SOUTH HOLLAND DISTRICT COUNCIL

REPORT OF PAUL REDGATE, Portfolio Holder Finance, Commercialisation, UKSPF and Levelling Up

(Authors: Russell Stone (Director of Finance and S151 Officer) and Rashpal Sohal (Interim Head of Finance – SHDC))

BUDGET SETTING REPORT AND ASSOCIATED FINANCIAL STRATEGIES – 2026/2-2030/31

FOREWORD TO THE BUDGET FROM COUNCILLOR PAUL REDGATE – PORTFOLIO HOLDER FOR FINANCE

The 2026/27 budget has been developed against a backdrop of significant financial pressure and with a sustained period of funding uncertainty now being replaced with the most far-reaching set of changes the Local Government finance system has seen.

In addition, the combination of economic uncertainty, inflationary pressures and rising demand for Council services is increasing the pressures being felt on Council Services. Despite these challenges, the approach adopted seeks to preserve the Council's sound financial position and take a considered approach to mitigating these exceptional circumstances. With the steps taken, the budgets present a balanced and sustainable financial position which continues to focus on delivering services.

The Local Government Finance Settlement for 2026/27 also includes provisional allocations for 2027/28 and 2028/29.

South Holland District Council remains sovereign in terms of its constitution and budget, as do the Councils we partner with, and our SHDC priorities are to ensure that the Council remains financially resilient, able to deliver services it has to by law, and to provide support to the District's most vulnerable residents.

In addition, despite the challenges of the past few years, we continue to work to develop new opportunities, deliver services in different ways in order to create efficiencies, and new income streams to support the Council's revenue budget.

Another key component of the Council budget is its share of business rates income which has seen a significant change following the finance settlement in December.

The Council has maintained a capital resource base commensurate with our capital delivery ambitions.

The Budget for 2026/27 proposes:

- A Council Tax increase of £6.39 per year (for Band D homes this is equivalent to 12.3p per week).
- To continue with the generation of additional efficiencies, shared services and income from commercial activities guided by our Delivery Plans.
- Increased capital investment in Council assets to help generate new income streams, reduce running costs, and help deliver services more efficiently.

Councillor Paul Redgate, Portfolio Holder for Finance

INDEX:

CONTENT		PAGE
1.	EXECUTIVE SUMMARY AND INTRODUCTION	7
2.	BUDGET ASSUMPTIONS	8
3.	RESOURCES	9
4.	SPENDING PLANS	10
5.	BUDGET REQUIREMENT	20
6.	RESERVES	22
7.	CAPITAL PROGRAMME AND TREASURY	26
8.	HOUSING REVENUE ACCOUNT	29
9.	HRA RESERVES	33
10.	HRA CAPITAL PROGRAMME	34
11.	CONSULTATION	36
12.	EFFICIENCY TARGET	36
13.	SOUTH AND EAST LINCOLNSHIRE COUNCILS' PARTNERSHIP PLANS	37
14.	RISK AND SENSITIVITY	38
15.	OPTIONS	39
16.	RECOMMENDATIONS	40

TABLES:

CONTENTS **PAGE**

1. ASSUMPTIONS WHICH INFLUENCE THE 5-YEAR FINANCIAL STRATEGY 8
2. BUSINESS RATES 11
3. COUNCIL TAX 12
4. PRECEPTING AUTHORITY BAND D CHARGES 13
5. REVENUE SUPPORT GRANT AND OTHER GOVERNMENT GRANTS 14
6. FEES, CHARGES AND RENTAL INCOME 15
7. OTHER INCOME 16
8. ALL SOURCES OF INCOME 17
9. SPENDING PLANS 18
10. BUDGET REQUIREMENT 21
11. RESERVE BALANCES 23
12. MOVEMENT IN SPECIFIC RESERVES 25
13. FIVE-YEAR CAPITAL PROGRAMME, FUNDING AND RESOURCE IMPLICATIONS 27
14. TREASURY ASSUMPTIONS 27
15. HRA ESTIMATES BY INCOME & EXPENDITURE 29
16. HRA GENERAL RESERVES 33
17. HRA OTHER RESERVES 34
18. HRA FIVE-YEAR CAPITAL PROGRAMME 34
19. EFFICIENCY TARGETS 36
20. KEY RISKS 38

APPENDICES:

1 – Revenue Budget and Medium-Term Financial Strategy Summary
- 1a - Medium Term Financial Strategy 2026 to 2031 by Account
- 1b - Medium Term Financial Strategy 2026 to 2031 by Service Area
- 1c - HRA Medium Term Financial Strategy 2026 to 2031 by Account

2 – Capital Programmes
- 2a - Capital Programme 2026.27 - 2030.31
- 2b – HRA Capital Programme 2026.27 to 2030.31

3 – Capital Strategy

4 – Treasury
- 4a – Treasury Management Policy Statement
- 4b – Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy
- 4c – Treasury Management & Investment Management (Non-Treasury) Principles and Practices

5 – Fees and Charges 2026.27

6 – South and East Lincolnshire Councils Partnership Annual Delivery Plan 2026.27

EXECUTIVE SUMMARY

	2025/26	2026/27
SHDC Precept	£6.442m	£6.784m
Council Tax Increase	£7.11	£6.39*
Council Tax Band D	£208.53	£214.92
Government Funding	£1.714m	£5.371m
Retained Business Rates used to support the budget	£7.152m	£4.186m**
Spalding Special Expenses	£23.13	£23.40
Earmarked Reserves (at 31 March 2026)	£8.7m	
Earmarked Reserves (forecast at 31 March 2027)		£8.9m
Capital Programme (General Fund)	£14.681m	£25.352m

*See note at 4.6 - Council Tax

** See note at 4.4 – Business Rates

1. INTRODUCTION

1.1 This Appendix sets out the 2026/27 budget estimates and Medium-Term Financial Strategy (MTFS) for the period 2026/27 to 2030/31 for the Council's General Fund and Housing Revenue Account. The Medium-Term Financial Strategy sets out the Council's current and forecast costs. It is linked to the Sub-regional Strategy and Partnership Annual Delivery Plan, which sets out the Council's aims and ambitions.

1.2 The MTFS establishes a set of financial policies and principles which aim to provide a sound basis for maintaining the financial integrity of the Council over the medium term and includes both the General Fund and the Housing Revenue Account Budget.

1.3 This Appendix sets out:

- The Council's Medium Term Financial Strategy for the period 2026/27 to 2030/31.
- The 2026/27 General Fund Revenue Budget & associated financing.
- The General Fund Reserves Position.
- The General Fund Capital Programme and Financing.
- The 2026/27 Housing Revenue Account (HRA) Revenue Budget and HRA Medium Term Financial Plan.
- The HRA Reserves Position.

- The HRA Capital Programme and Financing
- Risks, key issues, sensitivity, and monitoring.

1.4 The unprecedented challenges faced over recent years have continued into 2026/27, with significant inflationary pressures and changing service demands. The Provisional Local Government Finance Settlement announced in December 2025 for South Holland included the Revenue Support Grant (£5,038k), Recovery Grant (£231k), and funding floor (£102k) following the conclusion of the Fair Funding Review.

