EXECUTIVE **24 FEBRUARY 2025**

SUBJECT:	**MEDIUM TERM FINANCIAL STRATEGY 2025 - 2030**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
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1. Purpose of Report

1.1 To recommend to the Executive the Medium-Term Financial Strategy for the period 2025-2030 and the budget for 2025/26, for referral to Full Council.

1.2 To recommend to the Executive the Capital Strategy 2025-2030 for referral to Full Council.

2. Executive Summary

2.1 The refresh of Medium-Term Financial Strategy (MTFS) needs to be seen in the context of a high level of financial uncertainty for the Council in relation to future Government funding levels. Significant changes to future public sector departmental spending through the Spending Review 2025, the allocation of this funding to local government through reforms to the distribution methodologies, and the implementation of a Business Rates Reset, are as yet unknown but all of which have the potential to fundamentally affect the Council's funding trajectory and MTFS.

2.2 In addition, the announcement of the English Devolution White Paper, which sets out the Government's plans to widen and deepen devolution in England and reform local government structures, could have fundamental implications for all tiers of local government.

2.3 Furthermore, the Council continues to face cost and demand pressures, along with pressures on income streams and new statutory requirements. Inflation, pay awards, national insurance contribution increases, higher maintenance and construction costs, higher borrowing costs and reductions in local income streams all have a significant impact on the Council's cost base. The Council also continues to see increased demand for services, by those who rely on the safety net provided by local government, driven in part by the cost-of-living crisis and housing shortfall. In addition, new regulatory and statutory requirements add further cost pressures particularly in relation to recycling and housing standards/building safety.

2.4 As a result of these factors, the Council, and local government as a whole, are yet again having to update their medium-term financial strategies in an uncertain environment. It is a long time since the Council had any stability and certainty beyond a one-year timeframe, which makes financial planning, and the subsequent impact on service delivery, in this climate extremely challenging.

2.5 Alongside the financial pressures and funding uncertainty that it is facing, the Council still needs to ensure that its financial resources are directed towards delivery of its vision and priorities. Following the natural conclusion of the Council's strategic plan, Vision 2025, the new Vision 2030 builds upon its progress and presents a roadmap to address today's most pressing issues while embracing opportunities for the future, progressing a vision for both the City and Council through to 2030. Recognising the potential impacts of national policy changes in a number of areas, alongside devolution and local government reform, the action plans supporting Vision 2030 prioritise its first 12 to 18 months, ensuring adaptability to legislative, policy and economic changes.

2.6 The development of Vision 2030 also acknowledges that the Council still has a significant financial savings target to realise over the period of the MTFS, so there does have to be a careful balance between delivering a range of new projects that will make a real difference for the City and the need to keep tight control of the council's financial position.

2.7 Set against this backdrop and in line with the Council's overall financial objectives, the key elements of the 2025/26 budget and the Medium-Term Financial and Capital Strategies 2025-30 are as follows:

- Facilitating capital investment in the City of c£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.

- Reprioritising and reallocating resources to the strategic priorities, including the development of the new Vision 2030 and initial priorities and actions that the Council will focus on during the first 12-18 months.

- 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, with Council Tax increases of 2.9% and Housing Rent increases of 2.7% for 2025/26.

- Delivery of a phased savings target, requiring total annual savings of £1.75m, to be achieved by 2027/28, in order to ensure the Council meets its overriding objective of driving down its net cost base to ensure a sound and sustainable financial position is maintained.

- 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, while supporting those who are digitally excluded. Also, by continuing to review the use of the Council's buildings and assets championing shared facilities and co-location.

- The use of additional 'one-off' resource and reserves to bridge gaps in the finances and to smooth the level of savings required, over the first two years pending the outcome of local authority funding reforms and further clarity in relation to the Devolution White Paper. This is a short-term measure only.

2.8 The Council will continue to build on it's past, successful, financial planning approach driving down the net cost of services by implementing 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 2030 and strategic priorities, whilst ensuring it maintains a sustainable financial position and delivers the required reductions in its net cost base.

2.9 Prior to submission of the MTFS 2025-2030 and the budget to the Executive and Full Council, public consultation and member scrutiny has been undertaken.

