on the Council's cost base. These are in the main part caused by national issues, beyond the Council's control, and are impacting all Councils. In addition, the Council is experiencing an increased demand on services, by those who rely on the safety net provided by local government, driven in part by the cost-of-living crisis, with a significant pressure in relation to the cost and provision of temporary accommodation. Together these factors create a situation of the Council's cost base increasing at a greater pace than the income received from local taxation and government funding. In total these pressures have increased the Council's cost base by an average of £0.725m p.a.

4.3 Spending Plans

Despite these additional cost pressures, the Council continues to ensure that its limited resources are directed towards its strategic plan. The current strategic plan, Vision 2025, is supported by a Delivery Plan, which sets out the specific, new schemes to be delivered each year. This includes a significant amount of new investment, primarily of a capital nature, aimed at supporting the economic prosperity of the city and is largely funded through external grant funding. In addition, through the refocusing of existing resources and allocation of the Vision 2025 earmarked reserve, the Delivery Plan includes a number of revenue schemes, including newly added interventions in response to the current cost-of-living crisis. Full details of the schemes can be found in the latest Delivery Plan, highlights of which are included in paragraph 2.6 above.

Over the course of 2024/25 the Council will be developing and launching its next strategic plan, Vision 2030. In light of the financial challenges the Council continues to face the key to delivery of a new vision will be the ability to continue to attract external funding, work in partnership with others and reallocating/repurposing existing, limited, resources.

4.4 Alongside the schemes including in Vision 2025, the Council also continues to deliver its day to day services in support of its strategic priorities. Key highlights from both annual service delivery and the Delivery Plan, against each of the five strategic priorities, include:

- Let's drive inclusive economic growth
 - Provision of a small business support team and workspaces for start-up and small businesses costing £0.260m per year.
 - Delivering the 2nd year of UK Shared Prosperity Fund, totalling £1.4m, aimed at improving life changes in the city by providing equality of opportunity.
- Let's reduce all kinds of inequality
 - Provision of a Welfare Advice and Welfare Reform Support Services costing £280k per year enabling just under c£1.5m of additional benefits entitlement to be claimed within the City and administering cost-of-living support schemes, financial inclusion projects and welfare advice.
 - Maintaining a no change scheme in respect of Local Council Tax Support. The scheme still provides a maximum entitlement of 100% and costs the Council c£1.29m per year.
 - Undertaking neighbourhood working, focusing on the Sincil Bank revitalisation, working in partnership and with the community to make it a better place to live and work, with a dedicated team and community chest funding of £0.217m per year.
- Let's deliver quality housing
 - Delivery of Homelessness & Rough Sleeping Initiatives totalling £1.3m in 2024/25.

- Let's enhance our remarkable place
 - Annual spend of c£2.2m on street cleansing covering 350km of roads/paths and 30,000sqm of pedestrian areas, including a new annual City Centre Spring Clean.
 - Annual spend of £3.5m on refuse and recycling, collecting from around 46,000 domestic properties.
 - Annual spend of £1.6m on providing and maintaining parks and open spaces within the City, including Hartsholme County Park, Boultham Park, the Arboretum and the Lawn, recreational grounds and commons and Hope Wood.
 - Provision of a range of public protection, regulatory and anti-social behaviour services focussed on ensuring community and environmental safety and protection of the built environment, totalling £1.8m per year, including delivery of a range of new measures designed to maintain a safe and vibrant city centre.
- Let's address the challenge of climate change
 - Facilitating and delivering a range of climate change initiatives, through a dedicated Climate Change Manager.

4.5 Resources

Provisional Local Government Finance Settlement 2024/25

The 2024/25 Settlement is for one year only (the sixth consecutive one-year settlement) and is based on the Spending Review 2021 funding levels, updated for the 2023 Autumn Statement announcements. This Settlement represents a holding position until the next Parliament, with the emphasis on providing stability. The ruling out of a business rates reset, or a fair funding review, means that the funding distribution will remain fairly stable.