1.5 In 2026/27, a budget is proposed that allows expenditure to be financed through the creation of efficiencies and appropriate funding to smooth the impact of the council's ongoing pressures. Savings are required going forward due to rising inflationary costs and other cost pressures, particularly in relation to the substantial pressure from the IDB levy, where the Council has and continues to lead on raising this issue with its partners in the South and East Lincolnshire Partnership. This means that the Council can continue to provide services whilst also supporting its overall objectives. The Council will continue to strive to be as efficient as possible in all its work, building on the SELCP Partnership with its partners, whilst ensuring it maximises the income it receives.

2. BUDGET ASSUMPTIONS

2.1 Table 1 - Assumptions which influence the 5-year financial strategy.

Assumption	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Budgeted inflation [1]	0%	3.7%	2%	2%	2%	2%
Pay costs increase [2]	3%	3%	3%	3%	3%	3%
Full-Time Equivalent Employees	328.4	315.5	315.5	315.5	315.5	315.5
Staffing levels [3]	96%	96%	96%	96%	96%	96%
Pension contribution rate applied to staff budgeted in pension scheme [4]	23.8%	18.3%	18.3%	18.3%	18.3%	18.3%
Pension contribution cash amount to fund the deficit on scheme [4]	£250,000	-	-	-	-	-
Return on cash investments [5]	4.10%	3.38%	3.25%	3.25%	3.25%	3.25%
Tax base increase [6]	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Notes to Assumptions

These assumptions reflect, where known, future changes which may arise from the implementation of the council's organisational development plans, including the South and East Lincolnshire Councils Partnership with Boston Borough Council and East Lindsey District Council (see Section 13).

1. Inflation increases have been reviewed throughout the MTFS and are included at appropriate levels. Ongoing inflationary pressures and broader economic uncertainty continue to make forecasting future expenditure increasingly volatile.

2. A pay award for 2025/26 was agreed by the National Joint Council for Local Government Service, offering an increase of 3.20% on all pay points with effect from 1 April 2025. For 2026/27 onwards, a 3.0% award has been assumed.

3. An annual General Fund saving in staff costs (£407k) is built into the budget (equivalent to 4% of the staff budget) due to anticipated staff vacancies during the year.

4. Based on the 2025/26 Pension Triennial Valuation, the pension contribution will be 18.3% in 2026/27. An additional lump-sum payment towards the pension scheme deficit has now been removed from 2026/27 onwards. This rate applies only to those staff in the local government pension scheme. Any vacant posts are assumed to be within the pension scheme. The pension contribution rate is assumed to remain at 18.3% throughout the MTFS.

5. These are the estimated returns on cash.

6. The tax base projections for 2026/27 have provided for a growth of 677 band D equivalent properties. Future growth has been projected at 1.5% (see section 4.6 and Table 3).

3. RESOURCES

3.1 The following section of the Appendix outlines the resources that will be available to the Council under six headings: Business Rates, Council Tax, Revenue Support Grant and other Government Grants, Fees and Charges and Other Income.

3.2 The Provisional Local Government Finance Settlement for 2026/27 was released on 17th December 2025, with further supporting information following. The 2026/27 Settlement includes provisional allocations for 2027/28 and 2028/29 and, as such, delivers the first multi-year settlement in a decade.

3.3 The settlement reflects changes made through the 2024 Autumn Budget & Spending Review, 2025 Budget and 20 November 2025 Policy Statement, which collectively result in an unprecedented level of change to the Local Government Finance system and significant added complexity.

3.4 Amongst other changes, the spending comparisons made by MHCLG within the settlement have been assessed against values from 2024/25 and not 2025/26. Given the scale of change underway, the main areas of change within the settlement are outlined below.

a) Funding Floor – MHCLG has decided to implement a 2-tier system of funding floors. This means that some Local Authorities will receive varying levels of funding protection depending on how far they are from the newly assessed funding level. South Holland will receive 95% protection of income, as the Fair Funding Assessment reduction of more than 15% is anticipated by 2028/29. The transitional protection amounts are payable, where relevant, over three years to 2028/29; therefore, there remains a high degree of uncertainty beyond 2028/29. South Holland will receive £0.299m in 2027/28 and £0.521m in 2028/29, then reduce to Nil from 2029/30 onwards.

b) Recovery grant – The 2026/27 Recovery Grant continues at a national level. South Holland will see its Recovery Grant remain at £231k per annum, the same as in 2026/27, throughout the MTFS term.

c) Consolidated Grants in Core Spending Power - Changes from previous years include four new consolidated grants, bringing together sixteen funding streams over the multi-year Settlement, alongside grants that have been rolled into the Revenue Support Grant. Of these four grants, two apply to South Holland: Homelessness, Rough Sleeping & Domestic Abuse Grant, and the Crisis & Resilience Fund

4. SPENDING PLANS

Business Rates

4.1 Under the current arrangements for retained Business Rates, where a Council collects rates above an assessed baseline level set by the Government, a 50% levy is applied that is paid to the Government. To mitigate this 50% levy, a business rates pool was adopted with the County Council and other districts in Lincolnshire.

4.2 The Business Rates Pool for Lincolnshire will not continue into 2026/27, any levy payable on Business Rates growth will now be due to Central Government.

4.3 A revaluation exercise for Business Rates will take effect from 1 April 2026, with five new multipliers replacing the current two multipliers. A provision has been put aside for any potential appeals based on intelligence from the Council's advisors to cover any effects from this. However, there remains considerable uncertainty in this area.

4.4 Table 2 provides details of the anticipated business rates figures for 2026/27 and provisional figures for 2027/28 to 2030/31. As a result of the reset of the Business Rates Retention system, from 1st April 2026, as part of Government's Fair Funding Review, the net Retained Business Rates income has reduced significantly from prior years. This is compensated by an increase in Revenue Support Grant.

4.5. As well as the potential for the authority to attract additional income through retained business rates, there is also the risk of uncertainty through a reduction in the amount of business rates that it collects, which has been further exacerbated by economic impacts. This, coupled with uncertainties relating to appeals against rateable values for business premises, with the potential for successful appeals being backdated, makes estimating income accurately extremely challenging and potentially volatile.

Table 2 – Business Rates

Business Rates (Income)/Expenditure	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Retained Business Rates	(10,563)	(13,007)	(13,267)	(13,533)	(13,803)	(14,079)
S31 Grant	(2,765)	-	-	-	-	-
Tariff to the Government	6,355	9,550	9,741	9,937	10,135	10,338
Pre-levy Income	**(6,972)**	**(3,457)**	**(3,526)**	**(3,596)**	**(3,668)**	**(3,741)**
Renewable Energy (100% retained by SHDC)	(407)	(459)	(468)	(478)	(487)	(497)
Levy payment to Lincolnshire Pool	467	-	-	-	-	-
Levy payment to the Central Government	-	15	15	16	16	16
Estimated (Surplus)/Deficit on the Collection Fund	(240)	(285)	-	-	-	-
Net Retained Business Rates Income	**(7,152)**	**(4,186)**	**(3,979)**	**(4,058)**	**(4,139)**	**(4,222)**
Reduction/(Increase) in Resource		2,966	207	(78)	(81)	(83)

Council Tax

4.6 The MTFS assumes a Council Tax increase in line with the maximum allowed under the Local Government Settlement. In the case of SHDC for 2026/27, this is a £6.39 (3.06%) per annum increase (for band D properties). The growth is reflected through the MTFS. See Table 3 below for the estimated changes in the tax base and council tax collected.