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 uncertainty the Council faces in its financial planning assumptions and the forthcoming reforms to local authority funding mechanisms, which are likely to result in reduced resources for the Council, 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 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. Councils 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 and operational landscape for local government continues to pose a high level of uncertainty, with a number of significant unknowns in relation to; the level of overall resources for local government following the Spending Review, the distribution of these resources to individual authorities following implementation of local authority funding reforms and the potential for local government re-organisation. 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 sound track record of delivering savings needs to be sustained, whilst ensuring that resources are directed towards its 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 its services with the exception of Council Housing. Excluding the cost of Housing Benefit payments, the gross expenditure budget of the General Fund is c£48m per year. After allowing for service income through fees and charges, contributions and grants etc, the net budget for the General Fund in 2025/26 will be £14.832m. 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 cost and demand pressures, along with pressures on income streams and new statutory requirements. Inflation, pay awards, national insurance contribution increases, increased maintenance and construction costs, higher borrowing costs and reductions in local income streams all have a significant impact on the Council's cost base. In addition, the Council continues to see increased demand for services, by those who rely on the safety net provided by local government, driven in part by the cost-of-living crisis and housing shortfall. Together, these factors create a situation of the Council's cost base increasing at a greater pace than the funding received from local taxation and Government funding. In total these pressures have increased the Council's cost base by an average of £0.500mp.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. As set out above the Council's current strategic plan, Vision 2025 comes to a natural conclusion in March 2025 and a new plan, Vision 2030 has been developed. The MTFS provides for the allocation of £1m of revenue resources to support the new Vision 2030, this is a one-off allocation and will be released in phases over the 5-year plan, with an initial allocation of £0.482m in 2025/26 These additional resources have been made available as a result of previous years underspends and from additional resources allocated in the Finance Settlement and the continuation of business rates pooling in 2025/26. In addition, other revenue resources from existing budgets and earmarked reserves will also support the delivery of new actions and projects in Vision 2030.

4.4 Alongside the delivery of actions and projects that form part of Vision 2030, the Council also continues to deliver its day to day services in support of its strategic priorities. Together these create a mix of deliverables against each of the five strategic priorities, funded through the General Fund, with some key highlights as follows:

- Let's drive inclusive economic growth
    - Continue to develop the Council's workspaces and business premises offer for start-up and small businesses and the provision of a small business support team costing £0.240m per year.
    - Support to and expansion of the Cornhill Market and City Square offer with the creation of a new events package and further investment of £0.050m.
    - Provision of a sustainable and free for all events programme for the City with annual spend of c£0.275m.
    - Progress work on the City Centre Masterplan, which will facilitate the delivery of new schemes across the City.

- Let's reduce all kinds of inequality
    - Development of an Anti-Poverty Strategy and action plan and delivery of agreed interventions and continued delivery of a range of cost-of-living support activities with funding of c£0.100m
    - Supporting the local ward councillor's role with the development of a community engagement toolkit.
    - Provision of a Welfare Advice and Welfare Reform Support Services costing £0.310m per year, enabling just under c£1.6m of additional benefits entitlement to be claimed within the City and administrating 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£1.3m per year.
- Undertaking neighbourhood working, currently focusing on the Sincil Bank revitalisation but with a managed transition ready for future neighbourhoods, working in partnership and with the communities to make them a better place to live and work, with a dedicated team and community chest funding of £0.218m per year.

- Let's deliver quality housing (majority of key deliverables are within the Housing Revenue Account)
  - Delivery of Homelessness & Rough Sleeping Initiatives totalling £1.87m in 2025/26 (primarily funded through external grant)
  - Review options and agree proposals to address temporary accommodation challenges.
  - Implementation of the Renters Right Bill and new investigatory powers for Council's with investment of £0.030m to deliver initial interventions.

- Let's enhance our remarkable place
  - Annual spend of c£2.3m 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 c£3.7m on refuse and recycling, collecting from around 46,000 domestic properties, with a new contract to be implemented in 2026 and the roll out of a City-wide, weekly, food waste collection service.
  - 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 additional investment in 2025/26 of £0.095m.