The Settlement sets out the Council's Core Spending Power which consists of; it's Settlement Funding Assessment (SFA) made up of Revenue Support Grant (RSG) and Business Rates (BRR) baselines figures; along with other specific grant allocations; and an assumed level of Council Tax. Overall, the Council's Core Spending Power has increased by 4.8% in comparison to an increase of 6.5% across all English local authorities.

4.6 Revenue Support Grant

In terms of the Council's RSG element of the SFA, the figure for 2024/25 announced in the Settlement was at the same level as the 2023/24 allocations uplifted by 6.7% in line with CPI inflation. The Council's allocation for 2024/25 is £0.187m, beyond 2024/25 it is assumed that only the rolled in grants element will remain, at a level of £0.159m per annum.

4.7 Business Rates Retention

The calculation of income to be received through BRR is critical in determining the amount of resources that the Council will have available to fund local services.

- 4.8 The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2024/25, based on this and after allowing for the allocation of resources to Central Government and to the County Council it is estimated that £6.978m of the £38.265m of business rates generated within the City will be retained by the Council.
- 4.9 Beyond 2024/25, assumptions have been made in relation to the reform of the BRR system, these reforms will if implemented wipe out the accumulated gains the Council has achieved since the launch of the current system in 2013/14 and return income to the Council's baseline levels. In 2024/25 the accumulated growth to the Council is c£2.1m p.a. The assumptions will continue to be assessed as and when further details of the reforms are released by the Government. Although implementation of these reforms is subject to a new Parliament, post the next general election, the MTFS assumes that these will not be implemented until 2026/27 at the earliest. It is, however, extremely challenging to forecast the likely level of resources in the absence of any government policy on the potential reforms.
- 4.10 The level of retained business rates is calculated on the basis that the Council participates in the Lincolnshire Business Rate Pool in 2024/25. The pool consists of this Council, Lincolnshire County Council and the six other Lincolnshire District Councils. Membership of this pool allows the Council to retain an element of growth that would have otherwise been payable via a levy to the Government, this equates to retained resources of £0.648m in 2024/25. Although it is assumed that the BR Reset will not now happen until 2026/27, it is prudently not assumed that the BR pool will continue beyond 2024/25.
- 4.11 Forecast business rates in the draft MTFS 2024-29 are based on the most recent available estimates of Lincoln's business rates base. However, until the business rates base for 2024/25 is finalised at the end of January 2024 the estimates in the draft MTFS are subject to change.
- 4.12 Other Specific Grants

In addition to RSG the Council also receives a number of other specific grants as part of it's CSP, these include:

- New Homes Bonus – an allocation of £0.380m has been awarded for 2024/25. Beyond 2024/25, the future of NHB is unclear, therefore the MTFS does not assume any grant beyond 2024/25.
- Services Grant - intended to provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. Although the grant remains and the methodology is unchanged, the total amount of grant has reduced from £483m in 2023/24 to £77m in 2024/25. It's value is determined based upon resources left available after decisions on all other grants (e.g. increase in minimum funding guarantee, additional social care grant etc). The Council's allocation for 2024/25 is £0.024m. It is as yet unclear what will happen to the grant from 2025/26, the MTFS therefore does not assume any grant beyond 2024/25.

- Minimum Funding Guarantee - intended to provide a funding floor for all local authorities, so that no local authority will see an increase in core spending power that is lower than 3%, this is before any decision they make about organisational efficiencies, use of reserves, and council tax levels. The Council's allocation for 2024/25 is £0.306m. The MTFs assumes a grant allocation of £0.300m for 2025/26, and that the grant will continue at this level thereafter.

4.13 Council Tax

The Localism Act 2011 introduced a power for residents to approve or veto excessive council tax increases. This means that any local authority setting an excessive increase, as set by the Secretary of State, would trigger a referendum of all registered electors in their area. The Government confirmed in the Provisional Local Government Finance Settlement that they are giving local authorities in England additional flexibility in setting Council Tax by increasing the referendum limit for increases in Council Tax to the higher of 3% or £5 per year for 2024/25 (previous referendum limit prior to 2023/24 was 2%). In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. This will give local authorities greater flexibility to set Council Tax levels based on the needs, resources and priorities of their area.

