



County Offices
Newland
Lincoln
LN1 1YL

23 January 2019

Overview and Scrutiny Management Board

A meeting of the Overview and Scrutiny Management Board will be held on **Thursday, 31 January 2019 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink that reads 'DBarnes'.

Debbie Barnes OBE
Head of Paid Service

Membership of the Overview and Scrutiny Management Board (11 Members of the Council and 4 Added Members)

Councillors R B Parker (Chairman), R Wootten (Vice-Chairman), Mrs J Brockway, M Brookes, Mrs K Cook, B M Dobson, R L Foulkes, C S Macey, C E H Marfleet, N H Pepper and E W Strengiel

Added Members

Church Representatives: Reverend P A Johnson and Mr S C Rudman

Parent Governor Representatives: Mrs P J Barnett and Miss A E I Sayer

**OVERVIEW AND SCRUTINY MANAGEMENT BOARD AGENDA
THURSDAY, 31 JANUARY 2019**

Item	Title	Pages
1	Apologies for Absence/Replacement Members	
2	Declarations of Interest	
3	Minutes of the meeting held on 19 December 2018	5 - 8
4	Announcements by the Chairman, Executive Councillor for Resources and Communications, Chief Officers and Chairman of the Brexit Working Group	
5	Consideration of Call-Ins	
6	Consideration of Councillor Calls for Action	
7	Establishment of a Property Company <i>(To receive a report from Kevin Kendall, County Property Officer, which invites the Board to consider a report on the Establishment of a Property Company which is due to be presented to the Executive on 5 February 2019)</i>	9 - 24
8	Final Draft Council Business Plan 2019 - 2020 <i>(To receive a report from Jasmine Sodhi, Performance and Equalities Manager, which provides the Board with the opportunity to consider the outcomes and measures that are the final draft Council Business Plan 2019 – 2020 which is due to be considered by the Executive at its meeting on 5 February 2019)</i>	To Follow
9	Revenue and Capital Budget Monitoring Report 2018/19 <i>(To receive a report from Dave Simpson, Technical and Development Finance Manager, which invites the Board to consider the Revenue and Capital Monitoring Report which is due to be presented to the Executive on 5 February 2019)</i>	25 - 44
10	Service Budget Proposals 2019-20 <i>(To receive a report from Michelle Grady, Head of Finance – Communities, which describes the budget proposals for the next financial year 2019/20, based on the four year funding deal announced by Government as part of the 2016/17 Local Government Finance Settlement)</i>	45 - 50
11	Capital Strategy 2019/20 <i>(To receive a report from Sue Maycock, Head of Finance – Corporate, which provides the Board with the opportunity to consider and comment on the Capital Strategy for 2019/20 which will be presented to the meeting of the Executive on 5 February 2019)</i>	51 - 86

- 12 Council Budget 2019-20** 87 - 126
(To receive a report from David Forbes, County Finance Officer, which provides the Board with the opportunity to consider and comment on the budget proposals agreed by the Executive at its meeting on 18 December 2018 together with two amendments)
- 13 Overview and Scrutiny Management Board Work Programme** 127 - 140
(To receive a report by Tracy Johnson, Senior Scrutiny Officer, which enables the Board to consider and comment on the content of its work programme for the coming year to ensure that scrutiny activity is focussed where it can be of greatest benefit)

Democratic Services Officer Contact Details

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Please note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:

www.lincolnshire.gov.uk/committeerecords



**OVERVIEW AND SCRUTINY
MANAGEMENT BOARD
19 DECEMBER 2018**

PRESENT: COUNCILLOR R B PARKER (CHAIRMAN)

Councillors R Wootten (Vice-Chairman), M Brookes, Mrs K Cook, B M Dobson, R L Foulkes, C S Macey, N H Pepper and E W Strengiel

Added Members

Church Representative: Mr S C Rudman

Parent Governor Representative: Miss A E I Sayer

Councillors M Whittington and Mrs S Rawlins attended the meeting as observers

Officers in attendance:-

Tracy Johnson (Senior Scrutiny Officer) and John Wickens (Chief Digital Officer) and Emily Wilcox (Democratic Services Officer)

73 APOLOGIES FOR ABSENCE/ REPLACEMENT MEMBERS

It was reported that, under the Local Government (Committee and Political Groups) Regulations 1990, Councillor Mrs P A Cooper had been appointed as replacement member for Councillor C E H Marfleet, and Councillor T Ashton had been appointed as a replacement for Councillor Mrs Brockway, for this meeting only.

Apologies for absence were received from Councillors Mrs J Brockway, Mrs P A Cooper and C E H Marfleet, Patricia Barnett (Parent Governor Representative) and Reverend Phillip Johnson (Church Representative).

74 DECLARATIONS OF INTEREST

There were no declarations of interest.

75 MINUTES OF THE MEETING HELD ON THURSDAY 29 NOVEMBER 2018

RESOLVED:

That the minutes of the meeting held on Thursday 29 November 2018 be approved as a correct record and signed by the Chairman.

**OVERVIEW AND SCRUTINY MANAGEMENT BOARD
19 DECEMBER 2018****76 ANNOUNCEMENTS BY THE CHAIRMAN, EXECUTIVE COUNCILLOR
FOR RESOURCES AND COMMUNICATIONS AND CHIEF OFFICERS**

The Chairman informed Members that he had attended the Executive on the 18th December 2018, where he had presented a number of comments from the Board on the 2018/19 Business Plan Quarter 2. The Chairman also presented the responses received to the queries raised by the Board, which had been circulated to members of the Board by email.

77 CONSIDERATION OF CALL-INS

None were received.

78 CONSIDERATION OF COUNCILLOR CALLS FOR ACTION

None were received.

79 CONTINUATION OF WINDOWS 10 NOTEBOOK AND PC ROLLOUT

The Chief Digital Officer invited the Overview and Scrutiny Management Board to consider a report on the Continuation of the Windows 10 Notebook and PC rollout, which would be presented to the Executive Councillor for Highways, Transport and IT between 27 December 2018 and 8 January 2019.

Members were referred to appendix A, which detailed the report and recommendations to the Executive Councillor for Highways, Transport and IT.

It was noted that during 2017-18, there had been a project to deliver Windows 10 Notebooks and PCs to Lincolnshire County Council Network users, which had resulted in the deployment of new Hewlett-Packard (HP Notebooks, Tablets and PCs into social functions and also to start the replacement of the Windows 7 Notebooks and PCs in general corporate use.

It was highlighted that the end of support date for Windows 7 would be January 2020, meaning that the security of Windows 7 devices could not be assured after that date due to the discontinuation of security patches from the vendor.

As the existing project to rollout the devices to social care workers was near completion, the IMT service sought to commission the completion of the rollout to replace the remainder of Windows 7 devices in general corporate use before the end of support date in January 2020.

Members were informed that the new HP devices had been well received and there had been a high level of satisfaction from users with a notable difference in speed and performance, as well as a financial saving compared to similar devices from other suppliers. There had been a high demand for the roll out of the new devices to the remaining users.

OVERVIEW AND SCRUTINY MANAGEMENT BOARD
19 DECEMBER 2018

So far there had been 1200 devices rolled out, with 4600 still to be rolled out, which would include a mixture of notebooks and PC's.

A £5m budget had been allocated to cover the costs of the new devices.

Members were invited to ask questions, in which the following points were raised:

- In relation to equality and diversity, it was confirmed that products were getting better at addressing disability requirements which has helped to reduce the costs of specialist accessibility. Software, peripherals or devices were still provided as required and were included within the budget.
- It was confirmed that currently there was no scheme in place to sell off old equipment. Cleansing and erasing data on old equipment for disposal often costs more than the potential resale price. Equipment was recycled internally when it was still fit for purpose.
- A breakdown of how the £5M would be spent and what the benefits of the rollout would be were requested.
- The enablement of biometrics for security purposes was supported. It was confirmed that the use of biometrics, which would include fingerprints and facial recognition, would be enabled once more notebooks had been rolled out.
- It was confirmed that there would be a four-year support package in place for each new device. A small number of notebooks would also be kept in reserve.
- Concern was raised that as the rollout would be completed in three tranches, there was a risk that the price of the devices could increase during the rollout. It was confirmed that there was the possibility of changing suppliers during the rollout, so long as the devices were functionally equivalent.
- There were mixed views regarding the IT equipment offered to councillors. Issues around iPad compatibility with Microsoft; linking HP tablets/iPads with councillors' phones; recycling of IT equipment from councillors not re-elected; and partnership working with district councils regarding IT equipment were raised.

RESOLVED:

1. That the recommendations to the Executive Councillor for Highways, Transport and IT, as set out in the report, be supported.
2. That the relevant comments, as set out above, be put forward to the Executive Councillor for Highways, Transport and IT for his consideration.

80 OVERVIEW AND SCRUTINY MANAGEMENT BOARD WORK
PROGRAMME

Members were provided with an opportunity to review the Board's Work Programme.

The Head of Democratic Services and Statutory Scrutiny Officer informed Members that the item on the IMT Strategy would be presented later than the original planned date of January 2019.

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**OVERVIEW AND SCRUTINY MANAGEMENT BOARD
19 DECEMBER 2018**

The Chairman questioned why there had been a delay in the IMT Strategy, and requested that an explanation be circulated to all members of the Board.

RESOLVED:

That the Work Programme be agreed.

The meeting closed at 12.50 pm

Open Report on behalf of Pete Moore, Executive Director of Finance & Public Protection

Report to:	Overview and Scrutiny Management Board
Date:	31 January 2019
Subject:	Establishment of a Property Company

Summary:

This report invites the Overview and Scrutiny Management Board to consider a report on the Establishment of a Property Company which is being presented to the Executive on 5 February 2019. The views of the Board will be reported to the Executive as part of its consideration of this item.

Actions Required:

The Overview and Scrutiny Management Board is invited to: -

- 1) consider the attached report and to determine whether the Board supports the recommendation(s) to the Executive as set out in the report.
- 2) agree any additional comments to be passed to the Executive in relation to this item.

1. Background

The Executive will consider a report on the Establishment of a Property Company at its meeting on 5 February 2019. The full report to the Executive is attached at Appendix 1 to this report.

2. Conclusion

Following consideration of the attached report, the Board is requested to consider whether it supports the recommendation(s) in the report and whether it wishes to make any additional comments to the Executive. Comments from the Board will be reported to the Executive at its meeting on 5 February 2018.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

See the body of the Report attached at Appendix 1.

4. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Establishment of a Property Company to be presented to the Executive at its meeting on 5 February 2019

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Kevin Kendall, who can be contacted on 01522 553726 or kevin.kendall@lincolnshire.gov.uk.

**Open Report on behalf of Pete Moore,
Executive Director of Finance and Public Protection**

Report to:	Executive
Date:	05 February 2019
Subject:	Establishment of a Property Company
Decision Reference:	I017211
Key decision?	Yes

Summary:

It is proposed that the County Council establish a property company limited by shares. The property company (PropCo) will be a subsidiary company of the Council's Holding Company Lincolnshire Future Ltd (itself 100% owned by the Council). Being underneath the Holding Company and part of the Council's wider corporate group provides an overarching governance arrangement for the PropCo and consistency of approach between the Holding Company, PropCo and any other Council subsidiary company in the future. The establishment of the Holding Company was approved by the Executive on 6 March 2018.

The PropCo will be established to deliver, amongst other things, a range of potential developments including specialist housing for alleviating budgetary pressures in respect of the provision of adult care. The PropCo will also enable the Council to stimulate and accelerate housing development in the Greater Lincolnshire area at a time where there is a drive from central government for local authorities to deliver housing in their communities.

Recommendation(s):

That the Executive:

- 1) Approves the establishment of a commercial trading property company which will be limited by shares and 100% owned by Lincolnshire Future Ltd;
- 2) Approves the name of the company; and
- 3) Delegates authority to the Executive Director for Finance & Public Protection, in consultation with the Leader of the Council and Executive Councillor for Resources and Communications, to complete all legal matters to enable the company to be established including approval of the final form of all necessary legal documentation and the appointment of Directors as well as the Council's representative in relation to the Company.

Alternatives Considered:

- | | |
|----|--|
| 1. | Not to establish a PropCo. Whilst a given opportunity could potentially, (depending on the circumstances) be developed by the Council directly in reliance on specific "non-trading" powers, the Council could not undertake commercial trading activity without establishing a company. |
|----|--|

Reasons for Recommendation:

The establishment of the PropCo by the Council will allow the Council to develop a range of property opportunities.

It is expected that a variety of property and development opportunities will be presented for the PropCo to take forward, with each opportunity needing a business case before commencing. The most appropriate means of delivery will be considered for each opportunity through the business case and therefore the establishment of the PropCo is to ensure that the Council is not unintentionally ignoring this option at the outset and to enable the Council to move quickly and use the PropCo, if required.