- Let's address the challenge of climate change
  - Facilitating and delivering a range of climate change initiatives in the Climate Action Plan, through a dedicated Climate Change Manager.
  - Investment of £0.045m to deliver a Carbon Literacy Campaigns and pilot a programme to support businesses in their carbon reduction journey**.**

Further details of all of the actions and projects supporting the vision and strategic priorities are included within the new Vision 2030.

4.5 **Resources**

Local Government Finance Settlement 2025/26

The 2025/26 Settlement is for one year only (the seventh consecutive one-year settlement) and is effectively a ‘stopgap settlement’. Published in parallel with the Settlement, was a consultation paper on future finance reform, confirming the Government’s intention to deliver a multi-year settlement next year, aligned to the time horizon of the planned Spending Review, and embodying a broad reform of the system for allocating resources.

4.6 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 (CSP) has increased by 1.2% in comparison to an increase of 6.8% across all English local authorities. In comparison, Shire District Councils have received the lowest levels of CSP increase of all authority types, with an average increase of 1.4%, this includes funding for NIC costs and also assumes that the authorities use the full Council Tax flexibility available (i.e. higher of 3% or £5 increase). However, additional funding outside of CSP, through Extended Producer Responsibility payments (see para 4.14) will result in many Districts receiving a greater real-terms increase in overall funding, as is the case for the Council.

4.7 Revenue Support Grant

In terms of the Council’s RSG element of the SFA, the figure for 2025/26 announced in the Settlement was at the same level as the 2024/25 allocations uplifted by 1.7% in line with CPI inflation. There have also been a number of smaller grants rolled in, e.g. Tenant Satisfaction Measures, Election Integrity Programme etc. The Council’s allocation for 2025/26 is £0.226m and the MTFS assumes that the grant will continue at this level thereafter.

4.8 Business Rates Retention (BRR)

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.

4.9 The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2025/26, based on this and after allowing for the allocation of resources to Central Government and to the County Council it is estimated that £7.119m of the £42.595m of business rates generated within the City will be retained by the Council.

4.10 Beyond 2025/26 forecasting the level of Business Rates income to be retained is extremely challenging due to a lack of detail around the proposed reset of baselines and changes to the level of underlying need. These reforms, have the potential to wipe out the majority of 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 2025/26 the accumulated growth to the Council is c£2.2m p.a, of which it retains £1.1m. The assumptions and forecasts will continue to be assessed as further information regarding the design and implementation of the reforms, including any transitional arrangements, are made available.

4.11 The level of retained business rates is calculated on the basis that the Council participates in the Lincolnshire Business Rate Pool in 2025/26. The pool consists of this Council, Lincolnshire County Council and the six other Lincolnshire District Councils. Membership of the 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 additional retained resources of £0.663m in 2025/26. As the business rates reset is set to be implemented in 2026/27, it is assumed that pooling will not continue beyond 2025/26.

4.12 Other Specific Grants

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

- Recovery Grant - a new grant worth £600 million was announced as part of the 2025/26 Settlement. This has been distributed to places with greater need and demand for services (using deprivation as a proxy for this), and which are least able to fund their own services locally. The grant has allocated funding to where the numbers of vulnerable people who rely on council services are highest, and the ability to fund need locally is weakest. This is intended to correct the inefficiency of the current system and put councils in the most deprived areas on a more stable footing. The Council's allocation for 2025/26 is £0.414m. The MTFS assumes an ongoing grant allocation beyond 2025/26 of £0.414m p.a.

- New Homes Bonus – an allocation of £0.027m has been awarded for 2025/26. Beyond 2025/26, the future of NHB is unclear, therefore the MTFS does not assume any grant beyond 2025/26.

- National Insurance – total new funding of £515m has been allocated to support councils to mitigate the impact of the increase in employer National Insurance Contributions on their budgets. The Council's allocation for 2025/26 is £0.184m, this is significantly below the costs to be incurred which are c£0.390m p.a.

- Land Drainage Levies – in 2023/24 and 2024/25 the Council received grant allocations to support local authorities that pay Internal Drainage Board Levies, on a one-off basis. While a further £5m of funding was announced as part of the Settlement, the distribution of this has not yet been confirmed. While the Council expects to receive an allocation, the MTFS does not assume any funding in 2025/26 or future years.