- 4.14 In view of this and taking into consideration the Council's need to protect its financial position from further decline and maintain its local income streams, the MTFs for consideration proposes a 2.92% rise in Council Tax for 2024/25, and a further 1.9% p.a. in each of the subsequent years. An increase of 2.92% in 2024/25 equates to an additional 11p per week for a Band A property and 13p per week for a Band B property (80% of properties fall within Band A and B), with a Band D equivalent of £307.98.

4.15 Fees & Charges

The fees and charges levied by the Council are an important source of income, however, the impact of the ongoing cost of living crisis and other economic factors has led to reductions in income levels in areas such as building regulations and development control, which are expected to continue well into 2024/25, before any significant recovery is seen.

The MTFs assumes that the Council will raise £12.013m from fees and charges in 2024/25. The mean average overall increase in the non-statutory fees and charges is 3.2%, with a modal increase of 0%.

4.16 **Bridging the Funding Gap**

Whilst there are a number of key uncertainties and variables in the Council's financial planning assumptions, what is certain is that the Council is still facing a significant financial challenge, one which it must address if it is to remain financially sustainable in the medium term.

- 4.17 In the short term, primarily as a result of an anticipated further one-year delay in the national funding reforms, which allows the accumulated business rate growth to be retained and the impact of the cost pressures to be cushioned, it is possible to reduce the level of savings required for 2024/25 and 2025/26. However, beyond this with a cliff edge reduction in business rates resources and due to the unavoidable cost and demand pressures, the Council faces a significant and widening gap between its spending requirements and the level of resources it estimates to receive.
- 4.18 Although the position for 2024/25 and 2025/26 is currently more positive, savings targets for those years will still be included in order to provide further financial resilience and the ability to cushion any further financial pressures that may arise (due to the current risks to the financial planning assumptions). It will also allow capacity to deliver the higher levels of savings needed towards the end of the MTFS period to be spread more evenly over the years. On the basis of the revised financial planning assumptions assumed in this MTFS, the following level of savings targets will be required to ensure the financial sustainability of the General Fund:

2024/25	2025/26	2026/27	2027/28	2028/29
£'000	£'000	£'000	£'000	£'000
125	250	1,500	1,750	1,750

The phasing of these savings targets mirrors the potential timing of the next Spending Review, following the general election, with a likely rollover position in 2025/26 and implementation of national funding reforms and public sector spending constraints from 2026/27 onwards. This also means that these medium-term savings targets are subject to change (potentially increasing) dependent on a new government being in place, the Spending Review taking place and decisions taken on the timing and nature of national funding reforms. These assumptions will be kept under review, with the savings targets assessed as part of each subsequent MTFS. Despite this potential for change, the Council will still continue to develop and implement a savings programme in order to ensure it is fully prepared to be able to deliver against these targets.

- 4.19 The key mechanism for delivering the required budget savings is through the Towards Financial Sustainability (TFS) Programme, which seeks to bring net service costs in line with available funding. Over the last decade and half, it is through the TFS Programme and precursor programmes that the Council has delivered the annual savings of nearly £10.5m.
- 4.20 The Council will continue to adopt this approach and will implement a range of transformational changes in the way in which it operates and delivers services, to reduce its net cost base, minimising where possible the impact on service delivery. Fundamentally though, it still believes that the longer-term approach to closing the funding gap is through economic growth and investment. Through Vision 2025, and the forthcoming Vision 2030, the Council continues to seek ways to maximise its tax bases by creating the right conditions for the economy to recover and grow, and through its own direct interventions, to increase Business Rates income, and to encourage housebuilding to meet growing demand, generating additional Council

Tax.

- 4.21 However, while the Council will focus on a range of measures, and there is sufficient 'lead in time' to the need to deliver these savings, given the scale of savings required it cannot rule out the need to face further difficult decisions about the size and scope of the essential services it provides in the future.