1. Background

- 1.1 This is a business case for setting up a property company (PropCo) as a subsidiary to the LCC Holding Company (Lincolnshire Future Ltd).

It is expected that a variety of property and development opportunities will be presented for the PropCo to take forward. A business case will be developed and placed before the Executive for approval in respect of any opportunity.

2. Core Drivers

- 2.1 The PropCo's objectives are to be established on a broad basis, so as not to exclude any particular opportunity. Accordingly, it is proposed that the PropCo's objectives will be as follows as is set out in the Business Case for the PropCo appended at Appendix A to this report:

- To acquire, lease, invest in, finance, develop, hold, manage and/or dispose of property including housing of various tenures and classes
- To stimulate and accelerate property development in Greater Lincolnshire and wider
- To undertake any and all activity which from time to time may be considered necessary, connected with or ancillary, or in any way conducive to attaining the above objectives.

4. Company Formation, name and investment/resourcing requirements; risks

4.1 Sections 3-5 of the appended Business Case for the PropCo sets out how the PropCo will sit within in the Council's corporate group, the principal documents governing the PropCo, the possible PropCo name as well as investment/resourcing requirements.

4.2 Section 6 of the appended Business Case for the PropCo sets out common risks in establishing companies and their possible mitigation. Opportunity-specific risks, as well as the wider risks, are to be considered on a case by case basis with the Executive approving any opportunities and the relevant business cases going forward.

5. Legal Issues:

5.1 Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- * Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- * Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- * Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

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

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

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share

it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding

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

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

There are not considered to be any equality impacts of the establishment of PropCo. Impact Assessments will be completed alongside each business case for individual development opportunities.

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

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

There are not considered to be any JSNA or JHWS impacts of the establishment of a PropCo. Further consideration will be given to these issues alongside each business case for individual development opportunities.

5.3 Crime and Disorder

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

There are no implications in relation to Crime and Disorder with regards the formation of the PropCo.

6. Conclusion

The establishment of PropCo as a subsidiary to the Council's holding company, Lincolnshire Future Ltd, will allow the Council to develop a range of property and development opportunities to support the Council in investment and provision of housing.

7. Legal Comments:

The Council has the power to form the PropCo as proposed.

The legal implications and the other matters to which the Executive must have regard are dealt with in detail in the Report and appended Business Case.

The decision is consistent with the Policy Framework and within the remit of the Executive.

8. Resource Comments:

There are no financial resources implications in the establishment of a County Council wholly owned company. Opportunities will be explored on a case by case basis with detailed business cases developed and submitted to the Executive for approval. Each business case will identify financial resources implications and be reported to the Executive.

9. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

The decision will be considered by the Overview and Scrutiny Management Board at its meeting on 31 January 2019 and the comments of the Board will be reported to the Executive on 5 February 2019.

d) Have Risks and Impact Analysis been carried out

No

e) Risks and Impact Analysis

See the body of the Report

10. Appendices

These are listed below and attached at the back of the report

Appendix A	Business Case for Property Company
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11. Background Papers

No Background Papers within the meaning of section 100D of the Local Government Act 1972 were used in the preparation of this Report.

This report was written by Kevin Kendall, who can be contacted on 01522 553726 or kevin.kendall@lincolnshire.gov.uk .

Appendix A

Business Case

Property Company

Prepared by : Kevin Kendall

Sponsor : Pete Moore, Executive Director Finance & Public Protection

Introduction

This is a business case for setting up a Property Co (PropCo) underneath the LCC Holding Company (Lincolnshire Future Ltd).

A business case must analyse the appropriate business model for a given initiative, which may or may not be through a company. Where a local authority is relying on section 95 Local Government Act 2003 (and arguably this reflects a wider fiduciary duty even where that power is not being relied upon), it must prepare and approve a business case pursuant to the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009. This requires the local authority to consider and approve a suitable business case for establishing a trading company, which must include details about:

- a. the objectives of the business
- b. the investment and other resources required to achieve those objectives
- c. any risks the business might face and how significant these risks are
- d. the expected financial results of the business, together with any relevant outcomes that the business is expected to achieve

It is expected that a variety of property and development opportunities will be presented for the PropCo to take forward, with each opportunity needing a separate business case to be approved by the Executive before commencing. The risks associated with specific developments and the expected financial results are only going to be known as and when opportunities are brought forward to the Executive, those subsequent business cases will need to cover points a-d above.

1. Overview

One of the opportunities for the PropCo is the development housing which as well as being a commercial opportunity for the Council would contribute to the need to increase housing delivery in the County. Another key opportunity is the development of specialist housing for adult care. In this context local authorities are looking at various ways to develop including those listed below. These options are also applicable for all types of development and not just housing:

1. **Single wholly-owned vehicle for ownership**, where the council moves homes/properties into the vehicle with the function of being a "landlord" but no development plans.
2. **Single wholly-owned vehicle for development**, where the company plays a role in new home/property delivery but only to the extent that the council may require all or some units built to be transferred into the company.
3. **Wholly-owned company with subsidiaries**, where the company operates via site (or tenure) specific subsidiaries. This may be advantageous to ring fence risk in development activity or to unbundle differing types of housing/tenure. As an alternative to subsidiaries (the vertical model) underneath the company, the council could set up a number of companies (a horizontal model), each having a different focus or role. Equally, this approach can involve an overarching "holding company" not necessarily confined to housing activity. The degree of complexity depends on, and should be driven by, the objectives.
4. **Joint venture vehicle**, where the council would engage with a range of developers to pursue either a bundle of projects or single projects (where of sufficient size/value to justify the transaction and set-up costs). This type of approach has been used by other councils where they wish to bring in the resources and expertise (and money) of a developer partner, but without ceding control via the traditional development agreement.
5. **Virtual development company**, where the council ramps up its delivery capacity in-house. To do this, it recruits either fixed-term or permanent staff with the right mix of development management skills.

The Council has assessed that the most appropriate route would be a combination of 1 and 2 above. Option 3 is effectively the structure of the County Council's anticipated corporate group, given the LCC Holding Company has already been incorporated. JVs under option 4, where appropriate, may still be pursued. A company limited by shares has been chosen as the most appropriate vehicle for the PropCo. A summary of the key advantages and disadvantages of this model are set out below:

<u>Advantages</u>	<u>Disadvantages</u>
"Tried and tested" – a flexible and familiar structure which is still the most popular form of corporate vehicle.	Annual and event driven reporting to Companies House means a reasonably high degree of publicity regarding the company.
Simple mechanism for introduction of new equity/transfers of existing equity, although transfers of shares subject to potential 0.5% stamp duty charge. The share capital structure means the shareholder(s) can hold different numbers of shares (or different classes) and therefore, if there is more than one shareholder in the future, hold varying levels of influence.	Directors subject to statutory and common law duties, which will be of particular concern (to those directors) if the company is insolvent or is nearing possible insolvency.
Nature of shares as an investment gives	Company treated as a separate taxable entity

possibility of future "exit" as well as income return for shareholders, subject to there being sufficient profits available for the purpose of distribution.	from its shareholders.
Company can be established with a sole shareholder, so capable of being owned outright by the Council.	Potential issues surrounding valuation of shares on exit.

2. Objectives

It is recommended that the PropCo's objectives are established on a broad basis, so as not to exclude any particular opportunity. Accordingly, it is proposed that the PropCo's objectives will, broad terms, be:

- To acquire, lease, invest in, finance, develop, hold, manage and/or dispose of property including housing of various tenures and classes
- To stimulate and accelerate property development in Greater Lincolnshire and wider
- To undertake any and all activity which from time to time may be considered necessary, connected with or ancillary, or in any way conducive to attaining the above objectives

The principles above would be developed in more detail in each of PropCo's business cases.

3. Corporate structure

At present, the PropCo will be a dormant "shell" with no assets or business plans/cases to deliver. It will nevertheless "bolt into" the existing framework being established by the County Council underneath the LCC Holding Company, Lincolnshire Future Ltd.

The corporate and resourcing relationships between the Council, the Holding Company and the PropCo would be governed at a high level by four principal documents:

- A **Shareholder Agreement** setting out the more "commercial" elements of the corporate relationship between the Council, the LCC Holding Company and the PropCo, including how decisions are made, the matters reserved to the Council as ultimate owner of the group, how profits are treated, funding, information rights and other Council controls, and termination. The PropCo would undertake to adhere to its terms, thereby creating a more unified governance structure across the corporate group.
- **Articles of Association** for the PropCo are a requirement from a corporate law perspective and set out more "administrative" provisions. The Articles dovetail with the Shareholder Agreement.
- A **Resourcing Contract** setting out how the PropCo would "call down" support from the Council or other members of the corporate group when required. As with the Shareholder Agreement, the PropCo would undertake to adhere to its terms, thereby aligning the way in which the Council enables each subsidiary (including the PropCo) to operate. The nature of the resourcing (for example, physical assets, property, IPR, personnel) needs to be priced in a way which complies with state aid principles.
- A **Funding Agreement** setting out how the Council would fund the PropCo, to the extent the Council is not investing by way of equity subscription and/or third party debt is not sought. In any case, the funding arrangements would be agreed through the PropCo business plan (the adoption of which is a Council reserved matter).

The PropCo would be managed by a board of directors (albeit the board would operate in adherence to the documents listed above and therefore certain decisions would be reserved to the Council as ultimate owner of the group). For incorporation purposes, it is proposed that an LCC Executive Director is appointed as director. Upon approval of the first business case of the PropCo, it is proposed that further directors of the Board be nominated by the appointed Executive Director in consultation with the Leader of the Council Executive Councillor for Resources and Communications.

In addition to approving the appointments to the PropCo Board, the County Council retains a significant level of control through the reserved matters set out in the Shareholder Agreement.

The PropCo will be influenced by the Holding Company in terms of overarching policies, Data Protection, Health and Safety and Insurance. PropCo will establish a separate set of accounts, auditing and banking facilities coupled with governance requirements.

There are no immediate staffing requirements for the PropCo. Staffing requirements will be identified from individual business cases. There will be a need for the PropCo to administer its own internal administration and compliance with company requirements. It is envisaged that this will be managed in the first instance at least through secondment or the provision of services by the Council to the PropCo.

As the PropCo, would be 100% owned by the County Council it would be a local authority controlled company for the purposes of the Local Authority (Companies) Order 1995. This places a number of administrative, disclosure and financial obligations on controlled companies:

- Any financial support for the PropCo, or possible liability for the Council associated with the PropCo, will have to be included in any assessment of the Council's finances under the prudential framework for capital investment by local government.
- All "relevant documents" must state that the PropCo is controlled by the Council and name the Council.
- There are limits on the allowances payable to directors of the PropCo.
- PropCo would be bound by the restrictions on publication of information imposed by section 2 of the Local Government Act 1986. This means that it would be prohibited from publishing party political material.
- Directors of the PropCo must be removed if they become disqualified for membership of a local authority.
- The PropCo must obtain the Audit's Commission's consent to the appointment of its auditor.
- Requirements are imposed relating to the provision of information to the local authority's auditor and members and of financial information to the local authority.
- If the PropCo is not an arm's length company, then it must allow for public inspection of the minutes of any general meeting for four years after the meeting, unless disclosure would be in breach of any statutory requirement or obligation owed to any individual.

4. Company names

The following company names are put forward for consideration, at the time of writing this report all of the names are available at Companies House:

- Lincolnshire County Property Ltd
- Newland Gate Ltd.
- Newland Gate Developments Ltd
- Development Lincolnshire

5. Investment and other resources required to achieve those objectives

The investment and other resources required to establish the PropCo are low. The form of Shareholder Agreement and Articles of Association are near finalised and the PropCo will need to undertake various formalities to approve and adhere to them.

As an opportunity arises, it will be subject to:

- Commercial, financial and legal due diligence
- External commercial advice where that is considered appropriate
- A separate business case
- Executive approval

At this stage, it is anticipated that the PropCo would require finance and external support on:

- business planning and financial modelling
- market research
- legal matters
- Tax advice to ensure the most tax efficient structure is pursued

The borrowing requirements of the PropCo will be identified in the detailed business cases when opportunities are identified. The State aid implications of this will also be considered on a case by case basis.

Taxation will likewise be looked at in each PropCo business case. This will allow proper consideration of individual areas to include capital allowances, stamp duty, corporation tax, options to elect to tax for VAT purposes and lease arrangements. In principle, due to the establishment of the LCC Holding Company and subsidiary approach, this should enable the Council to take advantage of more tax efficient group company arrangements in appropriate circumstances.

The investment required would therefore be approved on a per-opportunity basis rather than upfront through this business case.

6. Risks

A register will be developed as more thought and investigation is undertaken into the management, operation and development activities proposed for the Company and as opportunities arise.