Table 3 – Council Tax

		2025/26	2026/27	2027/28	2028/29	2029/2030	2030/2031
a	Council Tax Base (band D equivalent properties)	30,890	31,567	32,041	32,521	33,009	33,504
b	Council Tax band D (£. p)	£208.53	£214.92	£221.35	£227.96	£234.78	£241.80
	Annual Increase £	£7.11	£6.39	£6.43	£6.62	£6.82	£7.02
	Annual Increase % * See table 4	3.53%	3.06%	2.99%	2.99%	2.99%	2.99%
c	Annual Council Tax collected (a x b) £	**£6,441,492**	**£6,784,380**	**£7,092,041**	**£7,413,655**	**£7,749,853**	**£8,101,297**
	Annual Increase in Council Tax collected £	£343,300	£342,888	£307,661	£321,613	£336,198	£351,444
d	Surplus on the Collection Fund £	£38,847	£11,000				
	Gross Council tax (c + d) £	**£6,480,338**	**£6,795,380**	**£7,092,041**	**£7,413,655**	**£7,749,853**	**£8,101,297**

4.7 The Council Tax Base for 2026/27 has been increased by 2.2% and by 1.5% per annum thereafter. This is based on the latest projected trajectory for house building.

4.8 The Council Tax Base for South Holland District Council of 31,567 and 9,746 for Spalding Special Expenses (Band D equivalent) has been set for 2026/27 and on the 23rd of December 2025 by the Director of Finance and s151 Officer, by officer delegation in line with the Constitution.

4.9 Local Authorities are permitted to increase Council Tax by up to 3% or £5, whichever is higher, relating to the Relative Basic Amount (RBA). The RBA takes into account the total of the Council precepts plus Spalding Special Expenses. Table below demonstrates that the annual increase is within the 3% threshold when considering the RBA.

Relative Basic Amount Calculation	2025/26		2026/27		Movement	
	Precept £	Band D £	Precept £	Band D £	£	%
SSE	£223,459.00	23.13	£228,056.40	23.40	£0.27	1.17%
SHDC	£6,441,491.00	208.53	£6,784,379.64	£214.92	£6.39	3.06%
TOTAL - RBA	**£6,664,950.00**	**215.76**	**£7,012,436.04**	**222.14**	**6.38**	**2.96%**

Tax Base	No of Band D Properties		No of Band D Properties		Change in Properties	%
SSE	9,661.00		9,746.00		85	0.88%
SHDC	30,890.00		31,567.00		677	2.19%

Spalding Special Expenses

	2025/26 £'000	2026/27 £'000	2027/28 £000	2028/29 £000	2029/30 £'000	2030/31 £'000
Spalding Special Expenses	223	**228**	228	228	228	228

Table 4 – Precepting Authority Band D charges

Authority	Proposed Band D Amount (£. p)	Increase over 2025/26 (£. p)	Increase over 2025/26 %
Lincolnshire County Council*	1,673.01	47.16	2.90%
Police and Crime Commissioner*	333.09	14.94	4.70%
South Holland DC	214.92	6.39	3.06%
Parishes (average)	57.18	4.40	8.34%

**LCC Levy and PCC Levy are subject to approval. If there are any changes, an updated schedule will be provided.*

Revenue Support Grant and Other Government Grants

4.10 Table 5 currently builds in the assumption that RSG will continue throughout the MTFS period until we have more information regarding future funding. Other than S31 Business Rates grants (see table 2), the Council's other central non-specific grants relate to the Funding Guarantee grant (previously the Lower Tier Service Grant) and the new Recovery Grant.

Table 5 - Revenue Support Grant and other Non-Specific S31 Government Grants

	Settlement 2025/26	Provisional Settlement 2026/27	Draft 2027/28	Draft 2028/29	Draft 2029/30	Draft 2030/31
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	(491)	(5,038)	(4,428)	(3,785)	(3,785)	(3,785)
Funding Floor/Guarantee	(295)	(102)	(299)	(521)	-	-
Recovery Grant	(231)	(231)	(231)	(231)	(231)	(231)
New Homes Bonus	(697)	-	-	-	-	-
Total	**(1,714)**	**(5,371)**	**(4,958)**	**(4,537)**	**(4,016)**	**(4,016)**
(Increase)/Decrease in resource		(3,657)	413	421	521	-

Fees and Charges

4.11 The Council is dependent on direct payment for many of its services in the form of various fees, charges, and rents. Fees and charges play a significant role in the effective delivery of services; they not only generate income but also help control access to services, enable the council to respond to competition, fund investment, and guide client behaviour.

4.12 In some cases, the levels of fees are set by the Government, and the Council has no control over what is charged. Where the Council has had control, it has not consistently increased these charges in line with inflation or other market conditions to cover cost increases. Given future uncertainties, it is assumed that the budget should apply inflation increases agreed by the S151 officer to all discretionary fees and charges annually.

Table 6 - Fees, Charges and Rental Income

Budget Area	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Leisure	-	-	(267)	(461)	(563)	(588)
Building Control Fees	(315)	(352)	(354)	(355)	(357)	(359)
Licensing	(124)	(128)	(128)	(128)	(128)	(128)
Land Charges	(75)	(66)	(57)	(48)	(39)	(30)
Garden Waste	(760)	(940)	(964)	(988)	(1,012)	(1,036)
Waste Services	(139)	(196)	(206)	(216)	(227)	(239)
Planning Fees	(844)	(931)	(978)	(1,027)	(1,078)	(1,132)
Car Parking Income	(404)	(419)	(440)	(462)	(485)	(509)
Market Stall Fees	(34)	(36)	(37)	(39)	(41)	(43)
Rent Income	(1,527)	(1,715)	(1,756)	(1,821)	(1,890)	(1,962)
Sales, Fees & Other Direct Income	(929)	(1,006)	(1,043)	(1,081)	(1,122)	(1,164)
Total Fee Income	**(5,151)**	**(5,789)**	**(6,230)**	**(6,626)**	**(6,942)**	**(7,190)**

Other Income

4.13 The Council also receives other forms of income, as shown in the following table.

Table 7 - Other Income

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000
Interest on Investments*	(771)	(261)	(89)	(70)	(86)	(227)
Housing Benefit Subsidy and Rent Rebates Subsidy.	(10,439)	(7,996)	(7,676)	(7,369)	(7,074)	(6,791)
Housing Benefit/Universal Credit Overpayments	(140)	(140)	(140)	(140)	(140)	(140)
Council Tax and Housing Benefit Administration Grant	(169)	(161)	(161)	(161)	(161)	(161)
Specific Government Grants, UKSPF, NSAP, Levelling Up and RSAP)	(511)	(802)	(426)	(432)	(438)	(444)
Court Income & Council Tax Penalties	(227)	(227)	(227)	(227)	(227)	(227)
Capital Grants	(11,477)	(11,557)	(2,390)	(1,390)	(1,815)	(1,090)
Other Grants and Contributions	(2,059)	(3,237)	(3,028)	(3,080)	(2,992)	(2,915)
Support Services	(2,688)	(2,767)	(2,822)	(2,878)	(2,936)	(2,994)
Use of Reserves	(876)	(1,329)	(1,203)	(1,188)	(1,195)	(1,202)
Total Other Income	**(29,357)**	**(28,477)**	**(18,162)**	**(16,935)**	**(17,064)**	**(16,191)**

*Assumptions have been made on investment income levels due to a variety of factors.