Robustness and Adequacy of the Budget and Reserves – General Fund

- 4.22 In presenting the budget to the Council, the Executive must take account of the advice of the Council's Chief Finance Officer in relation to the robustness and adequacy of the budget and reserves.
- 4.23 The level of earmarked reserves is shown in Appendix 6, which shows the estimated closing balances at the end of each of the next five financial years. These reserves will only be used for the specific purposes for which they were set up. In response to the financial challenges the General Fund faces there are a number of earmarked reserves, having been established for such a purpose, that will be used over the period of the MTFS to support the General Fund whilst the ongoing reductions in the net cost base are delivered. Having reviewed the level of earmarked reserves the Chief Finance Officer has concluded that they are adequate to fund the planned expenditure identified by the Council.
- 4.24 As a result of the level of financial risk currently faced by the Council and the threat this poses to the Council's financial position the prudent minimum level of general reserves remains at an increased level. Based on an assessment of the estimated exposure, likelihood and possible mitigation of the financial risks that the Council faces it is deemed prudent to hold general reserves around £1.5m-£2m. Over the MTFS general reserves are maintained in line with (in excess of) this prudent minimum and show an estimated balance of £1.790m by the end of 2028/29.
- 4.25 Whilst the overall level of balances will still be maintained over the period of the MTFS there are planned uses of balances in the General Fund of £0.108m in 2025/26, £0.417m in 2026/27 and £0.143m for 2027/28. The higher use in 2026/27 is as a result of the forthcoming funding reforms and the assumption that the accumulated gains on Business Rate income will be reset, leaving the Council at a significant financial detriment. Whilst the Council has assumed an increased level of savings will be required to mitigate the ongoing impacts of this income loss, in the short term the use of balances and earmarked reserves provides the Council the opportunity to deliver ongoing reductions in its net cost base, and also provides the flexibility to adjust the savings targets should there be a more positive outcome from the funding reforms. In 2024/25 the MTFS assumes a planned contribution to balances of £0.079m, and based on the current trajectory of savings targets, by 2028/29 the General Fund will be in the position of making a further positive contribution to balances of £0.150m. The careful use of balances, along with earmarked reserves, in supporting the General Fund is seen as a short-term measure only to ensure a balanced budget position is maintained whilst savings are delivered, it is not foreseen as a long-term solution.

5. The Housing Revenue Account

5.1 The Housing Revenue Account (HRA) is a ring-fenced account separate from the Council's General Fund that contains the income and expenditure relating to the management and maintenance of its housing stock. The gross expenditure budget of the HRA is c£34m per year, this is funded primarily from housing dwelling rents.

5.2 Spending Plans

A key element of the self-financing regime is the Council's 30-year Business Plan, which sets out the Council's ambitions for its housing stock for the next 30 years. The Council's latest Housing Revenue Account Business Plan 2024-2054 was approved in November 2023, following a fundamental review of resources, investment requirements and priorities.

The Business plan describes the Council's long-term commitment to deliver real improvements in its housing stock and surrounding neighbourhoods, based on four main objectives:

- Core Housing Services – Tenants consistently place core housing services such as repairs, caretaking and landscaping as their number one priority and the Council will work to ensure that Lincoln is ranked amongst the top performing social landlords.
- New Homes – The Council plans to build, acquire and enable the development of 1,700 additional homes over 30 years, which will reduce homelessness and provide a greater choice of places for people to live.
- Estate Regeneration – Plans to regenerate estates means that the Council will tackle problems like parking, crime and antisocial behaviour by improving the urban landscapes (the look and feel) of streets and neighbourhoods.
- Decarbonisation – The Council plans to achieve an energy performance rating of C for all of its housing properties by 2030, which means that it will protect the environment by reducing its carbon footprint and making homes cheaper to run for residents.

The Business Plans acts as guide to the development of the Housing Revenue Account budgets, with a focus on growing surpluses that will enable sustainable investment in homes and neighbourhoods.