Common risks and their possible mitigation might include:

<u>Risks</u>	<u>Mitigation</u>
Insufficient through-put of business to justify separate PropCo	PropCo to be actively considered as owner/ developer of appropriate property, with suitability, viability to be established on a case by case basis. Underlying administration cost of PropCo low with lean resourcing model, so overheads kept to a minimum unless potentially viable cases are brought forward. At least initially, the costs of early stage business case development will be borne by the County Council rather than PropCo, with costs of approved business cases being on-charged to PropCo as part of the financial model.
Dependencies (resourcing, staffing, etc.) still located within the Council – this is the downside of a "lean" model.	PropCo to enter into Group-wide Resourcing Contract as above, to regulate drawdown of resources as needed.
Directors' duties owed by those on the Board of PropCo	Clarity of governance structure under Shareholder Agreement and Articles. Ensuring directors are those with the

	<p>appropriate mix of skills and experience (i.e. they know what they are doing and why they need to make decisions).</p> <p>Regular review to ensure governance processes are working efficiently and properly.</p> <p>Training for potential Board members (one session already provided by Bevan Brittan).</p>
<p>Administrative burden increases with additional corporate structures such as PropCo</p>	<p>See above regarding administration costs.</p>

Opportunity-specific risks, as well as the wider risks, are to be considered on a case by case basis with the Executive approving any opportunities and the relevant business cases going forward.

7. Expected financial results of the business

These are to be assessed as opportunities arise. At present, the PropCo will be a dormant "shell" with no assets or business plans/cases to deliver.

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Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Overview and Scrutiny Management Board
Date:	31 January 2019
Subject:	Revenue and Capital Budget Monitoring Report 2018/19

Summary:

This report invites the Overview and Scrutiny Management Board to consider a report on Revenue and Capital Monitoring Report which is being presented to the Executive on 5 February 2019. The views of the Board will be reported to the Executive as part of its consideration of this item.

It compares the Council's projected expenditure with the approved budget for 2018/19 and provides explanations for any significant over or under spending.

Actions Required:

The Overview and Scrutiny Management Board is invited to: -

- 1) consider the attached report and to determine whether the Board supports the recommendation(s) to the Executive as set out in the report.
- 2) agree any additional comments to be passed to the Executive in relation to this item.

1. Background

1.1 The Executive is due to consider the Revenue and Capital Budget Monitoring Report 2018/19 at its meeting on 5 February 2019.

1.2 The Executive report attached at Appendix 1 is the second budget monitoring report for financial year 2018/19. It compares projected expenditure with the approved budget and provides explanations for any significant over or under-spending.

2. Conclusion

2.1 Following consideration of the attached report, the Board is requested to consider whether it supports the recommendation(s) in the report and whether it

wishes to make any additional comments to the Executive. Comments from the Board will be reported to the Executive at its meeting on 5 February 2019.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Revenue and Capital Budget Monitoring Report 2018/19 to be presented to the Executive at its meeting on 5 February 2019.

5. Background Papers

Document title	Where the document can be viewed
Budget Book 2018/19	The details of the budget set for financial year 2018/19 is within the document Budget Book 2018/19 which can be found in the Council's website by following this link .

This report was written by David Forbes, who can be contacted on 01522 553642 or david.forbes@lincolnshire.gov.uk.

Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Executive
Date:	05 February 2019
Subject:	Revenue and Capital Budget Monitoring Report 2018/19
Decision Reference:	I015181
Key decision?	No

Summary:

This report provides an update on spending compared with budgets for the financial year which started on 1 April 2018.

The tables in this report show the actual income and expenditure for eight months of this financial year, along with the projections for spending and a comparison of the projections against the approved budgets.

Recommendation(s):

Note the current position on the revenue and capital budgets.

Alternatives Considered:

- | | |
|----|---|
| 1. | This report shows the actual revenue and capital expenditure to date, and projected outturns for 2018/19, therefore no alternatives have been considered. |
|----|---|

Reasons for Recommendation:

To consider the Council's budget monitoring position and decide on any corrective action necessary.

1. Background

1.1 In summary:

- Total Council revenue spending is predicted to be £6.082m less than the total budget (excluding the projected under spending on Schools budgets);

- General reserves at the year-end are forecast on this basis to be within the 2.5% to 3.5% range. They are estimated to be at 3.5% of the total budget based on current spending; and
- Net capital spending is projected to be £3.332m less than the budget at the end of the financial year.

DISCUSSION

Revenue

Table A (Position as at 30 November 2018)

	Revised Net Revenue Budget	Net Expenditure	Year End Forecast	Forecast Variance	Forecast Variance
	£'000	£'000	£'000	£'000	%
COMMISSIONING STRATEGIES					
Readiness for School	4,846	2,896	5,026	179	3.70
Learn & Achieve	34,959	19,037	34,912	-47	-0.13
Readiness for Adult Life	6,775	3,861	5,864	-911	-13.44
Children are Safe and Healthy	65,976	46,580	65,582	-395	-0.60
Adult Safeguarding	4,447	2,946	4,611	165	3.70
Adult Frailty & Long Term Conditions	120,604	38,003	119,172	-1,432	-1.19
Carers	2,464	1,750	2,438	-26	-1.07
Adult Specialities	66,011	55,528	68,004	1,993	3.02
Wellbeing	27,845	17,567	27,817	-29	-0.10
Community Resilience & Assets	10,428	5,985	10,496	68	0.65
Sustaining & Developing Prosperity Through Infra	40,568	30,849	39,326	-1,241	-3.06
Protecting & Sustaining the Environment	24,891	13,255	24,381	-510	-2.05
Sustaining & Growing Business & the Economy	1,198	-6,717	1,198	0	-0.03
Protecting The Public	23,713	15,078	23,772	59	0.25
How We Do Our Business	7,838	4,670	7,534	-304	-3.88
Enablers & Support To Council's Outcomes	41,614	27,185	38,451	-3,163	-7.60
Enablers & Support To Key Relationships	15	-95	0	-15	-100.00
Public Health Grant Income	-32,662	-24,497	-32,662	0	0.00
Better Care Funding Income	-40,044	-15,904	-40,044	0	0.00
TOTAL COMMISSIONING STRATEGIES	411,487	237,978	405,878	-5,609	-1.36
SCHOOL BUDGETS					
Central School Services Block (DSB)	3,929	1,155	3,478	-452	-11.50
Early Years Block	40,730	25,533	40,512	-217	-0.53
High Needs Block	81,862	43,008	79,807	-2,054	-2.51
Schools Block	426,365	86,497	425,978	-387	-0.09
Dedicated Schools Grant	-538,857	-173,620	-538,857	0	0.00
Schools Budgets (Other Funding)	7,206	-1,900	7,206	1	0.01
TOTAL SCHOOL BUDGETS	21,234	-19,327	18,124	-3,110	-14.65
OTHER BUDGETS					
Contingency	1,734	0	1,734	0	0.00
Capital Financing Charges	44,369	-508	42,619	-1,750	-3.94
Other Budgets	7,525	9,809	8,154	629	8.37
TOTAL OTHER BUDGETS	53,628	9,300	52,508	-1,120	-2.09
TOTAL EXPENDITURE	486,349	227,952	476,510	-9,839	-2.02
INCOME					
Revenue Support Grant	0	0	0	0	0.00
Business Rates	-163,200	-112,120	-162,553	647	-0.40
Council Tax	-280,793	-196,555	-280,793	0	0.00
Other Non Specific Grants	-7,457	-5,218	-7,457	0	0.00
TOTAL INCOME	-451,451	-313,893	-450,804	647	-0.14
USE OF BALANCES					
Use of Balances - Earmarked Reserves	-34,099	-34,099	-34,099	0	0.00
Use of Balances - General Reserves	-800	-800	-800	0	0.00
TOTAL USE OF RESERVES	-34,899	-34,899	-34,899	0	0.00
TOTAL	0	-120,840	-9,192	-9,192	

Children's Services

1.2 Over the four commissioning strategies, Children's Services is currently forecasting an underspend of £1.172m (-1.04%).

Readiness for School

1.3 Readiness for School commissioning strategy that focuses on Children Centre delivery is forecasting to overspend by £0.179m (3.70%). This increase in costs relates to the resourcing requirements within the children centres, and cover arrangements.

Learn and Achieve

1.4 Learn and Achieve commissioning strategy is forecasting to be marginally underspent of £0.047m (-0.13%) across delivery areas of Special Educational Needs & Disabilities, School Improvement, School Support Services and Home to School/College Transport.

1.5 The majority of this commissioning strategy relates to Home to School/College Transport (£25.518m), which continues to be projected to be on target. This budget is volatile with many external factors influencing its final expenditure, and there are 191 transport days this year. Although a clearer position has been gained on pupils requiring transport for this academic year, there has been a high volume of contracts reaching their end date in December, which creates added uncertainty on the services final year-end position. Forecasts on spending will continue to be reviewed on a monthly basis by officers to ensure spend levels are controlled and any overspend mitigated.

Readiness for Adult Life

1.6 Readiness for Adult Life commissioning strategy is forecasting an underspend of £0.911m (-13.44%). One of the main areas of underspend (£0.444m) relates to the Local Authority's (LA) legal duty for Supported Accommodation, which comes from the work undertaken through the transformational group in determining a suitable accommodation pathway policy for young people (16-17 year olds) who require support or who are experiencing homelessness, and providing suitable more cost effective accommodation. A saving has been put forward through the 2019/20 budget setting process. Additional income (£0.277m) has also been secured through the renegotiation of the contract, and the planned utilisation of the secure welfare bed at the Lincs Secure Unit.

Children are Safe and Healthy

1.7 Children are Safe and Healthy commissioning strategy is forecasting an underspend of £0.395m (-0.60%). The underspend mainly relates to the funding of central staffing costs temporarily in 2018/19 from grants (relating to the social care peripatetic team and commissioning staff (£0.421m), and the lower occupancy rates during the first half of the year at the Beacon site for looked after children with disabilities (£0.100m).

1.8 The area of children's social care continues to face challenges nationally and locally. The national increase in Looked After Children is due to a number of reasons: case law, the impact of austerity, and the increasing complex nature of family life as a result of substance use, mental health and domestic abuse. Growing costs relate to the increasing complexity, numbers and demand-led nature of providing specialist services for Looked After Children. Officers will continue to review the position of Looked After Children and Children in Need numbers.

Adult Care and Community Wellbeing

Adult Frailty & Long Term Conditions

1.9 The budget for this strategy is £120.604m and at this time it is considered that the outturn for 2018/19 for Older Persons/Physical Disability will be an underspend of £1.432m (-1.19%).

1.10 Direct Payments growth in both Older Persons and Physical Disabilities has stabilised after two years of continuous growth. There are some cases to transfer from Children's to Physical Disabilities (PD), which will happen before financial year end, but it is considered that the budget will be underspent by £0.718m. Home Support activity has increased slightly from last year particularly in PD but this overspend will be offset by the under spend in Direct Payments.

1.11 Long term residential care numbers are projected to be similar to 2017/18 with approximately 1,200 new long term placements. Short term residential care activity has increased slightly but it is estimated that this will also be on target.

1.12 Overall income continues to out-perform targets set especially in regards to Direct Payment Audit. The third quarter of Debtor Income invoices is in the process of being completed - this income is mainly in relation to property debt and currently projecting on target for end of 2018/19.

1.13 This strategy also includes the infrastructure budget and current activity indicates there will be a small underspend at end of 2018/19.

Adult Specialities

1.14 The current position is showing a projected overspend of £1.993m (3.02%) in 2018/19. There continues to be a number of high cost placements being made in both Learning Disabilities and Mental Health.

1.15 The majority of the services in this strategy are administered via two Section 75 agreements between the Council and NHS commissioners and providers in Lincolnshire; however a small budget allocation exists for the Council's remaining in-house day care services.

1.16 Part of the Learning Disabilities section 75 agreement is with Health and the 4 Lincolnshire Clinical Commissioning groups (CCG's) amounting to £11.900m

relating to all service users with continuing health care that are either joint funded with Social Care, or fully funded through Health. We currently have an over spend of over £1.756m within this area.

1.17 Direct payments within the Learning Disabilities budget is currently under pressure by £1.179m due to a higher than anticipated increase in new packages agreed during the summer months relating to school and college leavers. We have also built in an estimate for the additional cost of night rate payments that will affect clients who employ personal assistants using their direct payment.

1.18 Whilst growth in usage and costs has been built into the budget for Supported Living for 2018/19, we are seeing a higher than expected increase in care packages.

1.19 Residential activity has seen an increase in new placement costs compared to those leaving the service this year. To date we have had 8 new placements, all of which have higher needs than the 4 lower cost de-commitments in year. If this trend continues we will see pressures mounting in the later part of the year.

1.20 Income is projected to outperform budgeted expectations by £1.628m, with increases in all areas with the exception of short term care income. The largest area of growth is in non-residential income. This additional income will help to minimize some of the additional pressures already reported above.