- Use of Reserve values will change as and when new schemes are approved for inclusion within the budget.
- Reductions in the Housing Benefit Subsidy income reflect current anticipated levels of activity affected by the rollout of Universal Credit. There is a corresponding reduction in expenditure in section 5 below.
- Increase in Other Government Grants primarily relates to funding associated with the Capital Programme.

Summary

Table 8 – All sources of income

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Business Rates (Table 2)	(7,151)	(4,186)	(3,979)	(4,057)	(4,139)	(4,222)
Revenue Support Grant (Table 5)	(491)	(5,038)	(4,428)	(3,785)	(3,785)	(3,785)
New Homes Bonus (Table 5)	(697)	-	-	-	-	-
Funding Floor (Table 5)	(295)	(102)	(299)	(521)	-	-
Recovery Grant (Table 5)	(231)	(231)	(231)	(231)	(231)	(231)
Council Tax (Table 3)	(6,480)	(6,795)	(7,092)	(7,414)	(7,750)	(8,101)
Funding	**(15,345)**	**(16,352)**	**(16,029)**	**(16,008)**	**(15,905)**	**(16,339)**
Fees, Charges, Rents (Table 6)	(5,151)	(5,789)	(6,230)	(6,626)	(6,942)	(7,190)
Other Income (Table 7)	(29,357)	(28,477)	(18,162)	(16,935)	(17,064)	(16,191)
Fees, Charges & Other Income subtotal	**(34,508)**	**(34,266)**	**(24,392)**	**(23,561)**	**(24,006)**	**(23,381)**

2026/27 SPENDING PLANS

4.14 The table below shows the estimated Council spending plans for the next 5 years. It shows expenditure analysed by the CIPFA Standard classification. The paragraphs below the table explain the main variances across the MTFS.

Table 9 – Spending Plans

Description	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Employee Related Expenditure	11,299	12,062	12,130	12,137	12,132	12,179
Premises Related Expenditure	826	1,001	1,006	1,017	1,028	1,040
Transport Related Expenditure	957	1,040	1,049	1,059	1,068	1,078
Supplies & Services	4,843	4,827	3,998	4,012	3,817	3,828
Drainage Board Levies	3,571	3,881	3,959	4,038	4,119	4,201
Parish Precepts	1,407	1,373	1,421	1,470	1,521	1,572
Transfer Payments	11,241	9,436	9,066	8,898	8,589	8,293
Third Party Payments	4,566	4,536	4,602	4,669	4,739	4,806
Capital Charges	12,426	12,341	4,006	3,083	3,558	2,908
Interest on borrowing	-	18	134	233	233	250
Contributions to reserves	1,270	1,476	1,590	1,233	1,140	1,137
Gross Expenditure	**52,406**	**51,991**	**42,961**	**41,849**	**41,944**	**41,292**

4.15 Employee costs have been prepared in accordance with the Council's Pay Policy. Pay has generally increased through salary increments for staff, with an estimated 3.0% increase in 2026/27 and thereafter. Pension cost estimates have been prepared based on the current staff in the pension scheme as at October 2025/26, and all vacant posts are assumed to be within the pension scheme. There have been some staffing changes that are grant-funded as a result of successful bids to government departments. Employee costs also include the latest results from the Pension Triennial Review.

4.16 Since 2022, the Council has chosen to apply a pay supplement specifically to support its lowest-paid employees and assist them in meeting the cost of living. This supplement, reviewed each April, ensures their earnings align with the real Living Wage as set by the Living Wage Foundation. The Living Wage Foundation announced a new rate of £13.45 per hour in October 2025. The Council's lowest-paid employees are currently earning £12.65 per hour in line with NJC pay scales. Applying the Real Living Wage supplement with effect from 1 April 2026 will impact the 13 lowest paid employees (and 15 additional casual workers) and after the budgeted 3% increase for 2026/27 the supplement enhancement amounts to an additional £10,166. The NJC pay award is often not implemented until later in the year, when implemented if the NJC hourly rate is above the Real Living Wage rate, the supplement will no longer be applicable.

4.17 Premises budgets are reflective of the actual costs in 2025/26 and adjusted to factor in inflationary pressures.

4.18 Transport costs are set using average fuel prices and usage.

4.19 Supplies and Services budgets increase where required in council contracts for inflation and additional project costs, offset by a grant.

4.20 Transfer Payment movements are largely driven by the significant reduction in Housing Benefit Subsidy as caseloads continue to fall.

4.21 Changes in Capital Charges relate to revisions to the capital programme between years, which do not affect the General Fund bottom line as they are funded from grants or reserves.

4.22 Third-party payments reflect payments to Public Sector Partnership Services and other outside bodies.

4.23 Internal Drainage Board (IDB) increases are set out in the table below. 2025/26 increases have been built in, with drainage board increases assumed at 5% pending confirmation from the IDBs, which is expected in early February. The Council continues to work closely with the local Internal Drainage Boards to help mitigate future levy increases wherever possible. Alongside this, lobbying of Government remains ongoing, as the embedded levy results in a recurring loss of revenue for the Council that grows with each passing year.

Internal Drainage Board	2021/22 (Actual) £	2025/26 (Actual) £	2026/27 Budget £	Increase over 2026/27 £	Increase over 2026/27 %	Increase over 2021/22 £	Increase over 2021/22 %
Black Sluice Internal Drainage Board	134,532	243,669	255,853	12,183	5%	121,321	90%
King's Lynn Drainage Board	24,682	31,016	32,567	1,551	5%	7,885	32%
North Level District Internal Drainage Board	153,421	211,772	222,361	10,589	5%	68,940	45%
South Holland Drainage Board	1,382,392	1,852,050	1,944,653	92,603	5%	562,261	41%
Welland and Deepings Internal Drainage Board	928,864	1,232,058	1,293,661	61,603	5%	364,797	39%
TOTAL LEVY	**2,623,891**	**3,570,565**	**3,749,094**	**178,528**	5%	**1,125,202**	43%

5. BUDGET REQUIREMENT

5.1 The budget requirement is formed by comparing resource prediction and spending plans as set out in Table 10 below.

5.2 **Appendices 1a and 1b** bring together the budgeted expenditure and income and show the overall MTFS position analysed by income and expenditure type, service area and by portfolio budgets.