5.3 Spending Pressures

Like the General Fund, the HRA has been continued to face escalating cost and rising demands for services over the past 12 months. These escalating costs in relation to pay inflation, contractual inflation, material and labour increases and borrowing costs, continue to take their toll on the financial resilience of the Housing Revenue Account. These new pressures come in addition to the fundamental rebasing of budgets that was required in the previous MTFS. Given the level of annual repairs and maintenance and planned capital maintenance to the Council's

housing stock the impact of these factors is causing, further significant, cost increases for the HRA. In total these pressures have increased the HRA's cost base by an average of £1m p.a.

5.4 Financing the capital programme

Within the HRA the greatest cost demands arise from the day-to-day repairs and maintenance to the housing stock and the requirement to resource the capital investment in existing stock and new housing. Under HRA self-financing, the primary sources of funding for capital investment in the Council's housing stock is from the revenue account through asset depreciation charges and direct revenue contributions. Whilst this reliance has been lessened to some extent, by the removal of the HRA borrowing cap allowing a greater level of prudential borrowing, £62.688m of revenue support is still required to be set aside for capital investment over the period of this MTFS. With increased regulatory requirements, investment needs of existing stock, priorities from Vision 2025 and the impact of the current economic climate driving the capital investment needed, the HRA needs to ensure that it maintains its sound revenue position in order to allow the required contributions to be released.

5.5 Housing Rents

In line with the Housing Business Plan and Government Rent Guidelines, which announced that from April 2020 social rents should increase by a maximum of CPI+1% for 5 years, the MTFS has historically been based on this assumption. The Government's approach beyond 2025, when the 5-year period of increases at CPI+1% ends, remains uncertain as to what Rent Guidelines may be in place.

- 5.6 With the exception of 2022/23 and 2023/24, the Council has historically set the rent levels in line with Government Rent Guidelines for general purpose accommodation, and also increased sheltered accommodation and affordable rents, by the same. In 2022/23 the Council opted to increase rent by 3.6%, rather than the maximum 4.1% allowable and in 2023/24 the Council opted to increase rent by 6.5%, rather than the maximum 7%. In order to maintain a position that allows for investment in current, and new housing stock, an increase of 7.7% is proposed for 2024/25, being CPI+1% as at September 2023. The Council have aimed to balance the pressures that household incomes are facing, particularly the most vulnerable in our community with below threshold rises for two consecutive years, however the authority can no longer absorb the financial pressures of the rising costs of delivering services to its customers. The average 52-week rent will be £84.17 per week for general purpose and sheltered accommodation, and £140.97 for affordable rents. The assumption in the MTFS from 2025/26 onwards remains at CPI + 1%.

Robustness and Adequacy of the Budget and Reserves – HRA

- 5.7 In presenting the budget to the Council, the Executive must take account of the advice of the Council's Chief Finance Officer in relation to the robustness and adequacy of the budget and reserves.
- 5.8 The level of earmarked reserves is shown in Appendix 6, which shows the estimated

closing balances at the end of each of the next five financial years. These reserves will only be used for the specific purposes for which they were set up. The Chief Finance Officer has reviewed the level and purpose of the reserves as part of the budget setting process and has concluded that these are adequate to fund the planned expenditure identified by the Council.

- 5.9 The prudent level of general reserves on the Housing Revenue Account is considered to be £1m - £1.5m. Throughout the MTFS period balances are expected to remain within these levels.

6. The General Investment Programme

- 6.1 The General Investment Programme (GIP) for the period 2024/25 – 2028/29 is included within the MTFS at Appendix 3. The total allocated capital programme over the next five years is £25.813m of which £15.089m is estimated to be spent in 2024/25.

- 6.2 The capital spending plans for the next five years include the delivery of schemes from Vision 2025, with a focus on supporting the recovery of the City or key One Council projects, and investment in existing assets to either maintain service delivery or existing income streams.

- Western Growth Corridor - £12.898m
- Disabled Facilities Grants - £5.768m
- Planned asset maintenance - £1.260m
- Greyfriars - £2.257m
- UK Shared Prosperity Fund - £0.357m
- Lincoln Town Deal (External Schemes) - £2.442m

- 6.3 The largest scheme delivered directly by the Council is Phase 1a of the Western Growth Corridor sustainable urban extension, this totals £12.898m in order to resource the initial infrastructure to open up the site and deliver the first 52 homes, developed by the Council. The capital receipts from this scheme are, subject to planning approval, expected to be received from 2024/25 onwards.