4.13 Extended Producer Responsibility (EPR) Payments

EPR is a new scheme that requires producers of packaging to pay for the cost of recycling that packaging. The Government's intention is to use the income from the scheme in the local government funding system, which would include reviewing the impact of this income on relative needs and resources of individual authorities. Additional income of c£1.1bn p.a. is expected to be received by authorities through implementation of the scheme.

4.14 The Autumn Budget stated that for 2025/26 this will be treated as 'new money', but it may be netted off in the Settlement in future years. This is an important 'one-off' boost, particularly for District Councils in light of their lower-than-average increases in CSP and will provide them with a 1.6% real terms increase in funding in 2025/26. The Council's provisional allocation for 2025/26 is £1.424m.

4.15 Until the Government sets out how this significant funding stream will affect the wider local government finance system beyond 2025/26, i.e. it plans to assess the impact of additional EPR income on the relative needs and resources of individual local authorities, and how it factors it into its measurement of local authority spending power, then it isn't possible to assess whether this will be ongoing, additional, funding for local authorities. The MTFS does not therefore assume any allocations beyond 2025/26.

4.16 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 the referendum principles for 2025/26 will be same as the previous two years, i.e. for core council tax (3%), shire districts (3% or £5, whichever is higher), and the adult social care precept (2%). This will give local authorities greater flexibility to set Council Tax levels based on the needs, resources and priorities of their area, while protecting local taxpayers.

4.17 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 2.9% rise in Council Tax for 2025/26, and a further 1.9% p.a. in each of the subsequent years. An increase of 2.9% in 2025/26 equates to an additional 12p 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 £316.98.

4.18 Fees & Charges

The MTFS assumes that the Council will raise £12.672m from fees and charges in 2025/26. The mean average overall increase in the non-statutory fees and charges is 3.4%, with a modal increase of 0%.

Bridging the Funding Gap

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

4.20 In the short term, primarily as a result of additional, one-off, resources being available in 2025/26, (through EPR funding and the continuation of Business Rates pool), there is financial capacity to cushion the impact of the cost pressures and allow a lower level of savings targets to be set. However, beyond this, with a cliff edge reduction in business rates resources and due to the unavoidable cost and demand pressures, the Council still faces a significant and widening gap between its spending requirements and the level of resources it estimates to receive. The underlying need to deliver annual reductions in the net cost base of £1.75m by 2027/28 has not changed.

4.21 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:

2025/26 £'000	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**2029/30 £'000**
250	500	1,750	1,750	1,750

The lower targets in the short term will ensure that fundamental decisions around the depth and breadth of savings programme and subsequent impact on service delivery are not taken until the Council is in a more informed position. This will allow the impacts of the Spending Review and the reforms to local authority funding to be fully understood and the level of resources, through a multi-year settlement, to be known with more certainty and will also ensure any implications for the Council arising from the Devolution White Paper are taken into consideration. The Council will then be able to set future years targets with more certainty - it is though highly likely that the savings targets beyond 2026/27 will change (positively or negatively) in the next refresh of the MTFS. This mirrors the approach taken with the development of Vision 2030 and the focus on the first 12-18 months of delivery.

4.22 Despite this potential for change, the Council will continue to develop and implement a savings programme in order to; deliver the savings required in the short term; and to also ensure it is fully prepared to be able to deliver against the longer-term targets. 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.

4.23 The Council will continue to adopt this approach, driving down the net cost of services by implementing changes in the way in which it operates and delivers services, 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 new 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.

4.24 While the Council will focus a range of measures and there is sufficient 'lead in time' to the need to deliver the longer-term savings, given the scale of savings required it cannot rule out the need to face further difficult decisions about the services it continues to provide. As set out in this report, the impacts of the local authority funding reforms and any implications for the Council arising from the Devolution White Paper are likely to influence the future savings programme and the size and scope of services it provides in the future.

Robustness and Adequacy of the Budget and Reserves – General Fund

4.25 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.

4.26 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 and operational 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.

4.27 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 period, general reserves are maintained in line with this prudent minimum and show an estimated balance, in excess of the prudent level, of £2.251m by the end of 2029/30.