Table 10 – Budget Requirement

	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimates £'000	2030/31 Estimates £'000
Fees, Charges & Other Income	(34,508)	(34,266)	(24,392)	(23,561)	(24,006)	(23,381)
Gross Expenditure	52,407	51,991	42,961	41,849	41,944	41,292
Spalding Special Expenses	224	228	228	228	228	228
Efficiency Target	(200)	-	(1,119)	(809)	(513)	-
Efficiency Target IDB	(947)	-	-	-	-	-
Net Budget	**16,976**	**17,953**	**17,678**	**17,707**	**17,653**	**18,139**
Funded By						
Retained Business rates	(6,911)	(3,901)	(3,979)	(4,058)	(4,138)	(4,222)
Business Rates Collection Fund	(240)	(285)	-	-	-	-
Revenue Support Grant	(491)	(5,038)	(4,428)	(3,785)	(3,785)	(3,785)
Recovery Grant	(231)	(231)	(231)	(231)	(231)	(231)
Funding Floor	(295)	(102)	(299)	(521)	-	-
Specific Grants	-	-	-	-	-	-
New Homes Bonus	(697)	-	-	-	-	-
Parish Precepts	(1,407)	(1,373)	(1,421)	(1,470)	(1,521)	(1,572)
SHDC Council tax	(6,441)	(6,784)	(7,092)	(7,414)	(7,750)	(8,101)
Council Tax Collection Fund Surplus	(39)	(11)	-	-	-	-
Spalding Special Expenses	(224)	(228)	(228)	(228)	(228)	(228)
Total Funding	**(16,976)**	**(17,953)**	**(17,678)**	**(17,707)**	**(17,653)**	**(18,139)**

5.3 Based on current assumptions, the Council will break even in 2026/27.

Spalding Special Expenses

5.4 Spalding Special Expenses are a separate charge for residents of Spalding for services provided in the town and are added to the main council tax. The Spalding Special Expenses estimated budget for 2026/27 is £228k (£223k for 2025/26). The detailed estimate was reported to the Spalding Town Forum on 14 January 2026.

Other Budget Issues

5.4 To meet its obligations, equality impact assessments will be carried out when the nature of proposed changes to services and the potential mitigation (if any) is clear, so that the implications of decisions are fully understood as they affect specific groups and communities. These have been, and will continue to be, regularly undertaken and considered as part of the decision-making process.

6. RESERVES

6.1 To comply with the requirements of the Local Government Act 2003, the Authority must undertake a review of the level of reserves as part of annual budget preparation. A review of the reserves has been undertaken to ensure that they have a defined purpose, identified and approved values for additions to and use of each reserve, and are set at an appropriate value that reflects the Council's current and future requirements and the risks it might face. This has included an assessment of risk registers, pressures upon services, inflation, interest rates and any underwriting arrangements.

6.2 General Reserves - The General Fund balance is estimated to stand at £2.078m for the next five years, which the Council's Section 151 Officer believes to be prudent for the Council at this time, when taken in the context of the other reserves that the Council has

6.3 Specific Reserves - Specific reserves are set up to fund known future commitments or to cover unexpected events. Given the risks and uncertainties facing both the local and national economy, the Council is committed to retaining robust levels of reserves, whilst ensuring resources are available to enable efficient service delivery.

Table 11 – Reserve Balances

Reserve	Balance 31.03.26 £'000	Balance 31.03.27 £'000	Balance 31.03.28 £'000	Balance 31.03.29 £'000	Balance 31.03.30 £'000	Balance 31.03.31 £'000
Parish Loans Reserve	(100)	(100)	(100)	(100)	(100)	(100)
Funding Volatility Reserve	(1,642)	(1,722)	(1,722)	(1,722)	(1,722)	(1,722)
Replacement and Refurbishment Reserve	-	-	-	-	-	-
Spalding Special Expenses	(220)	(220)	(220)	(220)	(220)	(220)
Repayment Reserve	(66)	(66)	(66)	(66)	(66)	(66)
S106 Reserve	(1,775)	(1,775)	(1,775)	(1,775)	(1,775)	(1,775)
Climate Change Reserve	(112)	(112)	(112)	(112)	(112)	(112)
Investment and Growth Reserve	(2,811)	(764)	(764)	(764)	(764)	(764)
Transformation Reserve	(229)	(178)	(178)	(178)	(178)	(178)
Planning Reserves	(837)	(587)	(587)	(587)	(587)	(587)
Earmarked Grants Reserve	(949)	(989)	(989)	(989)	(989)	(989)
Waste Transformation Reserve	-	(1,920)	(2,054)	(1,923)	(1,804)	(1,696)
LGR Reserve	-	(500)	(500)	(500)	(500)	(500)
Earmarked Reserves	**(8,741)**	**(8,933)**	**(9,067)**	**(8,936)**	**(8,817)**	**(8,709)**
Usable Reserves - General Fund	(2,078)	(2,078)	(2,078)	(2,078)	(2,078)	(2,078)
Total Reserves	**(10,819)**	**(11,011)**	**(11,145)**	**(11,014)**	**(10,895)**	**(10,787)**

Funding Volatility Reserve
This renamed reserve holds the year-end balances of any accounting adjustments necessary for the Council's Collection Fund or other volatile components in the Council's Revenue Account, including in-year deficits, should they occur.

Replacement Reserve
This reserve is funded by annual contributions from service areas for the maintenance and replacement of facilities, vehicles, and equipment. This has now largely been replaced by MRP.

Repayment Reserve
This is for services set aside for the replacement of certain assets, funded by contributions revenue over the life of those assets.

Climate Change Reserve
For the implementation of smaller schemes, help with fund preparation for larger capital scheme funding bids and fund feasibility reports.

Investment and Growth Reserve
For the implementation of capital scheme funding and service area development growth that provides a return to revenue budgets

Transformation Reserve
The purpose of this reserve is to enable the council to invest in service transformation for the future.

Waste Transformation Reserve
This grant is to contribute towards the costs of disposing of waste already in the system, so that it is available for widespread use, as those costs are already being financed.

Planning Reserve
The Government provides grant aid/awards for performance on Planning services. The Council's policy is to draw sums from here annually to support the work of the planning service, e.g., the creation of the local plan.

LGR Reserve
The purpose of this reserve is to fund any Local Government Reorganisation transition costs.

Parish Loans Reserve
Any loans to Parish Councils will be financed from this reserve. The payment of the loan will not increase the Council's Capital Financing Requirement.

Spalding Special Reserve - Ringfenced

This reserve holds funds specifically for Spalding Special Services. Spalding Special Expenses are a separate charge to the residents of Spalding for services provided in their town and are charged as a supplement to the main council tax.

Earmarked Grants Reserve - Ringfenced

This reserve holds unspent funds received as grants from external bodies for specific schemes/projects.