1.21 Mental Health - The Council has a section 75 (S75) Partnership agreement set up with Lincolnshire Partnership Foundation Trust (LPFT) to provide this service on behalf of the Council. Demographic growth and inflationary increases around all of the community care packages in year has created further pressures on this budget this year. The Council is currently working very closely alongside LPFT to ensure any higher than average cost placements are being challenged and that these packages are being checked for any Continuous Health care element, to ensure this is reclaimed from Health and reduce costs to Social Care.

1.22 There is also an ongoing stringent review of the LPFT staffing structure in year. The current structure was set up in 2012 when the S75 was first signed. This now needs to be restructured to be able to meet and cope with the increasing demand and complex nature of this service. Currently the projected outturn for 2018/19 is an overspend of £0.350m.

Adult Safeguarding

1.23 The current budget for Adult Safeguarding for 2018/19 is £4.447m. It is now envisaged that this budget will cover all of the additional costs for the increased Best Interest Assessments still coming through each month.

1.24 Whilst work was carried out last year to significantly reduce the backlog of Deprivation of Liberty Safeguarding (DoLS) assessments and reviews in the system, the volume of new assessments we are receiving each month is still very high. It is expected that this volume will continue whilst the current approach to

mental capacity remains in place – though there is a replacement Bill going through Parliament at present to reduce the pressure in this area.

1.25 This high volume continues to put pressure on the Mental Health Capacity team to ensure that all Best Interest Assessments and Reviews are completed on time so that backlogs are monitored and kept to a minimum.

Carers

1.26 The current budget for Carers for 2018/19 is £2.464m.

1.27 The number of carers receiving services from the Lincolnshire Carers Service continues to increase with a focus on early identification and support of carers providing a wide range of services including carers universal support services, community networks, information and advice as well as statutory assessments. This increase has been delivered within the allocated budget.

Wellbeing

1.28 The current budget for Wellbeing is £27.845m.

1.29 Based on information received to the end of August 2018/19, it is projected that this area will be within budget and breakeven for the year. Whilst there are overspends within the Wellbeing services, particularly the Integrated Community Equipment, these have been offset by underspends within the Sexual Health area and the Public Health Statutory services.

Better Care Fund

1.30 The Lincolnshire Better Care Fund (BCF) is a framework agreement between Lincolnshire County Council and the four Lincolnshire Clinical Commissioning Groups (CCGs) and looks to pool funds from those organisations to help support the national and local objective of closer integration between the Council and the CCGs.

1.31 An updated BCF operating guidance was published on 18th July 2018, the purpose of which sets out:

- An updated accountability structure and funding flow diagrams reflecting recent changes to relevant government departments;
- Funding conditions which have now reduced from eight to four;
- Refreshed Metric Plans for 2018-19;
- Confirmation of the combined quarterly reporting process for BCF and Improved Better Care Fund (IBCF) funds; and
- Updated support, intervention and escalation processes.

1.32 The Council and the Lincolnshire CCG's took the opportunity to review the Lincolnshire BCF plan which resulted in minor changes to BCF expenditure plans. These were agreed by the Lincolnshire Joint Executive Team (JET), and a letter issued to regional Better Care Support Team (BCST) confirming the changes. The changes described above will result in the overall value of Lincolnshire's BCF planning total increasing to £232.123m.

1.33 Lincolnshire's fund is one of the largest in the country and includes pooled budgets for Learning Disabilities, Children and Adolescence Mental Health Services (CAMHS) and Community Equipment plus 'aligned' Mental Health funds from the Council and the four CCGs

1.34 In addition to the continuation of existing pooled funds, there are a number of other funding streams, these increases result from:

- Inflationary increases in CCG funding, and as a result in the CCG funding for the Protection of Adult Care Services;
- The addition of the Improve Better Care Fund (iBCF) funding that was announced in the Chancellor's November 2015 budget totalling £14.249m in 2018/19; and
- The announcement of iBCF Supplementary funding in the Chancellor's March 2017 budget totalling £9.609m in 2018/19.

1.35 Overall BCF funding from central government has increased by £6.772m in 2018/19.

1.36 There is a requirement to ensure that the funding has a positive impact on performance in the areas of Delayed Transfers of Care, Non-Elective Admissions, Residential Admissions and positive outcomes following Re-ablement, these have been reflected in our plans.

Economy and Environment

Sustaining and Developing Prosperity through Infrastructure

1.37 Sustaining and Developing Prosperity through Infrastructure is currently forecasting to be £1.241m (-3.06%) underspent by year end and this relates to the Transport function.

1.38 Concessionary fares are forecasting an underspend following the movement to the new model which reflects demand as opposed to fixed payments to contractors.

1.39 Local bus services have been reviewed, and where under-utilised support for these services has been ceased.

Community Resilience & Assets

1.40 Community Resilience and Assets is currently forecasting to be £0.068m (0.65%) overspent by year end.

1.41 The overspend represents the expected cost of the Customer Service Centre based on known demand levels at this stage of the financial year. These are, of course, subject to change and will continue to be monitored throughout the year.

Protecting & Sustaining the Environment

1.42 Protecting and Sustaining the Environment is currently forecasting to be £0.510m (-2.05%) underspent by year end and this mainly relates to the Waste Management function.

1.43 Key areas of underspending include lower compost costs due to the drier summer and reductions in recycle charges due to market conditions. This is offset by budget pressures that include increased contamination costs, repair work at Great Northern Terrace HWRC and other variations. Much of this underspend, £0.500m is to be utilised within the waste capital programme for fire suppression systems at transfer stations.

1.44 This forecast underspend is offset by budget pressures within the Planning function. This is primarily due to a number of matters that require legal input including three judicial reviews, an injunction and a number of prosecutions for breaches of planning control.

Finance and Public Protection

Protecting the Public

1.45 Protecting the Public is currently forecasting to be £0.059m (0.25%) overspent by year end.

1.46 Increased operational activity levels following a long hot dry summer have led to an increase in firefighter salary costs – particularly for our On Call firefighters where activity is directly related to cost. An extra 325 calls over the same period last year has led to a pressure of £0.059m.

How we do our Business

1.47 How we do our Business is currently forecasting to be £0.304m (-3.88%) underspent by year end.

1.48 There is a forecasted underspend on the schools finance service (£0.106m) following the enhancement of the service and a number of schools upgrading their service.

1.49 The Council expects to receive at least £0.197m net income after costs for the recovery of duplicate payments by Meridian.

Enablers and Support to Council Outcomes

1.50 Enablers and Support to the Council Outcomes is forecasting an underspend of £3.163m (-7.60%). This is mainly due to following areas within this strategy.

IMT Strategy and Support (£3.081m under)

1.51 IMT Strategy and Support forecasting an underspending of £3.081m for the current year.

1.52 The IMT budget was increased by £3.000m in 2018/19 in recognition of the increasing use of cloud services and the need to increase the capability of the retained client team.

1.53 Whilst there has been some delay in implementing these changes, the service have started with the recruitment to the team and an IMT Board is being set up, to ensure responsive decision making and improved financial management is in place. The Board will also consider the on-going revenue budget implications of capital investment in our IT.

1.54 As well as the staff recruitment, a number of projects and initiatives are under way many of which will be monitored by the IMT Board. These include:-

- Increase in broadband bandwidth for Lincoln Campus
- One off Support for windows 10 deployment
- Enhanced security monitoring service
- Serco Service Improvement programme
- IMT staff development and training programme
- Departmental process and modelling system
- Revenue costs of previous capital spend (eg migration to cloud services)

People Strategy and Support (£0.248m under)

1.55 People Strategy and Support within this commissioning strategy is currently forecasting an underspending of £0.248m (-6.79%). The majority of this underspend (£0.155m) relates to income received as a result of the purchase of employee leave. It is expected that this will be transferred to reserves at year end. The remainder relates to the funding of staffing costs temporarily in 2018/19 from grants.

Property Services (£0.146m under)

1.56 Included in this commissioning strategy is Property Services, which is forecasting an underspending of £0.146m for the current year.

1.57 This is due to the revised phasing of Archaeology works relating to the former lease of the mineral site at West Deeping. Budget will be required next financial year to cover the re-phased works.

Commissioning (£0.116m under)

1.58 The underspending this area is due to a number of senior vacancies during the first 6 months of the financial year. Recruitment is currently underway with an optimistic expectation that all vacancies will be filled over the next couple of months.

Business Support (£0.092m under)

1.59 Business Support continue to proactively manage their budgets to reduce spend across the service currently projecting an overall underspend of £0.092m.

1.60 Recruitment to fill posts is now undertaken bi-monthly to achieve savings from vacant positions and commissioned support functions are being fully recharged to service areas or the Better Care Fund (BCF).

1.61 Over recent months there have been increasing pressures on support provision to meet business needs which are being covered from the Business Support budgets and may impact on the final outturn for 2018/19.

Legal (£0.556m under)

1.62 A surplus in excess of target of £0.556m in Legal is predicted. This is due to projected income generation continuing to be higher than the target set for 2018/19.

1.63 The Legal Management Board will decide on the use of any surplus at year end. In recent years it has taken a decision to redistribute the surplus in full to partner authorities in proportion to their use of the service.

Schools Budgets

1.64 Under government regulations, schools carry forward automatically their under and overspendings to the next financial year. Budgets held centrally within the ring-fenced 2018/19 Schools block, Central Schools Services block, Early Years block and High Needs block of the Dedicated Schools Grant (DSG) were once again set prudently due to the demand-led and volatile nature of the services demands, particularly in the area of High Needs. In line with the DfE regulations any under or overspends will automatically be carried forward to the next financial year and the Local Authority will consult the Schools Forum on its use.

Other Budgets

1.65 Capital Financing Charges are currently projecting an underspend of £1.750m. Capital financing charges are lower than originally planned due to slippage in the capital programme in 2017/18, which has resulted in lower minimum revenue provision (MRP), the amount set aside by the Council to repay outstanding capital debt liabilities for 2018/19

1.66 Other Budgets is currently projecting an over spend of £0.629m. This is mainly explained by the following:

- The Council's liability insurance budget is forecasting to be £0.899m overspent due to the base budget not being increased this year in the face of increasing liability as well as an increased number of claims relating to pot holes, which have been caused by worse than usual winter conditions last February/March 2018;
- Following a review of the properties earmarked for sale, it is not expected that the £8.000m income target will be met. It is anticipated that the sale receipts available to be applied to fund transformational projects under the flexible use of capital receipts strategy will be £0.373m lower than expected;
- National Living Wage is currently forecasting to be £0.500m underspent. After initial work undertaken during the financial year it is anticipated that this element of budget will not be required this year as the actual living wage rate is lower than anticipated;
- Successful prosecution against Mid UK Recycling Ltd for breaching planning and environmental controls resulting in the fire at Barkston Heath concluded with an award of £0.226m to the Council. Half of this was transferred to Fire and Rescue to cover blue light cost pressures and £0.036m to cover the legal cost of the prosecution. This will leave £0.078m anticipated not to be used; and
- Corporate and Service Redundancy is projecting an underspending of £0.041m. The Corporate Redundancy budget funds the costs associated with the staffing restructuring changes that had been approved through the 2018/19 Council budget. These planned changes support the Council to bring down future expenditure in line with its current levels of planned income.

Council's General Funding

1.67 The Council's general funding is currently forecast to be £0.647m less than the revenue budget approved at full Council in February 2018. This is relates to Business Rates section 31 grant funding for the current year and is due to an exceptional adjustment made by central government in respect of 2017/18 tariffs and top ups changed to reflect the updated data following the 2017 Rates Revaluation.

Use of Balances

1.68 The Council planned to use £5.076m from the Financial Volatility Reserve to balance the Council's budgets in 2018/19 and £0.800m from the General Fund. The current forecast includes this planned support from reserves, although the underspend position means that it is unlikely that reserves will be required to support the budget this year.

1.69 Further usage of £29.023m earmarked reserves has been drawn down into service budgets so far this financial year. This is shown in Table A within "Use of Balances – Earmarked Reserves", with the related expenditure included within expenditure budgets.