- 6.4 The Council was successful in it's bid to secure £20m, through the Levelling Up Fund 2, to bring forward the delivery of a bridge to open the eastern access to the Western Growth Corridor site. Whilst expenditure is included in the current financial year, no future years expenditure is yet included in the GIP and will be subject to separate approval in early 2024.

- 6.5 Further schemes in support of Vision 2025 will be included in the GIP at the relevant stage in their development e.g. grant funding secure, design stage completed etc. Further details of the investment plans are provided in the Capital Strategy.

7. The Housing Investment Programme

- 7.1 The Housing Investment Programme (HIP) for the period 2024/25 – 2028/29 is included within the MTFS at Appendix 4. The total allocated capital programme over the next five years is £79.455m of which £20.487m is estimated to be spent in

2024/25.

- 7.2 The 5-year HIP is based on the new 30-year Housing Business Plan, approved in November 2023. The key elements of the HIP are split into housing strategy and housing investment. In terms of housing strategy, the focus continues to be on the delivery of additional affordable housing, by maximising the use of 1-4-1 retained right to buy receipts, assessing the use of prudential borrowing and seeking government grant funding for new build schemes or purchase & repair schemes that generate a rental stream. In relation to housing investment, the HIP will continue to focus on the developing and improving core housing services (focussing on the allocation of resources to the key elements of decent homes and supporting the Lincoln Standard), regenerating estates and neighbourhoods and reducing carbon emissions.
- 7.3 As set out in paragraph 5.4 above, the primary sources of financing for the HIP are from depreciation, with financing of £51.257m over the 5-year period and from revenue contributions, totaling £22.502m over the 5-year period. In addition, the HIP is set to utilise £3m of prudential borrowing to fund the additional affordable homes programme this is further supported by capital receipts (including Right-to-Buy receipts) of £2.696m.

8. Capital Strategy

- 8.1 The CIPFA Prudential and Treasury Management Code requires all local authorities to prepare a Capital Strategy which will provide the following;
- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - An overview of how the associated risk is managed
 - The implications for future financial sustainability.
- 8.2 The Capital Strategy should complement other key documents such as the MTFS, the Asset Management Plan, the Council's Strategic Plan, and Treasury Management Strategy, etc. by defining the approach, structure and governance for the effective management of the Council's capital investment needs and ambitions.
- 8.3 A draft Capital Strategy is attached at Appendix B.

9. Consultation and Scrutiny

- 9.1 Local authorities have a statutory duty to consult externally on Council Tax setting. For consultation on the 2024/25 budget, proposals have been developed for consultation and engagement activities designed to gather feedback from residents and stakeholders in a meaningful way. These engagement activities will provide an opportunity to explain to local residents the breadth of council services provided in the city raising awareness of how public money is spent by the Council. It will also provide information on financial challenges the Council is facing, explaining the proposed budget and seeking views on the proposed increase.
- 9.2 The engagement proposals include a mixture of broad public consultation and

targeted activities:

- A City wide survey will be available seeking residents views and priorities for spend which will be available to residents, visitors and stakeholders.
- The Lincoln Citizens Panel is currently under refresh and will form a key part of the budget consultation.
- Proposals are also being developed to listen and hear the priorities of residents in Lincoln who maybe under represented or 'hard to reach'. This would include a facilitated workshop with individuals with personal experience of the 9 protected characteristics along with representative agencies, charities or organisations supporting those with lived experience. Representatives from the Council would be involved in the conversations to explain, answer questions and listen to feedback. This workshop will be supported by an external facilitator experienced in working with individuals from a range of backgrounds.

9.3 The Council will also engage directly with key stakeholders, including the business community and local partners.

9.4 In terms of member budget scrutiny an all-member workshop will be undertaken during January 2024, to ensure that as large a number of members as possible have the opportunity to fully understand the financial position of the Council. This will be followed by a Budget Review Group who will focus on the detail of the draft MTFS, proposed budget and Council Tax recommendation.