Table 12 – Movement in Specific Reserves

Contribution To Reserves	**2026/27 £'000**
Waste Transformation Reserve	
Creation of Reserve with 25/26 EPR moved from I&G Reserve	1,231
EPR –26/27	1,386
Earmarked Grants Reserve	
Pride in Place	11
Next Steps Accommodation Program (NSAP)	28
Funding Volatility Reserve	
Strategy & Enabling	3
District Elections	90
Markets	3
LGR Reserve	
Creation of Reserve	500
Contribution To Reserves	**3,252**

Contribution From Reserves	2026/27 £'000
Planning Reserves	
Local Plan	(250)
Transformation Reserve	
Environmental Services Operational	(51)
Waste Transformation Reserve	
EPR Reserve funds allocated to support Waste Transformation expenditures	(713)
Investment and Growth Reserve	
Creation of Waste Transformation Reserve	(1,231)
Ayscoughfee Leisure	(16)
Leisure Tender Costs	(298)
Creation of LGR Reserve	(500)
Contribution From Reserves Total	**(3,059)**
Net Contribution From / (To) Reserves	**193**

7. CAPITAL PROGRAMME AND TREASURY

7.1 The Council's proposed 5-year Capital Programme and its 5-year capital resource projections are shown in the table below.

Table 13 – 5-year Capital Programme, Funding and Resource Implications

	Draft Capital Programme						
Scheme	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**2029/30 £'000**	**2030/31 £'000**	**Total £'000**
Total Projects (Excl UKSPF & LUF)	4,018	9,591	1,603	1,491	1,829	1,215	**19,747**
Total UKSPF	500	-	-	-	-	-	**500**
Total Pride in Place	-	250	1,300	300	725	-	**2,575**
Total LUF	10,163	15,511	-	-	-	-	**25,674**
Total Draft Capital Programme	**14,681**	**25,352**	**2,903**	**1,791**	**2,554**	**1,215**	**48,496**

Funded by:	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**2029/30 £'000**	**2030/31 £'000**	**Total £'000**
Revenue	(43)	-	-	-	-	-	**(43)**
Capital Grants	(11,668)	(11,556)	(2,390)	(1,390)	(1,815)	(1,090)	**(29,909)**
Internal Borrowing	(2,759)	(13,276)	(513)	(401)	(739)	(125)	**(17,813)**
Capital Receipts	-	(520)	-	-	-	-	**(520)**
Other Reserve	(211)	-	-	-	-	-	**(211)**
Total Financing	**(14,681)**	**(25,352)**	**(2,903)**	**(1,791)**	**(2,554)**	**(1,215)**	**(48,496)**

Note: The Council holds sufficient S106 funds in accordance with CIPFA guidance on the balance sheet as a liability.

7.2 The Treasury Management Strategy Statement pulls together the decisions of capital investment and our cash flow and revenue budgets.

Table 14 – Treasury Assumptions

Treasury Assumptions	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Average Investment Balances	£25.4m	£21.2m	£11.8m	£10.6m	£12.4m	£13.3m
Investment assumptions – cash investment return.	4.10%	3.38%	3.25%	3.25%	3.25%	3.25%

7.3 These assumptions include that the Council's available cash balances and investment returns will be influenced by the future development of the Council's Asset Management Plan and all decisions made regarding the use of the Council's Reserves for capital and revenue purposes.

7.4 The Council is required to calculate a prudent provision of Minimum Revenue Provision (MRP) on its unfinanced capital expenditure, which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. Regulations have been further amended with full effect from April 2025 to expressly provide that, in determining a prudent provision, local authorities cannot exclude any amount of Capital Financing Requirement (CFR) from its calculation.

8. HOUSING REVENUE ACCOUNT

8.1 The following table shows the summary Revised HRA for 2025/26 compared to the 2026/27 position:

Table 15 - HRA Estimates by Income & Expenditure

Description	2025/26 Revised Estimate £'000	2026/27 Estimate £'000	Variance £'000
Rent Income – Dwellings	(18,921)	(19,611)	(690)
Rent Income – Non-Dwellings	(5)	5	0
Charges for Services & Facilities	(1,383)	(1,400)	(17)
Contributions to Expenditure	(5)	(2)	3
Total Income	**(20,314)**	**(21,018)**	**(699)**
Repairs & Maintenance	5,640	5,434	(206)
Supervision & Management	4,871	4,675	(196)
Rents Rates Taxes and Other Charges	91	88	(3)
Depreciation	4,197	4,179	(18)
Provision For Doubtful Debts	75	100	25
Statutory Recharges to the HRA for Support Services	3,547	3,465	(82)
Total Expenditure	**18,421**	**17,941**	**(480)**
Contribution from Operations	**(1,893)**	**(3,077)**	**(1,179)**
Investment Income	(327)	(672)	(345)
Interest on Loans	2,591	2,470	(121)
Transfer From Reserves	(184)	-	184
Total	**2,080**	**1,798**	**(282)**
Net Operating (Surplus)/Deficit	**187**	**(1,279)**	**(1,461)**

Explanation of Budget Variations (2026/27 Budget compared to Revised 2025/26 Estimate)

8.2 Rent Income - Dwelling Rents:
Rent increases are set at CPI + 1%, equal to 4.8% for 2026/27, which has resulted in the (£689k) variance. Non-dwelling rental income of £5k receivable for the rental of an office at a sheltered housing scheme.

The Council is expected to have 3,715 HRA dwellings and 51 Shared Ownership properties (28.00 equivalent properties) on 1st April 2025, with an average weekly rent of £95.68 (on a 52-week basis). The budget includes an assumed rent loss of 1% for void properties, £100k for bad debts, and a rent loss from selling five homes per annum under the Right to Buy.

Council agreed the report and approved the rent increase on 28th January 2026.

8.3 Charges for Services and Facilities:

Charges for sewage have increased by 10% pending Anglian Water publishing their rates for 2026/27. £17.7k TV Aerials charges removed from budget as service not provided to general needs properties – previous budget error. Sheltered Housing service charges have increased by an average of £0.87 per week for bungalows and £1.97 per week for flats.

8.4 Repairs & Maintenance:

Repair and Maintenance budgets (£206k) savings have been achieved through a proactive review of agency and contractor usage, bringing greater work in-house. Despite these measures, sustained demand for repairs continues and is further impacted following the implementation of Awaab's Law. Sector benchmarking indicates that this demand is unlikely to decline. Additional efficiencies include a reduction in the retirement benefit deficit charge and an adjustment to the salary capitalisation rate.

8.5 Supervision & Management:

This service encompasses sheltered housing, alarm monitoring, community facilities, estate and tenancy management, maintenance of sewerage works, the management of HRA assets, and the delivery of the HRA Affordable Housing Programme. The favourable variance of (£196k) is primarily driven by higher levels of capitalised salaries and the resolution of legacy issues. Cost pressures relate to additional NEC software charges and increase spend on furniture and equipment within Estates Management for maintenance. Efficiencies include a reduction in the retirement benefit deficit charge.