Capital Programme

Table B (Position as at 30 November 2018)

Capital Programme	Gross Actual Expenditure £'000	Gross Revised Budget £'000	Gross Latest Forecast £'000	Gross Forecast Variance £'000	Net Actual Expenditure £'000	Net Revised Budget £'000	Net Latest Forecast £'000	Net Forecast Variance £'000
Children's Services								
Readiness for School								
Early Years Sufficiency / Extended Provision	50	135	64	-71	50	135	64	-71
Other Readiness for School	183	0	0	0	183	0	0	0
Sub Total	233	135	64	-71	233	135	64	-71
Learn and Achieve								
Devolved Capital	834	1,136	1,213	76	-303	0	0	0
Provision of School Places (Basic Need)	7,568	11,026	9,563	-1,463	1,510	0	0	0
School Condition / Maintenance Capital	2,474	0	0	0	2,474	0	0	0
School Modernisation / Condition Capital	2,073	4,511	1,321	-3,189	-1,825	0	0	0
Schools Access Initiative	99	0	56	56	99	0	56	56
Academy Projects	0	-8	0	8	0	-8	0	8
Other Learn and Achieve	559	1,215	1,226	11	-213	443	454	11
Sub Total	13,607	17,880	13,379	-4,502	1,743	436	510	75
Readiness for Adult Life								
Other Readiness for Adult Life	0	2	0	-2	0	2	0	-2
Sub Total	0	2	0	-2	0	2	0	-2
Children are Safe and Healthy								
Universal Infant Free School Meals Capital	135	0	0	0	-138	0	0	0
Foster Capital	186	586	274	-313	186	586	274	-313
Short Breaks for Disabled Children	0	20	0	-20	0	20	0	-20
Phase 1 Children's IT	995	1,855	1,855	0	995	1,855	1,855	0
Sub Total	1,315	2,461	2,129	-333	1,043	2,461	2,129	-333
Adult Care								
Adult Frailty, Long Term Conditions and Physical Disability								
Adult Care	36	0	0	0	36	0	0	0
Better Care Fund - Disabled Facility Grants	5,698	5,698	0	-5,698	0	0	0	0
Wellbeing								
Public Health	8	0	0	0	8	0	0	0
Sub Total	5,741	5,698	0	-5,698	43	0	0	0
Environment and Economy								
Community Resilience and Assets								
Libraries	20	348	348	0	20	348	348	0
Sub Total	20	348	348	0	20	348	348	0
Sustaining and Developing Prosperity Through Infrastructure								
Highways Asset Protection	37,667	44,156	44,156	0	-1,065	13,077	13,077	0
Integrated Transport	1,010	4,693	4,693	0	-1,478	1,381	1,381	0
Lincoln Eastern Bypass	15,036	39,926	30,735	-9,191	11,805	26,811	24,279	-2,532
Lincoln East-West Link	269	-683	-683	0	269	-683	-683	0
Spalding Relief Road	0	0	0	0	0	0	0	0
Grantham Southern Relief Road	351	14,267	2,700	-11,567	351	1,514	0	-1,514
Transforming Street Lighting	60	610	610	0	60	610	610	0
Historic Lincoln	334	-1,338	0	1,338	350	-1,338	0	1,338
Lincolnshire Enterprise Partnership Contribution	0	3,057	2,537	-520	0	3,057	2,537	-520
National Productivity Investment Fund	1,496	1,166	1,166	0	1,158	1,166	1,166	0
A16/A1073 Spalding to Eye Road Improvement	6	-32	62	94	6	-32	62	94
Other Highways and Transportation	46	136	69	-67	38	136	61	-75
Lincoln Growth Point	547	33	125	93	550	33	134	101
Lincolnshire Waterways	1	8	0	-8	1	8	0	-8
Network Resilience	0	480	480	0	0	480	480	0
A46 Welton Roundabout (Integrated Transport/NPIF)	23	2,000	258	-1,742	-777	0	0	0
Other Sustaining and Developing Prosperity Through Infrastructure	236	884	573	-312	-312	336	573	237
Sub Total	57,083	109,362	87,481	-21,881	10,958	46,554	43,675	-2,879
Protecting and Sustaining the Environment								
Flood Defence	0	1,100	1,100	0	0	1,100	1,100	0
Flood and Water Risk Management	188	1,128	1,128	0	-2	938	938	0
Boston Barrier	0	0	0	0	0	0	0	0
Boston Household Waste Recycling Centre	524	646	524	-122	524	646	524	-122
Energy from Waste	0	0	0	0	0	0	0	0
Equipment & Vehicles at Waste Transfer Stations	186	441	441	0	186	441	441	0
Other Protecting and Sustaining the Environment	0	56	56	0	0	56	56	0
Sub Total	898	3,370	3,249	-122	708	3,180	3,059	-122
Sustaining and Growing Business and the Economy								
Skegness Countryside Business Park	0	616	616	0	0	616	616	0
Teal Park, Lincoln	5	-69	-69	0	5	-69	-69	0
Other Sustaining and Growing Business and the Economy	595	1,308	1,308	0	691	1,308	1,308	0
Sub Total	600	1,855	1,855	0	696	1,855	1,855	0
Finance and Public Protection								
Protecting the Public								
Fire and Rescue and Emergency Planning	472	1,525	1,525	0	472	1,525	1,525	0
Fire Fleet Vehicles and Associated Equipment	1,261	4,882	4,882	0	1,261	4,882	4,882	0
Registration Celebratory & Coroners Services	14	55	55	0	14	55	55	0
Sub Total	1,746	6,462	6,462	0	1,746	6,462	6,462	0
Enablers and Support to Council's Outcomes								
Broadband	359	5,921	5,921	0	-4,545	1,018	1,018	0
Infrastructure and Refresh Programme	369	1,087	1,087	0	357	1,087	1,087	0
Replacement ERP Finance System	977	1,601	1,601	0	977	1,601	1,601	0
Care Management System (CMPP)	-193	-173	-173	0	-196	-173	-173	0
ICT Development Fund	878	2,690	2,690	0	878	2,690	2,690	0
Property	1,591	3,277	3,277	0	1,591	3,277	3,277	0
Property Rationalisation Programme	924	849	849	0	917	849	849	0
Blue Light South Park	5,580	863	863	0	3,713	863	863	0
	975	975	975	0	975	975	975	0
	0	2,500	2,500	0	0	2,500	2,500	0
Sub Total	11,460	19,590	19,590	0	4,668	14,687	14,687	0
Other Programmes								
New Developments Capital Contingency Fund	0	10,638	10,638	0	0	10,638	10,638	0
Sub Total	0	10,638	10,638	0	0	10,638	10,638	0
Total Programme	92,703	177,803	145,194	-32,609	21,857	86,759	83,427	-3,332

1.70 The capital programme comprises a series of schemes/projects which often span a number of years. Where a scheme/project is known to be exhibiting a material variance to its spending profile this will ordinarily be described in the narrative associated with that Director area.

1.71 As part of the budget monitoring process and in line with the budget setting process, the Council recently reviewed the phasing of spending in the Capital Programme to realign capital budgets with current spending plans.

Children's Services

1.72 The net underspend of Children's capital mainly relates to the foster carers capital. This budget enables local solutions to be provided when situations arise, which ensures the Council can meet its statutory duty and delivered through a cost effective approach. As these solutions often span across financial years, funding will be required to be carried forward into 2019/20.

Environment and Economy

Sustaining and Developing Prosperity Through Infrastructure

1.73 The major projects such as Lincoln Eastern Bypass and the Grantham Southern Relief attract grants and contributions. The forecasts reflect some uncertainty on the timing of these with any balances managed to delay any Council spending.

1.74 The Historic Lincoln project is currently showing an overspend of £1.338m, the final claim for Heritage Lottery Fund for Lincoln Castle Revealed will be submitted shortly, and all final accounts will need to be settled by then. Officers are working to ensure that all grant income is received, and a final budget position will then be known.

Other Programmes

1.75 For 2018/19 the Council set aside £7.500m in a New Development Capital Contingency Fund for capital schemes which emerge during the financial year. There was also an under spend in 2017/18 of £9.299m which has been carried forward and is available for schemes in 2018/19.

1.76 To date during the financial year £6.161m has been allocated. This has been used to fund the following schemes:

- IT investment of £2.500m to support the upgrade to Windows 365;
- The purchase and refurbishment of Lexicon House for £1.975m. This will create additional office space, some of which may be rented by other organisations;

- Children's Services IT investment for front line services such as social workers and early help workers (£1.503m); and
- County Farms – works to meet Minimum Efficiency Standards (£0.107m) and road improvement programme (£0.076m).

Capital Financing

1.77 The following table sets out the financing of the capital programme:

CAPITAL PROGRAMME FUNDING		
	Gross	Net
Source of Financing	£'000	£'000
Revenue Funding of Capital	4,333	4,333
Borrowing	70,080	70,080
Use of Capital Grants Unapplied	12,335	12,335
Grants and Contributions	91,044	0
Use of Earmarked Reserves	11	11
TOTAL FUNDING	177,803	86,759

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- * Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- * Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- * Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

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

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

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

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

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

As the Report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

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

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

As the Report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

Crime and Disorder

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

As the Report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

3. Conclusion

3.1 The Council's current position on the revenue budget and capital programme are within the report for the Executive to note.

4. Legal Comments:

The Report sets out an update on spending compared with budgets for the financial year starting on 1 April 2018 to assist the Executive to monitor the financial performance of the Council.

5. Resource Comments:

The report indicates that both the current year revenue and capital budgets are projected to be spending within the resources available and therefore no additional call on the reserves of the Council are expected be required within the current financial year.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This report is due to be considered by the Overview and Scrutiny Management Board at its meeting on 31 January 2019. Any comments of the Board will be reported to the Executive at the meeting on 5 February 2019.

d) Have Risks and Impact Analysis been carried out?

No

e) Risks and Impact Analysis

N/A

7. Background Papers

Document title	Where the document can be viewed
Budget Book 2018/19	This can be found in the Council's website by following this link .

This report was written by David Forbes, who can be contacted on 01522 553642 or David.Forbes@Lincolnshire.gov.uk.

Open Report on behalf of Executive Director of Finance & Public Protection

Report to:	Overview and Scrutiny Management Board
Date:	31 January 2019
Subject:	Service Budget Proposals 2019/20

Summary:

The report describes the budget proposals for the next financial year 2019/20, based on the four year funding deal announced by Government as part of the 2016/17 Local Government Finance Settlement. This report specifically looks at the budget implications for the following commissioning strategies:-

- How We Do Our Business
- Enablers & Support to the Council's Outcomes

The budget proposals are now open to consultation. Members of this committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 5 February 2019 when it will make its final budget proposals for 2019/20.

Actions Required:

The Overview and Scrutiny Management Board is asked to consider this report and members of the committee are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 5 February 2019.

1. Background

1.1 The Executive is currently consulting on a single year financial plan for revenue and capital budgets to take the Council to the end of the four year funding deal from government. The Council continues to face significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay staff and some contractors the National Living Wage. Uncertainty around government funding beyond the four year funding deal (which runs from 2016/17 to 2019/20) means the Council does not consider it practicable to develop sustainable long term financial plans into the next decade. Work on this has started and will continue next year as information starts to emerge about the future funding framework.

1.2 The budget process carried out a year ago considered budgets for both 2018/19 and 2019/20. This year, the 2019/20 budgets have been reviewed in light of the latest available information to arrive at the proposals set out in this report. In developing its financial plan the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding (including use of reserves and capital receipts) to set a balanced budget.

1.3 All areas of service expenditure have been reviewed to identify cost pressures which must be funded and savings which can be made, through efficiencies and by reducing the level of service provided.

1.4 On an annual basis the Council has the opportunity to review the level of Council Tax. Central government sets thresholds above which a local authority would be required to hold a referendum for Council Tax increases. In the provisional Local Government Finance Settlement, the Secretary of State announced that the referendum threshold for general council tax would be 3.00% for 2019/20. Together with a 2% council tax increase for Adult Social Care allowed for a final year in 2019/20, this means that Lincolnshire County Council may increase council tax in 2019/20 by up to 5%.

1.5 At its meeting on 18 December 2018 the Executive agreed proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation and made the decision to consult on a proposed council tax increase of 4.95% for 2019/20. The full budget proposals considered by the Executive on the 18th December 2018 are the subject of a separate report to this meeting.

1.6 The budget proposals for these commissioning strategies have allowed for a pay inflation increase of 2% for 2019/20.

How We Do Our Business

1.7 Table A shows the total proposed revenue budget for the commissioning strategy 'How We Do Our Business'.

TABLE A

HOW WE DO OUR BUSINESS	Original budget	Pay Inflation	Cost Pressures	Savings	Other Changes	Proposed Budget 2019/20	% Change
	£000	£000	£000	£000	£000	£000	
1 Budget and Policy Framework - Finance & Audit	4,850	97	211	0	0	5,158	6.35%
2 Corporate Standards and Culture, Chief Executive	459	5	68	0	0	531	15.80%
3 Decision Making including Democratic Processes - Elections	9	0	0	0	0	9	0.00%
4 Decision Making including Democratic Processes	2,145	38	0	0	0	2,183	1.79%
Total	7,463	140	279	0	0	7,882	5.62%

1.8 The How We Do Our Business strategy is proposing cost pressures of £0.279m for 2019/20.

1.9 Whilst the notice to withdraw remains, it is proposed to reinstate the budget for the Local Government Association (LGA) subscription (£0.067m).