9.5 Consultation and scrutiny comments and responses will be considered when the Executive makes its final budget recommendations on 19 February 2024.

10. Strategic Priorities

10.1 The MTFS underpins this policy and financial planning framework and set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities.

11. Organisational Impacts

11.1 Finance - There are no direct financial implications arising from the approval of the Draft MTFS 2024-2029 for consultation and scrutiny. The strategy provides information on the Council's spending, income and key financial challenges.

11.2 Legal Implications including Procurement Rules - Local authorities must decide, prior to the 11 March, each year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for services; and

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

11.3 Local government legislation requires an authority's Chief Finance Officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions.

11.4 Land, property and accommodation - Specific implications for the deployment and management of the Council's assets are included within the Capital Strategy and Asset Management Plan which support the achievement of the objectives of the MTFS.

11.5 Equality, Diversity and Human Rights

This report provides a summary of the financial planning activities across the Council. As a consequence of the approval of the MTFS and budget for 2024/25 there may be an impact on certain council services which will be subject to review. Planning work undertaken to develop the Towards Financial Sustainability Programme and strands and investment in the Vision 2025 and strategic priorities, set out above, involves taking an overview of the potential cumulative impact. This is further expanded and built upon as the specific reviews and projects are developed and so detailed equalities implications will be assessed at the individual service level.

12. Risk Implications

12.1 The Council has a very proactive approach to managing risk and there are effective arrangements for financial control already in place. That said, there is always a risk that the Council will become liable for expenditure that it has not budgeted for or face a reduction in resources available, the impact of which must be mitigated by holding reserves. Due to the current economic conditions, forthcoming changes in core funding mechanisms for local authorities and uncertainty around future funding settlements, the level of volatility and risk to which the Council is exposed has increased, the MTFS therefore needs to remain flexible and the council's reserves resilient.

12.2 The financial risks, Appendix 5 of the MTFS, have been identified and an assessment of the estimated exposure, likelihood and possible mitigation has been made in the context of the Council's overall approach to risk management and internal financial controls. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

13. Recommendation

13.1 That the Executive agree, for consultation and scrutiny, the

- The Draft Medium Term Financial Strategy 2024-2029, and.

- The Draft Capital Strategy 2024-2029

Including the following specific elements:

- A proposed council tax Increase of 2.92% for 2024/25.
- A proposed housing rent increase of 7.7% for 2024/25.
- The Council is member of the Lincolnshire Business Rates Pool in 2024/25.
- The Draft General Fund Revenue Forecast 2024/25-2028/29 as shown in Appendix 1 and the main basis on which this budget has been calculated (as set out in paragraph 4).
- The Draft Housing Revenue Account Forecast 2024/25-2028/29 as shown in Appendix 2 and the main basis on which this budget has been calculated (as set out in paragraph 5).
- The Draft General Investment Programme 2024/25-2028/29 as shown in Appendix 3, and the main basis on which the programme has been calculated (as set out in paragraph 6).
- The Draft Housing Investment Programme 2024/25-2028/29 as shown in Appendix 4, and the main basis on which the programme has been calculated (as set out in paragraph 7).

13.2 That Executive agree to delegate to the Chief Finance Officer approval of the final Business Rates Base for the financial year commencing 1 April 2024 and ending 31st March 2025 and submission of the base (via the NNDR1 return) to the DLUCH by 31 January 2024. All changes to the base estimated in the Draft MTFS 2024-29 will be reported to the Executive as part of the Final MTFS 2024-29 on 19th February 2024.

Is this a Key Decision?

No – Draft proposals only

Do the Exempt Information Categories Apply?

No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?

No

How many appendices does the report contain?

Two

**List of Background
Papers:**

Medium Term Financial Strategy 2023-28 – Executive 20
February 2023
Setting the 2024/25 Budget and Medium Term Financial
Strategy 2024-29 – Executive 16 October 2023

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