Given ongoing regulatory and legislative changes affecting social landlords, continuous review of resourcing is essential to ensure sustained compliance, risk management, and the delivery of statutory obligations. An updated establishment for the HRA is included for approval. It is recommended to the Council that 6 FTE are added to the establishment. (4 FTE posts are currently recruited to on fixed-term contracts and two new FTE for 2026/27). Housekeeping has also been completed, with job titles updated following job evaluations to reflect new responsibilities resulting from increased expectations of social landlords.

Post	Reason for the requirement
New Posts to be recruited	
Tenant Engagement and Experience Officers x2	The Regulator of Social Housing identified a material weakness in tenant engagement and influence in its July 2025 regulatory judgement. Additional dedicated capacity is essential to meet the Regulator's expectations for establishing scrutiny arrangements, enhanced tenant involvement, and to support the organisation in achieving a C1 grading.
Formalising existing arrangements (currently fixed-term contracts)	
Change and Improvement Manager (HRA)	Adds the current Housing Transformation Manager (HRA) role to the establishment, renaming it the Change and Improvement Manager (HRA). The role is required to drive continuous service improvement, oversee the delivery of ongoing regulatory changes, and support compliance with evolving standards set by the Regulator of Social Housing.
Housing Systems Specialist (NEC)	The specialist resource is required to maintain and optimise the NEC housing system. This post will be permanently funded from the vacant Business Support Manager post.
Independent Living Technical Assistant	Provides administrative support to the Independent Living Team and oversight of sheltered housing service charges. The role is funded through service charges paid by Sheltered Housing tenants, with the associated financial provision included in the 2024 Business Plan adopted by Council in February 2024. The post also strengthens service continuity for vulnerable tenants during vacancies or staff absences.
Business Support Team Leader	Changes to reporting arrangements following the Business Support Manager vacancy have led to the establishment of this post. This post will be permanently funded from the vacant Senior Business Development Officer post.
Housekeeping - updates to posts already on the establishment	
Head of Investment and Development	Resources in the Housing Delivery Team have been refocused on the wider HRA Capital Programme. This role replaces the Head of Housing Delivery post, which will be deleted from the establishment. (No change to grading/budget).
Housing Repairs and Compliance Manager	The Housing Repairs Manager post has been changed to Housing Repairs and Compliance Manager. Post regraded following job evaluation in response to taking on additional responsibilities regarding health and safety compliance.
DCM Co-ordinator	New post established in response to changes in legislation regarding damp, condensation, and mould (Awaabs Law).
Logistics Officer (Housing Repairs)	The Repairs Service has a Logistics Officer and a Triage and Recharge Officer on the Establishment, but for years has operated with two Logistics Officers sharing duties to ensure greater resilience in the service. Recharging responsibilities remain part of the role.
Housing Project Surveyor	Update to the Projects Surveyor post. (No change in grading/budget).

Posts to be deleted from the establishment:

- Head of Housing Delivery replaced by Head of Investment and Development
- Triage and Recharge Officer (replaced by Logistics Officer).

8.6 Depreciation:
The depreciation charge has decreased by (£17.6k). The total depreciation amount is charged to the HRA, credited to the Major Repairs Reserve, and used to fund future capital expenditure.

8.7 Provision for Doubtful debts:
The provision has been increased by £25k to account for potential increases in write-off debts. Debts are reviewed regularly throughout the year.

8.8 Statutory Recharge to the HRA for Support Services:
A review has been conducted, resulting in an £82k cost reduction.

8.9 Transfer from Reserves:
The Stock Condition Survey £184k was funded from reserves in 2025/26 but will not be financed from there in 2026/27. The budget surplus of £1.279m 2026/27 will be transferred to the HRA reserves.

8.10 Note1 - Adjustment:
External Borrowing of £7m to fund the HRA 2026/27 Capital programme is expected in September 2026, lower than the £10m budgeted in 2025/26. This will have the effect of decreasing Interest payable on loans by £121k 2026/27 and increasing investment income by an estimated £345k. Overall, this will be a reduction of (£466k) in costs to the HRA for 2025/26.

9 HRA RESERVES

9.1 The table below shows the unallocated HRA general reserve balance as at 31st March 2026 and the estimated movements to 31st March 2031. HRA general reserve can be used to finance both revenue and capital expenditure, for example, one-off projects and to meet expenditure arising from unexpected events. In addition, any surpluses or deficits will be charged against this reserve.

Table 16 – HRA General Reserves

HRA General Reserve	Balance 31.03.26 £'000	Balance 31.03.27 £'000	Balance 31.03.28 £'000	Balance 31.03.29 £'000	Balance 31.03.30 £'000	Balance 31.03.31 £'000
General HRA Reserve	6,267	3,476	4,223	5,326	6,333	6,115

9.2 The Major Repairs Reserve is to be used to finance capital investment in existing stock within the HRA.

Table 17 – HRA Other Reserves

Other HRA Reserves	Balance 31.03.26 £'000	Balance 31.03.27 £'000	Balance 31.03.28 £'000	Balance 31.03.29 £'000	Balance 31.03.30 £'000	Balance 31.03.31 £'000
Major Repairs Reserve	726	129	359	61	147	147
Insurance Reserve	200	200	200	200	200	200
Total	**926**	**329**	**559**	**261**	**347**	**347**

10 HRA CAPITAL PROGRAMME

Table 18 – HRA Five-Year Capital Programme

Project Description	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	Totals MTFS £'000
Capital Programme						
Decent Homes	**15,493**	**8,729**	**8,397**	**12,142**	**10,328**	**55,089**
Green Homes Energy Efficiency	6,345	2,400	-	-	-	8,745
Central Heating - Gas Boiler Replacements	1122	750	1401	1858	1592	6,723
Kitchen Replacement	3,992	1,295	2,513	2,306	3,285	13,391
Electrical Upgrade - Capital - HRA Capital	-	1,377	1,405	939	-	3,721
Smoke Alarms	6	6	7	7	8	34
Roofs and Gutters	273	519	270	344	281	1,687
Doors & Windows	949	193	623	575	1416	3,756
Fire Remedial Works	1871	1342	1270	5217	2691	12,391
Chimneys	83	87	91	91	91	443
Paths and Drives	124	14	54	22	127	341
Boundary Walls	111	109	107	107	141	575
Fees	3	4	4	4	5	20
Other Schemes	**3,083**	**1,960**	**1,792**	**1,384**	**1,252**	**9,470**
Sewage Treatment Refurbishment	764	444	377	377	377	2,338
Car Parks	32	33	35	35	-	135
Community Centre Refurbishment	100	-	-	-	-	100
ICT Strategy	116	54	-	-	-	170
Replacement Laptop	28	229	-	-	-	257
Major Adaptions	1333	1200	1080	972	875	5,460
HRT Vehicle Replacement	-	-	300	-	-	300
Affordable Housing	10	-	-	-	-	10