1.10 The Finance and Audit teams have recognised the need to establish training posts within the staff structure, to support the succession planning and resilience concerns that have been identified. It is proposed to start this with introducing apprenticeship posts within the Finance Team (£0.080m) and the Audit, Insurance & Risk Teams (£0.105m) with the aim that these training posts will become part of the core establishment in 3-4 years' time.

1.11 A cost pressure of £0.026m is necessary to continue to deliver the Council's Counter Fraud Partnership. This is a joint initiative with the District Councils and the Police and Crime Commissioner (PCC) and is generating significant savings for the Council.

Enablers & Support to the Council's Outcomes

1.12 Table B shows the total proposed revenue budget for the commissioning strategy Enablers & Support to the Council's Outcomes.

TABLE B

ENABLERS AND SUPPORT TO THE COUNCIL'S OUTCOMES	Original budget	Pay Inflation	Cost Pressures	Savings	Other Changes	Proposed Budget 2019/20	% Change
	£000	£000	£000	£000		£000	
1 ICT Strategy and Support	15,611	37	0	0	0	15,648	0.24%
2 Property Strategy and Support - County Farms	-1,245	0	-278	0	0	-1,523	22.33%
3 Property Strategy and Support - other	9,929	24	571	-15	0	10,509	5.84%
4 People Strategy and Support	3,408	14	0	0	0	3,421	0.40%
5 Legal	-425	66	0	0	0	-360	-15.41%
6 Commissioning	3,530	66	0	0	0	3,596	1.86%
7 Business Support	9,680	252	0	0	0	9,932	2.60%
8 Strategic Communications	894	13	0	0	0	907	1.46%
Total	41,381	471	293	-15	0	42,130	2%

1.13 The Enablers and Support to Council's Outcomes strategy is proposing to make savings of £0.015m in 2019/20. Within this strategy there are also proposed cost pressures of £0.293m in 2019/20.

1.14 Property Strategy & Support are proposing a saving in 2019/20 (£0.015m) to support the capital programme. The remaining saving in this area relates to the removal of a one off pressure for concluding archaeological costs of West Deeping minerals site (£0.278m).

1.15 An element of the cost pressures for Property Strategy and Support relates to an increase in contract costs, which have a direct relationship to national living wage levels. There are proposed cost pressures of £0.391m in 2019/20 to meet

the Council's obligation to pay staff and some contractors the central government set national living wage. There are also cost pressures relating to increasing property rates and utility costs (£0.181m).

County Council Capital Programme

1.16 The proposed capital programme covers the remainder of the current year and 2019/20, as well as major schemes which stretch into future years. Schemes comprise: a number of major highways schemes; the rolling programme of renewal and replacement of fire fleet vehicles, gritters fleet and vehicles at the Waste Transfer Stations; improvements and review of property portfolio; information technology (IT) developments and rephasing of existing schemes.

1.17 The gross programme is set at £381.315m from 2019/20 onwards, with grants and contributions of £110.308m giving a net programme of £271.007m to be funded by the County Council.

1.18 Table C shows the proposed net capital programme for Enablers & Support to the Council's Outcomes.

Table C

Capital Programme	Net Programme 2018/19 £000's	Net Programme 2019/20 £000's	Total Net Programme Including Future Years £000's
Enablers and Support to the Council's Outcomes	14,687	21,643	52,497

1.19 The following additions have been made to the net capital programme as part of the budget setting process:

- Development of Cloud Navigator and support ICT innovation - £5.000m in 2019/20 and £9.000m in future years. The Cloud Navigator will enable the digital transformation of services to citizens.
- Property Improvement Programme - £0.250m in 2019/20 and £0.250m in future years. This funding will enable further opportunities for property rationalisation to release inefficient office accommodation and realise associated revenue savings; to continue to maximise the use of existing office space by implementing the 'next office' concept, which supports rationalisation; and to target specific improvements to the office estate where facilities have been identified as poor, e.g. sub-standard toilet and kitchen facilities.
- Improvement to County Farms – £0.259m in 2019/20 and £0.367m in future years to include works on sewage treatment, private roads and grain stores.

This funding will ensure that the 17 dwellings on the County Farms Estate affected by new regulations implemented in January 2020 will have a new sewage treatment plan which will comply with legislation (General binding rules: small sewage discharge to a surface water). Non-compliance will be enforced by the Environment Agency.

Secondly, the funding will improve the condition of the private roads on the County Farms estate by undertaking resurfacing works.

Lastly, the funding will allow investment in modern agricultural buildings suitable for modern machinery and crop storage to Farm Assurance standards. This will increase the capital value of the holdings and improve the efficiency of farming operations in order to increase the rental value. The new buildings may make existing yards surplus, thereby creating potential capital receipts.

- Schools Mobile Classroom Replacement Programme - £0.300m in 2019/20 and £0.300m in future years to support the provision of schools places programme.
- Property Area Reviews - £0.550m in 2019/20. This will support the relocation of staff as a result of property leases coming to an end.
- Modernisation of the County Emergency Centre - £0.500m in 2019/20 to ensure the facility supports the Lincolnshire Resilience Forum (LRF) and all Emergency Planning requirements. The project will include upgraded information technology (IT) and resilience.
- To support the current priority condition works required over the next few years on Children's Homes - £0.250m in 2019/20 and £0.250m in future years. This will ensure lower disturbance and a comprehensive plan will be implemented to ensure that value for money is achieved for the works.

Further consultation

1.20 A consultation meeting with local business representatives, trade unions and other partners will take place on 25 January 2019.

1.21 The proposals will be publicised on the Council's website together with the opportunity for the public to comment.

1.22 All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 5 February 2019.

2. Conclusion

2.1 These budget proposals reflect the level of government funding available to the Council and the proposal to increase Council Tax in 2019/20 by 2.95%. The Adult Social Care "Precept" is proposed to increase by 2.00% in 2019/20 and this will give a total council tax increase of 4.95%.

2.2 A thorough review of Council's services was carried out during last year's budget process, which covered both the 2018/19 and 2019/20 financial years. This year further unavoidable cost pressures as well as some savings have been identified, and the capital programme has been reviewed – the 2019/20 budget has therefore been refined this year. The budget proposals therefore aim to reflect the Council's priorities whilst operating with the resources available to it.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 5 February 2019.

Further risk and impact assessments will need to be undertaken on a service by service basis.

4. Background Papers

Document title	Where the document can be viewed
Council Budget 2019/20 - Executive Report 18 December 2018	Democratic Services, County Offices , Newland, Lincoln http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=4975&Ver=4

This report was written by Michelle Grady, who can be contacted on 01522 553235 or Michelle.Grady@Lincolnshire.Gov.uk.

Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Overview and Scrutiny Management Board
Date:	31 January 2019
Subject:	Capital Strategy 2019/20

Summary:

A Capital Strategy for 2019/20 has been prepared for the Council, in line with new regulatory requirements and will be presented to the Executive on 5 February 2019. The purpose of the Capital Strategy is to provide Members with a high level overview of capital expenditure, its financing and its longer term impact on future sustainability.

Actions Required:

The Overview and Scrutiny Management Board is invited to: -

- 1) consider the attached report and to determine whether the Board supports the recommendation(s) to the Executive as set out in the report.
- 2) agree any additional comments to be passed to the Executive in relation to this item.

1. Background

The report attached at Appendix 1 will be presented to the Executive on 5 February 2019.

2. Conclusion

Comments from the Board regarding the Capital Strategy 2019/20 are to be passed onto the Executive for consideration at its meeting on 5 February 2019.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

The Capital Strategy 2019/20 is a strategy document which, in itself, does not have any risk impacts. However, it does highlight the risks associated with capital expenditure and its financing, and sets out how such risks will be managed.

4. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Report on the Capital Strategy 2019/20, to be presented to the Executive at its meeting on 5 February 2019.

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by David Forbes, who can be contacted on 01522 553642 or david.forbes@lincolnshire.gov.uk.

Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Executive
Date:	05 February 2019
Subject:	Capital Strategy 2019/20
Decision Reference:	I016780
Key decision?	Yes

Summary:

A Capital Strategy for 2019/20 has been prepared for the Council, in compliance with the CIPFA Prudential Code revised in 2017. The purpose of the Capital Strategy is to provide Members with a high level overview of capital expenditure, its financing and its longer term impact on future financial sustainability. The Capital Strategy will be included in the Council's Budget Book and aims to support budgetary decision making at the February Council meeting.

Recommendation(s):

That the Executive recommend that the Capital Strategy 2019/20 is adopted by full Council.

Alternatives Considered:

1. Council's are required to have a Capital Strategy in place by 1 April 2019 in accordance with the CIPFA Prudential Code as revised in 2017 and this Capital Strategy satisfies that requirement. Therefore no alternative has been considered.

Reasons for Recommendation:

The Capital Strategy 2019/20 will be reported in the Budget Book for 2019/20 and, together with other financial strategies, will support budgetary decision making at full Council.

1. Background

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code was revised in 2017, and included the new requirement for local authorities to have a capital strategy in place by April 2019. The purpose of a capital strategy

is to give a high level overview of how capital expenditure and its financing contribute to the provision of services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 This requirement has been driven by the changing face of local government finance. Local authorities have been through a number of years of austerity and reducing government funding, and some authorities are now investing in commercial opportunities and using external borrowing to fund these. In addition, there are increasing demand pressures on services, which have added to the financial risks faced by local authorities.

1.3 There is no prescribed template for a Capital Strategy and Councils are free to include whatever information they feel is relevant to achieve the aim of the Capital Strategy. This aim is to ensure that elected Members can make decisions about capital spending plans that support the Council's objectives, are affordable over the long term and demonstrate that financial risks are being managed. CIPFA has produced some guidance with suggested areas that could be included in the Capital Strategy and this guidance has been followed.

1.4 The Capital Strategy will be refreshed annually and will underpin the capital budget setting process. It will be reported in the Council's Budget Book alongside the other financial strategies, resulting in a more comprehensive strategic framework which supports medium term budget planning.

Content of the Capital Strategy

1.5 The Capital Strategy includes background information, definitions and descriptions of processes to aid the understanding of the reader. Section 5 outlines the key principles which underpin the Council's strategy for capital, and section 6 sets out capital objectives i.e. the reasons why the Council might wish to spend money on long term assets.

1.6 The Ministry of Housing Communities and Local Government issued statutory guidance on local government investments, which came into effect on 1 April 2018, and included the requirement to report on investments made for non-treasury purposes i.e. investments made outside of the usual processes for managing the Council's cash flows. Section 10 sets out the Council's strategy for non-treasury investments and gives information about the Council's existing holdings of such investments.

1.7 The affordability of the capital programme is covered in section 11 and this is a key area of the strategy for Members. The assessment of affordability over the longer term is based on assumptions about the Council's future funding levels, and this section sets out the broad assumptions which have been made and the inherent risks arising from this forward view. Despite the level of uncertainty about the future local government finance regime and its impact on the Council, it is still possible to take a view on affordability and it has been assessed that the 2019/20 Capital Programme, which is included in the Council Budget 2019/20 report also on this agenda, is affordable over the longer term.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- * Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- * Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- * Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

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

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

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

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

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

This is a strategy document which covers capital expenditure and non-treasury investments and, in itself, does not have any equality impacts. Future capital schemes or investments may have equality impacts, and assessments will need to be carried out for these at the time when proposals are made.

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

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

This is a strategy document which covers capital expenditure and non-treasury investments and, in itself, does not have any health and well-being implications. Individual capital scheme proposals will only be implemented after due regard to the legal matters that must be considered including the Joint Strategic Needs Assessment and Joint Health and Well-being Strategy.

Crime and Disorder

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

This is a strategy document which covers capital expenditure and non-treasury investments and, in itself, does not have any crime and disorder implications. Individual capital scheme proposals will only be implemented after due regard to the legal matters that must be considered including the duty under section 17 of the Crime and Disorder Act 1988.

3. Conclusion

3.1 The Capital Strategy for 2019/20 is a new strategy for the Council, which will improve transparency around the Capital Programme and non-treasury investments, as well as support Members' decision-making on the Council's Budget.

4. Legal Comments:

The adoption of a capital strategy by the Council before the end of March is required by the CIPFA Prudential Code.

As the Capital Strategy is part of the budget book it must be approved by full Council. The Report proposes a strategy for recommendation to full Council by the Executive. Recommendation of the strategy is consistent with the Policy Framework and within the remit of the Executive.

5. Resource Comments:

The recommendation to approve the Capital Strategy to full Council is to ensure that a high level overview of the capital programme, its financing and the implications of these on the Council's future financial sustainability, are understood by Members when making decisions about the Council's Budget. The Capital Strategy 2019/20 shows that the Capital Programme proposals for 2019/20 onwards are affordable over the longer term.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This report is due to be considered by the Overview and Scrutiny Management Board at its meeting on 31 January 2019. The comments of the Board will be presented to the Executive.

d) Have Risks and Impact Analysis been carried out?