4.28 While the overall level of balances will still be maintained within the prudent minimum, over the period of the MTFS, there are planned uses of balances in the General Fund of £0.563m in 2026/27 and £0.250m 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 a substantial level of savings will be required to mitigate the ongoing impacts of this income loss, in the short term the use of a combination of additional 'one-off' resources along with balances and earmarked reserves allows the Council the flexibility to make more informed decisions about the size, scale and scope of the savings programme once there is further clarity around key uncertainties. Based on the current trajectory of savings targets the General Fund will be in the position of making positive contributions to balances by 2028/29 with forecasted contributions of £0.014m and a further £0.382m in 2029/30.

4.29 The careful use of balances and reserves, in the supporting the General Fund is seen as a short-term measure only to ensure a balanced budget position is maintained while the Council awaits the outcome of the local authority funding reforms and implications arising from the Devolution White Paper. The use of reserves is not foreseen as a long-term solution and the Council is clear that it will need to deliver substantial, ongoing, reductions in its net cost base.

4.30 Further details on the Council's approach to the management of the General Fund's balances and reserves and the Chief Finance Officer's assessment of the robustness and adequacy of the budgets and reserves is set out in Section 7 of the MTFS.

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£35m 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.

These objectives support the Council's Vision 2030 and strategic priorities, primarily through the priority to deliver quality housing, but also directly contributing to the other priorities.

The Business Plans acts as guide to the development of the Housing Revenue Account (HRA) 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 continues to face cost and demand pressures, along with new statutory requirements. Inflation, pay awards, national insurance contribution increases, higher maintenance and constructions costs including material and labour prices, and higher borrowing costs, continue to impact on the Housing Revenue Account's net cost base. Given the level of annual repairs and maintenance and planned capital maintenance to the Council's housing stock the impact of these creates significant cost increases for the HRA. In total these pressures have increased the HRA's cost base by an average of £0.430m 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, £66.124m 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 2030 and the Housing Business Plan driving the capital investment needed and the increased cost of maintenance and construction works, 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. In 2023/24 however the Government, in light of record inflation levels, imposed a cap on rent increases of 7%, as CPI +1% would have allowed rent increases of up to 11.1%. No such cap was imposed for 2024/25, and the maximum increase reverted to CPI+1%. In April 2024, the Government extended the existing rent settlement for another year, meaning that the existing policy would remain in place until April 2026, and in the 2024 Autumn Budget, the Chancellor announced a consultation on a new Social Housing Rent policy, which proposed that the rent policy should remain in place for at least 5 years, from 1 April 2026 to 31 March 2031.

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%. Careful to strike a balance between the pressures that household incomes are facing, particularly the most vulnerable in the community, with the increased costs of service delivery, it is proposed that the 2025/26 rent increase is in line with Government Rent Guidelines. The CPI rate for September 2024 was 1.7%, as such the Council are proposing to increase rents by 2.7% from April 2025. The average 52-week rent for general purpose and sheltered accommodation will be £86.76 per week, and £140.30 for affordable rents. The assumption in the MTFS from 2025/26 onwards maintains 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 2025/26 – 2029/30 is included within the MTFS at Appendix 3. The total allocated capital programme over the next five years is £32.006m of which £24.233m is estimated to be spent in 2025/26.

6.2 The capital spending plans for the next five years include the delivery of key legacy schemes from Vision 2025, schemes emerging through the development of Vision 2030 where they are sufficiently progressed and funding is in place and essential investment in existing assets to either maintain service delivery or existing income streams. The main projects and schemes in the GIP are as follows:

- Charterholme: Tritton Road Bridge - £9.759m
- Charterholme: Phase1a Homes - £9.549m
- Disabled Facilities Grants - £5.229m
- Planned asset maintenance - £1.465m
- Re-imaging Greyfriars - £1.700m
- Externally delivered Towns Fund Schemes - £3.074m

6.3 The largest scheme in the GIP is the Charterholme (previously Western Growth Corridor) sustainable urban extension, this totals £19.376m over the period of the MTFS (although significant expenditure has already been incurred) in order to resource the infrastructure to open up the eastern access to site and deliver the first 52 homes, developed by the Council. The capital receipts from the sale of these new homes are expected to be received from 2025/26 onwards.