Project Description	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	Totals MTFS £'000
Purchase of Homes in South Holland	700	-	-	-	-	700
Total Current Approved Capital Programme	**18,575**	**10,689**	**10,189**	**13,526**	**11,580**	**64,558**
New Schemes - subject to approval	1,100	1,155	1,213	1,274	1,337	6,079
New Scheme- ICT	-	-	22	195	-	217
Total New Capital Projects	**1,100**	**1,155**	**1,235**	**1,469**	**1,337**	**6,296**
Total Capital Programme	**19,675**	**11,844**	**11,424**	**14,995**	**12,917**	**70,855**

Funding						
HRA General Reserve	(4,070)	(334)	(226)	(474)	(1,796)	(6,900)
Major Repairs Reserve	(4,776)	(3,941)	(4,468)	(4,086)	(4,171)	(21,442)
Reserve Totals	**(8,846)**	**(4,275)**	**(4,694)**	**(4,560)**	**(5,967)**	**(28,342)**
1-4-1 Receipts	(1,108)	(1,155)	(1,213)	(1,272)	(1,337)	(6,085)
Capital Receipts Totals	**(1,108)**	**(1,155)**	**(1,213)**	**(1,272)**	**(1,337)**	**(6,085)**
Grants	(3,045)	(689)	(702)	(470)	-	(4,906)
External Borrowing	(6,676)	(5,725)	(4,815)	(8,693)	(5,613)	(31,522)
Total Capital Funding	**(19,675)**	**(11,844)**	**(11,424)**	**(14,995)**	**(12,917)**	**(70,855)**

10.1 HRA Capital Programme implements planned maintenance based on asset management data to meet key decent homes standards in the Asset Management Strategy.

11. CONSULTATION

11.1 The budget proposals have been subject to review by the Joint PDP/PMP Committee on 13 January 2026 with the minutes attached at Appendix 7. A light touch online public consultation process was also undertaken for the 2026/27 budget. The reason for this was due to the lateness of the Local Government Finance Settlement and therefore gave very limited timescales for responses. Results from the consultation were limited but generally were supportive of the budget proposals stating they were sensible, realistic and avoided risky assumptions

12. EFFICIENCY TARGETS

12.1 The projected budgets recognise an increasingly challenging and uncertain position through the five-year period of our financial strategy. The current financial environment requires a significant transformation in how public services are both funded and delivered, with an emphasis on business and housing growth to improve economic development and maximise funding for the Council to help offset ongoing reductions in overall resources. The Council's new partnership and the outsourced services within its TECKAL company, PSPS Ltd, provide a significant opportunity to drive savings, efficiencies, transformation, and improvement across the 3 Councils.

12.2 Based upon current budget assumptions, the value of efficiency savings required to set a balanced budget for the next five years is as follows.

Table 19 – Efficiency Targets

	2025/26 £'000	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**2029/30 £'000**	**2030/31 £'000**
Budget Savings Requirement	(255)	-	(1,239)	(927)	(632)	92
IDB Funding Requirement	(947)	-	-	-	-	-
To be Funded from Reserves	-	-	-	-	-	-
Contribution to Reserves	-	-	-	-	-	(92)
Total	**2,296**	**-**	**(1,239)**	**(927)**	**(632)**	**-**

12.3 The ongoing delivery of efficiencies is recognised as a key challenge to the Council that will require both political and cultural direction to ensure it is met.

12.4 Public Sector Partnership Services Ltd (PSPS) has developed a Transformation and Service Modernisation Plan for 2025–2028. The plan aims to enhance digital services, modernise operations, and improve outcomes for residents across South Holland, East Lindsey, and Boston Borough Councils.

12.5 Strategic Aims

- Customer Focus: Improve access and consistency via digital solutions and integrated service journeys.
- Efficiency: Modernise and automate processes, introduce cloud financial systems, and standardise operations partnership-wide.
- People: Build a skilled, adaptable workforce and foster a culture of continuous improvement and customer satisfaction.

13. SOUTH AND EAST LINCOLNSHIRE COUNCILS' PARTNERSHIP PLANS

13.1 The Alignment and Delivery Plan, at Appendix 6 sets out the key pieces of work for the Partnership and this Councils in 2026/27 and subsequent years.

13.2 This builds on the Partnership's work to date and seeks to continue to drive forward key priority areas for this Council.

14. RISK AND SENSITIVITY

14.1 The following table shows the key risks and how we intend to treat them through our risk management practices.

Table 20 - Key Risks

Risk	Likelihood	Impact	Mitigating Action
Interest Rates Changing	High	High	Ongoing proactive management of opportunities in the market and staircasing of loans to maximise longer-term lock and premium rates in the LA market.
Growth plans may require borrowing at some point in the future	Medium	Medium	Substantial external funding has been leveraged to benefit the Town, and it is now fully incorporated into the Council's budgets.
Increased demand for Homelessness Support Services – relating to the Homelessness Reduction Act	High	High	Monitor service demand and impact on costs. Optimise use of grant funding and closely monitor changes in service requirements. Work with commissioners and suppliers to minimise the impact of benefit subsidies.
Volatility and Fluctuation in business rates following the reset	High	High	Regular monitoring of business rates, debt levels, recovery action, and the impact of changes in government support.
Additional bad debts because of economic circumstances	High	High	The Council has proactive debt management and pre-pay fee policies. Supporting business through the economic development team support.
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions are kept up to date with the most recent projections. Inflationary pressures have now mainly come under control.
Court Income	High	Medium	Court income projections are in line with the budget. The budget has not been increased due to concerns over the collectability of this income.

Risk	Likelihood	Impact	Mitigating Action
PSPS may be unable to deliver an effective service within the agreed contract price.	Low	Medium	Reviewing Service Level Agreements, activity levels, and service priorities, the Transformation Programme has been developed.
Fee Income volatility	High	High	Early monitoring of deviations and reporting through to Cabinet. Controlling costs as service demand declines.
Contract Cost Volatility	High	High	To seek pre-purchase, contract management is necessary to ensure that projects remain within revenue and capital budget affordability levels.
Lack of funding to partners is causing displacement of service demand	High	High	Engagement and realism
Inadequate capital resources to finance future desired plans	High	Medium	The Council has been highly successful in achieving significant capital funding.
Central Government policy changes	High	High	Engagement in consultation and policy creation
VAT – partial exemption	High	High	Close forecasting VAT partial exemption position
Failure to deliver the required savings, efficiency, and service review transformation programme	Medium	Medium	Effective programme and project management
Reduction in Investment Values	Medium	High	Regular monitoring of investment valuations is reported to the Audit and Governance Committee and the Finance PFH. A specific reserve is allocated.
Increased demand for services	High	High	To have in place a robust management framework to understand and respond appropriately to increased demand.

15. OPTIONS

15.1 There are no alternative budget options presented, however if Council does not accept the proposed budget, then any changes to income or expenditure which will produce a revised balanced budget must be presented and approved at the Council meeting.

16. RECOMMENDATIONS

16.1 Reason for recommendation - To comply with the budgetary and policy framework.

16.2 Recommendations – That Cabinet recommends to Council to approve:

- The General Fund budget 2026/27, including the setting of Council Tax
- The Housing Revenue Account budget 2026/2027,
- The Council's Capital Programmes,
- Other associated strategies, policies and plans as set out in the covering report and associated Appendices.