No

e) Risks and Impact Analysis

This is a strategy document which, in itself, does not have any risk impacts. However it does highlight the risks associated with capital expenditure and its financing, and sets out how such risks will be managed.

7. Appendices

These are listed below and attached at the back of the report

Appendix A	Capital Strategy 2019/20
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8. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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CAPITAL STRATEGY 2019/20

1. Aim of the Capital Strategy

- 1.1 The aim of the Capital Strategy is to enable elected Members to make decisions about capital spending plans that support the Council's objectives and are affordable over the long term. In making those decisions, elected Members should understand the financial risks and how those risks will be managed.
- 1.2 The Capital Strategy also provides a framework of guidance to support elected Members in their decision making and to support Officers involved in capital planning.
- 1.3 The Capital Strategy will be refreshed annually and presented to the Council within the Budget Book, alongside capital and revenue budget plans. This will ensure that the Capital Strategy is adapted as the Council's financial position evolves over time, and that Council's approval of the capital programme budget takes account of the Capital Strategy and its implications.

2. Background Information

- 2.1 The CIPFA Prudential Code was revised in 2017, and included the new requirement for councils to have a capital strategy in place by April 2019.
- 2.2 This requirement has been driven by the changing face of local government finance. Councils have been through a number of years of austerity and reducing government funding, and some councils are now investing in commercial opportunities using capital budgets. In addition to this there are increasing demand pressures on services, which has added to the financial risks faced by councils. The Capital Strategy will help elected Members to understand the key risks and manage those risks to an appropriate level.
- 2.3 The Ministry of Housing Communities and Local Government (MHCLG) has issued revised statutory guidance on local government investments, which came into effect on 1 April 2018 and extended the meaning of "investments" to include the type of commercial investment referred to in paragraph 2.2. The Council has adhered to this guidance and it has been reflected in this Capital Strategy where it is relevant to do so.

3. What is "Capital" and How Does it Impact on Budgets?

- 3.1 It is important that those making decisions about capital spending plans understand the terminology used in reports as well as how budgets will be impacted by their decisions.

Definitions

- 3.2 **Capital expenditure** is spending on buying, building or enhancing long term assets. Examples of long term assets include: land and buildings, vehicles, infrastructure such as roads and bridges, specialised facilities such as recycling plants, specialised equipment such as fire-fighting equipment.
- 3.3 The term "**capitalised**" means "treated as capital expenditure". This requires certain accounting treatments and the inclusion of capitalised assets in an asset register.
- 3.4 The Secretary of State will allow some expenditure types to be capitalised in certain exceptional circumstances, and councils must apply for permission to capitalise expenditure which would normally be treated as revenue expenditure. An example of such an item approved for another council in the past is the capitalisation of large-scale redundancy costs.
- 3.5 **Revenue expenditure** is therefore all expenditure which is not capital expenditure – this usually applies to spending on the day to day running costs of the Council which doesn't result in long term assets e.g. salaries of employees, rent of buildings, fuel, stationery etc.
- 3.6 **Capital receipts** are monies received when capital assets are sold. By law, capital receipts can only be used to either repay loans or finance new capital expenditure. The government has introduced a temporary relaxation of these rules to allow capital receipts to be used to fund revenue expenditure on projects which will reduce future revenue costs. This will last until March 2022 and the Council has taken advantage of this in its Flexible Use of Capital Receipts Strategy (see Annex B).

Accounting Policy on Capitalisation

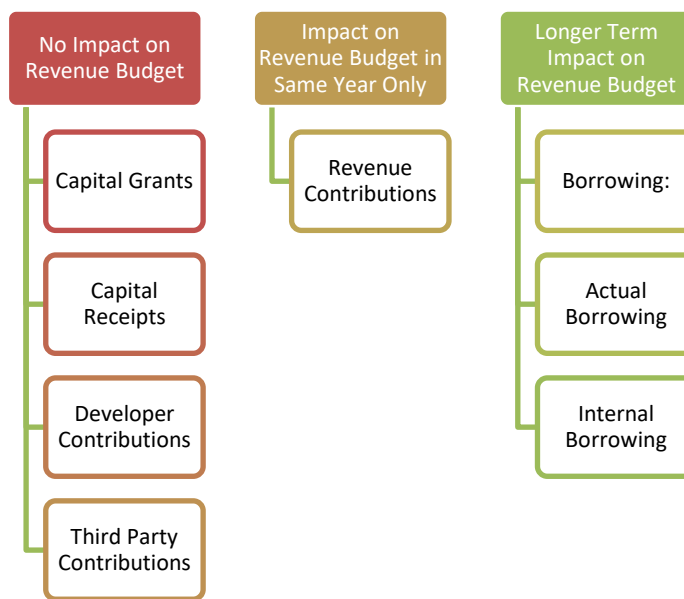
- 3.7 The rules on what types of expenditure can or cannot be capitalised are set out in International Financial Reporting Standards and in the CIPFA Accounting Code of Practice, as well as in law. Councils are allowed to set a minimum threshold value for capital expenditure to ensure that only the more significant assets are capitalised. Lincolnshire County Council has set a minimum threshold value of £10,000 spent on buildings, vehicles or equipment in its capital accounting policy. Expenditure on buying, building

or enhancing assets which is below this level may be treated as revenue expenditure.

The Funding of Capital Expenditure

- 3.8 At Lincolnshire County Council the budget for capital expenditure is known as the **Capital Programme** and is separate from the **Revenue Budget**. The Capital Programme will cover at least three years because capital projects are often large projects that span more than one financial year to completion.
- 3.9 When formulating the Capital Programme, decisions must be made about the most cost effective way of funding it. There a number of different potential sources of funding for the capital programme and these are shown in the diagram below, together with their impact on the Revenue Budget. Further explanation is below the diagram.

Sources of Funding and their Impact on the Revenue Budget:



Capital Grants

- 3.10 Capital grant applications are made to the government to support essential but expensive capital projects, such as the building of new schools or new roads. Capital grants may cover the whole project cost or only part of it. When capital grants are used to finance new capital expenditure, there is no cost to the Revenue Budget in respect of the proportion of capital expenditure covered by grant. This is therefore an extremely important source of funding as some of our major projects would be unaffordable without these capital grants. The Council's strategy will be to seek to maximise the use of capital grants wherever possible.

Capital Receipts

- 3.11 When capital receipts are used to finance new capital expenditure, there is no cost to the Revenue Budget. This is therefore an attractive source of funding, however the amount of capital receipts generated each year is relatively low so they are not a significant source of funding for the Council. They can also be used to repay loans and finance certain types of revenue costs, as explained in paragraph 3.6 above. Capital receipts can be used in the year that they are received, or carried forward to be used in future years. When determining how to fund the Capital Programme the Council must take a view on how best to apply capital receipts to ensure that value for money is obtained.

Developer Contributions

- 3.12 Development companies engaged in projects such as house building will make financial contributions to the Council to help finance the cost of developing infrastructure e.g. roads to support their housing development. When developer contributions are used to finance new capital expenditure, there is no cost to the Revenue Budget in respect of the proportion of capital expenditure covered by such contributions. This is therefore another extremely important source of funding for the Council, however in some instances developer contributions are received by the Council in later years i.e. after a project has started, which means that another source of funding will be required in the short term and the deferred developer contribution will be used to fund future capital scheme expenditure.

Revenue Contributions

- 3.13 The Council can use some of its Revenue Budget to directly finance new capital expenditure. When this happens there is an impact on the Revenue Budget in that year, however there is no longer term impact. The Council does not usually budget for significant revenue contributions as this would divert funds away from the running costs needed to provide core services. However, if there is a Revenue Budget underspend at the end of any financial year then this use should be considered as part of the decision on the Council's use of underspends to carry forward to the next financial year's budget. Using revenue underspend to finance part of the capital programme will reduce the capital financing impact on the revenue budget in the longer term.

Actual Borrowing

- 3.14 When the use of the above sources of funding have been maximised to finance the Capital Programme, the remainder of capital expenditure will be financed by borrowing. This amount is called the Council's Borrowing

Requirement. The Council's strategy for its borrowing is set out in the Treasury Management Strategy Statement and takes account of factors such as interest rates and the spreading of loan repayment dates to reduce risk. The Council predominantly borrows from the Public Works Loans Board (PWLB), which is an Executive Agent of HM Treasury and provides loans to councils at beneficial interest rates. The Council can also take loans from the financial market if these are at lower rates than PWLB loans.

- 3.15 When borrowing is used to finance the Capital Programme, it impacts on the Revenue Budget in two ways. Firstly, loan interest payments are charged to the Revenue Budget over the term of the loan. Secondly, a charge is made to the Revenue Budget to provide for the cost of repaying loan principal when it falls due – this is called the Minimum Revenue Provision (MRP). The MRP charge is calculated by taking the amount of capital expenditure financed by borrowing and dividing this over the number of years the asset concerned is expected to be in use. This charge is made to the Revenue Budget every year until the end of the asset's life. This means that the impact of capital expenditure on the Revenue Budget can sometimes be very long term e.g. an asset with a life of 50 years would generate an MRP charge for the next 50 years and a loan taken for say 40 years would generate an interest charge for the next 40 years.

Internal Borrowing

- 3.16 The Council's Treasury Management Strategy allows for its borrowing requirement to be deferred until a later date if the Council has sufficient cash surplus to cover the cost of the capital expenditure, and if it would be financially beneficial to do so and it would help to manage risk. This is known as "internal borrowing" i.e. the Council borrows from its own cash reserves and repays these at a later date by taking an actual loan. This, in effect, converts the internal borrowing into actual borrowing. When internal borrowing is the means of financing, the Minimum Revenue Provision charge is still payable on the asset concerned, however there are no interest costs charged to the Revenue Budget. Once the internal borrowing converts to actual borrowing then there will be an interest charge.

4. The Capital Process

- 4.1 Underpinning the capital process are the Council's service objectives and priorities, together with its asset management strategies. The Council's priorities are set out in Annex A, and links to asset management strategies, can be found in Annex B.
- 4.2 The capital process is as follows:

1. Identification of the need for Capital Expenditure. This should be recorded in a Pre-Business Case / Full Business Case.
2. Exploration of options to satisfy the identified need. This should be recorded as an Options Appraisal and should consider: value for money / financial sustainability / risk / capacity to deliver the project.
3. Identification of Capital Project. This will initially be by **Departmental Management Teams** who review the Business Case and Options Appraisal.
4. If appropriate, a clear exit plan will be created to ensure the asset has future sustainability or will be disposed of accordingly.
5. Addition of Capital Project to the Capital Programme. The opportunity to do this will be during the autumn of each year as part of the budget setting process. As the Capital Programme covers three years, planning for Capital Projects should be forward-looking. Alternatively, if funding approval is required urgently, the Business Case and Options Appraisal can be presented to the **Executive Director of Resources** (in consultation with the **Executive Councillor for Finance**) for approval, at their monthly liaison meeting. Such approval will allow the project to be allocated budget from the capital programme's Capital Development Contingency fund.
6. Consideration of the affordability of the Capital Programme. The draft capital programme will be included in budget reports to the **Executive** and to the **Overview and Scrutiny Management Board** as part of the budget setting process and the final Capital Programme will be approved by full Council as part of the budget. The reports will clearly show the potential longer term financial impact of each project / asset on the Revenue Budget, as well as the potential longer term financial impact of the capital programme as a whole.
7. If the capital projects identified by Departmental Management Teams exceed what is affordable over the longer term, executive members will be asked to prioritise capital projects to ensure that an affordable capital programme can be approved. In this case, some projects will have to be deferred or removed altogether.
8. Once an affordable capital programme has been approved by the **Council** in February as part of the budget setting process, capital projects will be monitored and reported on as part of the Council's standard budget monitoring process.

9. Before a capital project can commence there will need to be separate executive level approval to commence, and a detailed Capital Appraisal report must be approved, normally by the **Executive Councillor for Finance** if the value of the project is over £500,000. If the value of the project is less than £500,000 the project must be approved by **the relevant Executive Director** following liaison with the appropriate **Executive Councillor(s)**. This may be done by an individual report or as part of a wider programme of works.
10. When a capital project is complete and an asset has been created, that asset will be managed over its life. This will involve bringing the asset into use, maintaining it and planning for its disposal and/or replacement, if required, as the end of its useful life approaches.
11. Finally, the asset will be taken out of service and either sold or disposed of.

5. Key Principles of the Capital Strategy

- 5.1 The Council's strategy in relation to capital is underpinned by the following principles:
 1. Capital expenditure / investment decisions must be made to drive forward **service objectives** (*service objectives will need to be clearly identified as part of the Council's strategic planning and will need to take account of future changes to services - the asset implications of such changes must be assessed*). They must also support one or more of the **capital objectives** – see Section 6.
 2. The Council's assets must be **properly planned for and managed** over their lifetime (*asset management strategies and plans which demonstrate this should exist for all key types of asset*). This should result in the identification of new capital requirements, as well as the identification of surplus assets for disposal.
 3. Capital expenditure / investment decisions must be supported by a **business case** which clearly sets out why the expenditure is required, what outcomes it will help to achieve, as well as costs and risks.
 4. A key consideration in decision making must be the achievement of **value for money** (*different options for achieving outcomes must be considered and costed, using the Council's options appraisal template and the best all round option selected*). External funding will be actively sought to support capital projects where possible.