6.4 Further schemes in support of Vision 2030 will be included in the GIP at the relevant stage in their development e.g. grant funding secure, design stage completed etc.

7. The Housing Investment Programme

7.1 The Housing Investment Programme (HIP) for the period 2025/26 – 2029/30 is included within the MTFS at Appendix 4. The total allocated capital programme over the next five years is £72.958m of which £19.600m is estimated to be spent in 2025/26.

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, both of which are key elements of the Quality Housing strategic priority. 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 (RTB) 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 £44.239m over the 5-year period and from revenue contributions, totaling £19.309m over the 5-year period. In addition, the HIP is set to utilise £3.769m of prudential borrowing to fund the additional affordable homes programme this is further supported by capital receipts (including Right-to-Buy receipts) of £5.640m. Following changes to the RTB scheme, that were announced as part of the Autumn Budget, there was a surge in RTB applications ahead of the initial changes being implemented. Now that the changes have taken effect, it is anticipated that the level of RTB's will significantly reduce over the period of the MTFS, resulting in a reduction in future year's RTB receipts. There will though be a benefit to the HRA through increased rental income arising from higher stock numbers.

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, Vision 2030 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 The Capital Strategy is attached at Appendix B.

9. Consultation and Scrutiny

9.1 Public consultation on the draft budget, MTFS and Council Tax proposals has been undertaken, this consisted of a mixture of broad public consultation and targeted engagement:

- A City-wide survey seeking residents, visitors and stakeholders' views and priorities for spend
- Direct consultation with the Lincoln Citizens Panel and Lincoln Tenants Panel
- A facilitated workshop with individual residents, who maybe under represented or 'hard to reach', including those with personal experience of the 9 protected characteristics along with representative agencies, charities or organisations supporting those with lived experience

9.2 The detailed results of the online and Citizens Panel consultation are attached at Appendix C. In terms of the specific question in relation to Council Tax increases:

- 32% of respondents would support a 1% increase
- 37% of respondents would support a 2% increase
- 31% of respondents would support a 2.95% increase (the final recommended increase is 2.9%)

The Executive must consider the results and comments from the consultation in arriving at its recommendations in relation to the final budget.

9.3 In terms of member budget scrutiny an all Member workshop was undertaken during January 2025 to ensure that as large a number of members as possible had the opportunity to fully understand the financial position of the Council. This was followed in February by a Budget Review Group who focused on the detail of the draft MTFS, proposed budget and Council Tax recommendation.

9.4 The minutes of the Budget Review Group are attached at Appendix D, there were no specific recommendations made by the Group.

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 – The financial implications are as set out in the body of the report.

11.2 Legal Implications including Procurement Rules - Local authorities must decide, prior to the 11th 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 2025/26 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 investment in the Vision 2030 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, the forthcoming Spending Review local authority funding reforms, and new statutory requirements in relation to recycling, 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 recommend to Full Council for approval, the

- The Medium Term Financial Strategy 2025-2030, and.
- The Capital Strategy 2025-2030

Including the following specific elements:

- A proposed Council Tax increase of 2.9% for 2025/26.
- The Council is member of the Lincolnshire Business Rates Pool in 2025/26.
- The General Fund Revenue Forecast 2025/26-2029/30 as shown in Appendix 1 and the main basis on which this budget has been calculated (as set out in paragraph 4).
- The Housing Revenue Account Forecast 2025/26-2029/30 as shown in Appendix 2 and the main basis on which this budget has been calculated (as set out in paragraph 5).
- The General Investment Programme 2025/26-2029/30 as shown in Appendix 3, and the main basis on which the programme has been calculated (as set out in paragraph 6).
- The Housing Investment Programme 2025/26-2029/30 as shown in Appendix 4, and the main basis on which the programme has been calculated (as set out in paragraph 7).

Is this a Key Decision?	No – Referral to Full Council
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?	Four
List of Background Papers:	Medium Term Financial Strategy 2024-2029 – Executive 19th February 2024 Setting the 2025/26 Budget and Medium Term Financial Strategy 2025-30 – Executive 18th November 2024 Draft Medium Term Financial Strategy 2025-2030 – Executive 20th January 2025
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