5. Capital expenditure / investment plans must take account of **risk**, which should be identified and managed appropriately.
6. Capital expenditure / investment plans must be **achievable** (the capacity to deliver projects must exist, projects must be properly managed in accordance with the Council's project management framework, project risk must be considered).
7. There must be clear **governance** around capital expenditure with approval of capital projects made at appropriate levels.
8. Capital expenditure / investment plans must demonstrate **affordability** (*the future impact on council tax levels must be considered and the whole life cost must be understood, albeit with assumptions made about the future financial landscape*). Decisions made about capital projects must not threaten the overall financial sustainability of the Council. The financing of capital expenditure must remain within approved prudential limits.
9. Capital expenditure / investment plans must be **prioritised** if ambition exceeds available resources (*options appraisals should show financial and non-financial implications, risk implications, links to service objectives, the "do nothing" option and its implications, to enable scarce resources to be directed to those schemes which generate the best value for the Council*). See Annex C.
10. Capital programme projects must be **managed** (*in accordance with the Council's project management framework*) and the procurement of suppliers and contractors must be in accordance with the Council's procurement policies and procedures.

6. Capital Objectives

- 6.1 All capital projects must help to deliver the Council's overall service objectives but there are also a number of supplementary capital objectives which recognise the nature of capital expenditure in that it will result in long term assets to support the Council's aims. The capital programme as a whole should allow for:
 1. The replacement or refurbishment of existing assets.
 2. The creation of assets to satisfy increasing demand for services.
 3. The creation of assets which will enable economic growth.
 4. The creation of assets necessary to meet statutory requirements.

5. The creation of transformational assets which will generate future: capital receipts / reduced revenue costs / income streams.

7. Integration with Other Plans and Strategies

- 7.1 The Capital Strategy is not a standalone document. It must be seen in the context of the Council's other strategic documents which outline how the Council's longer term objectives will be achieved. Some of these have a clear impact on the Capital Strategy and these impacts have been extracted and are interpreted in Annex B.

8. Guidance for Officers with Responsibility for Capital Planning

- 8.1 This guidance is intended to highlight the main considerations for the planning of capital programme projects. It follows the principles outlined in section 5 and includes links to more detailed guidance.
- 8.2 Asset management is about supporting the delivery of strategic objectives through the use of long term assets. It is an integral part of business planning. All service areas which rely on long term assets to deliver services must plan for those assets over their whole life-cycle. This will include planning for the creation / purchase / build of new assets, their use, their replacement and their eventual disposal. Proper asset planning will result in a forward-looking capital programme, where major projects are identified and resourced well in advance of their starting.
- 8.3 Once a need for a new asset has been identified, the Council's project management framework must be followed (this can be found on the Council's Intranet under "Project Management Standard"). This will involve preparing a business case and an options appraisal, and will ensure that the full implications of every proposal are fully understood by those making decisions about whether or not to proceed with the capital investment required. It will also ensure that capacity to deliver the project, risks associated with the project, and value for money have all been considered. In the early stages of the process, a "pre-business case" should be completed with sufficient financial information included to allow the affordability of the project to be assessed by the **Corporate Management Board**. If it is deemed to be a desirable and affordable project then a full business case must be completed.
- 8.4 Service areas have a wealth of experience in the delivery of capital projects and it is important that this experience is used to inform the planning of future projects. Project reviews should be carried out and lessons learned should be documented and made available to others in the Council who might benefit from this learning. Project reviews should

provide information to help with the estimation of costs for future projects and the inclusion within capital budgets of appropriate contingency amounts.

- 8.5 The Council's Financial Procedure 1 (Financial Planning and Management) must be followed by Officers involved with capital expenditure and can be found on the Council's intranet.
- 8.6 When writing a project proposal, the cost of the capital project, together with any associated funding such as capital grant, must be phased as accurately as possible into the financial years when the expenditure / income is expected to occur. This will enable the financial impact on the revenue budget to be more accurately assessed.
- 8.7 Project proposals must be considered by **Departmental Management Teams**. If identified as a project the **Departmental Management Team** wishes to progress then they must be submitted to the **Finance Department** for inclusion in the Capital Programme as part of the budget setting process, by the end of August each year.
- 8.8 Projects requiring urgent (in-year) funding approval can be taken to the monthly Resources Liaison meeting for approval by the **Executive Director of Resources** in consultation with the **Executive Councillor for Finance**. On such approval Capital Programme budget allocations can be made from the New Developments Capital Contingency Budget.
- 8.9 Inclusion in the Capital Programme or an in-year approval only provides availability of funding - to commence the project an appropriate executive level decision is needed and a capital appraisal may be required to be approved by the **Executive Councillor for Finance**.

9. Capital Expenditure Approval and Monitoring Process

- 9.1 The **Corporate Management Board (CMB)** will review the draft future Capital Programme in October and consider its affordability. If it is deemed to be unaffordable, **CMB** will prioritise the Capital Programme projects and make recommendations to the **Executive** as to which projects should or should not be approved.
- 9.2 The **Executive** is responsible for considering the Capital Programme in December along with recommendations on how the capital programme will be financed as a whole, its affordability and a recommendation from **CMB** on which projects should be prioritised if the whole programme is unaffordable. The **Executive** will propose a budget for public consultation

during January and meet in February to recommend a revenue budget and a Capital Programme to the **Council** for approval.

- 9.3 The **Council** will consider and approve a joint Capital Programme and Revenue Budget in February of each year.
- 9.4 Performance against the Capital Programme will be reported to the **Overview and Scrutiny Management Board** twice per year, in September and January. The final position at the end of the year will be reported to the **Executive** in June each year.

10. Annual Investment Strategy for Non-Treasury Investments 2019/20

- 10.1 The Ministry of Housing Communities and Local Government (MHCLG) has issued revised statutory guidance on local government investments, which came into effect on 1 April 2018. Under section 15(1)(a) of the Local Government Act 2003 councils are required to have regard to such statutory guidance. In this guidance, the meaning of investments has been extended to include both **financial** (related to treasury management) and **non-financial** investments (for non-treasury management reasons).
- 10.2 For **financial** (treasury) investments, the Council's priorities for investment are security first, liquidity second, and then return or yield and the risk appetite is set as "low". **Non-financial (non-treasury investments)** are made for purposes which are different to treasury management and will primarily relate to the securing of future service delivery. The risk appetite is therefore set as "medium" or "high" which recognises that the Council is prepared to accept some risk to the security of the investments albeit within the parameters of the prudential limits set to manage risk to an appropriate level. An example of such an investment is a loan made to a supplier commissioned by the Council to provide adult social care but currently experiencing financial difficulties.
- 10.3 The Capital Strategy allows for certain types of **non-treasury investments** to be made and the Council currently holds non-treasury investments falling within three categories. Further detail about the management of risk associated with these investments is set out in paragraph 10.4.
- Loans to other bodies for service reasons. Such loans may not be planned for as part of the budget process but may emerge at any time e.g. due to the Council's statutory duty to manage the market in adult social care. The Council's strategy is to invest only in other bodies either to secure future service delivery or where the other body is a subsidiary company of the Council which has been created for service reasons.

- Investments for non-service reasons (commercial investments which may include loans to other bodies). The current strategy is that the Council will not make new investments in commercial activity unless there is a direct service benefit and this is reflected in the Commercialisation Strategy highlighted in Annex B, however the Council owns some investment properties which do generate income. The majority of these properties are collectively known as County Farms and these are investments which have been held for a number of years by the Council. The table in Annex F shows the value of these investment properties as £107.7m, which is just below 8% of the total value of all property plant and equipment assets owned by the Council as at 31st March 2018. The estimated annual income from investment properties is £2.5m, which is approximately 0.5% of the revenue budget, and is considered to be an insignificant proportion. The Council's strategy is to maintain these assets and a summary of the investments is shown in Annex F.
- Equity shares held for service reasons. Again the strategy is not to invest in equity shares ordinarily but the Council may choose to do so if this would support the delivery of services.

Treasury investments, which are made by using the Council's surplus cash balances, fall under the remit of the Council's Treasury Management Strategy Statement and are not covered within this Capital Strategy.

10.4 Loans made to other bodies for service reasons may be designated as low, medium or high risk. The measures in place to manage these risks are:

- the financial procedures for loans to outside bodies which include the scheme of delegation for the approval of new loans;
- loan agreements signed by both parties to the loan
- credit control arrangements in place to ensure that interest and loan repayments are made on time, and
- adherence to prudential indicator limits for proportionality.

For investments in commercial properties made for non-service reasons, the measures in place to manage risk are:

- the Council uses a specialist third party agent to manage the collection of rental income.

- Prudential limits have been set to manage the risks arising from non-treasury investments (shown in Annex G).
- 10.5 A fourth category of non-treasury investment exists, which is: Equity shares held for non-service reasons. The Council does not hold any equity shares under this category and the current Capital Strategy does not permit the purchase of such investments. Prudential limits have therefore not been set for this category of investment.
- 10.6 A schedule of non-treasury investments currently held by the Council is provided in Annex F.

11. Affordability of the Capital Programme

- 11.1 The CIPFA Prudential Code requires councils to ensure that capital spending plans are affordable, sustainable and prudent. Determining whether or not a capital programme is affordable over the long term is difficult to do, because it requires looking into an uncertain future. There is, therefore, no precise calculation which can be done to work out how much is affordable, instead we have to use our judgement to make assumptions about the Council's finances in the future and we have to understand this carries the risk that our assumptions may turn out to be incorrect.
- 11.2 Some elements of the cost of financing the capital programme are more certain. The future cost to the revenue budget of all past capital expenditure is largely known, and is explained in principle in section 3. These future costs comprise the minimum revenue provision and the interest payments on loans already taken to finance the capital programme.
- 11.3 Virtually all other relevant factors are uncertain. Below are some examples of the inherent uncertainties, which could result in financial risk:
- a) The value of the revenue budget in future years is dependent on many factors outside of the Council's control e.g.:
 - The Council's main sources of income are often subject to government determination or changes in policy e.g. Limits on Council tax increases
 - The amount the Council needs to spend is subject to inflation.
 - b) Capital projects may overspend or underspend, or may take more or less time to complete than planned. As explained elsewhere in this strategy any effect on capital expenditure will also impact on the cost to the revenue budget including the timing of those impacts.
 - c) Statutory policy relating to capital may change e.g.:

- The method of calculating Minimum Revenue Provision has changed over time
 - The accounting standard which defines capital expenditure and its accounting treatment could change.
- d) The cost of interest on loans which will be taken in the future is subject to future unknown interest rates. There are other treasury risks which could impact on the cost of future borrowing e.g. re-financing risk and liquidity risk.
- 11.4 Despite the uncertainties, it is still possible to look forward and take a view on the affordability of the capital programme. A high level summary of the proposed capital programme for 2019/20 and future years up to 2026/27 is included at Annex D (the detailed capital programme is included in the Council's Budget Book). The estimated additional on-going impact on the revenue budget of this capital programme has been calculated as just over £5.6m per annum.
- 11.5 This must be seen in the context of the Council's overall net revenue budget in order to determine its affordability. The amount of the Council's budget is not known beyond 31st March 2020, but a prudent estimate can be made going forwards which allows for a very modest increase in funding each year up to 2023/24. This assumes that the new local government finance reforms will be more favourable to County Councils than the current system and that there will still be increases to Council Tax levels to some extent. It also assumes that the overall size of the local government finance "pot" will continue to be restricted by austerity for the foreseeable future. It is expected that the equivalent assumptions in the next iteration of this strategy will be made in the light of more certain information about future funding levels. Increases in overall funding levels are assumed, for the purposes of this strategy, to be 0.8% each year from 2020/21 to 2023/24, and 0% thereafter.
- 11.6 The graph at Annex E shows the estimated total proportion of the net revenue budget which would need to be allocated to finance the capital programme set out in Annex D for the next eight years. It can be seen that in each of the next eight years, the Council is expected to be within its voluntary prudential indicator i.e. that capital financing charges, comprising MRP and interest, will not exceed 10% of the Council's total income in each year.
- 11.7 This indicates that the Capital Programme for 2019/20, which also covers future years, is affordable. It is important to note however that there are risks inherent in this conclusion. Some of these risks are explained in

paragraph 10.3 above. In addition it must be recognised that the capital programme will be refreshed each year and this assessment will need to be repeated each time to determine future affordability.

12 Role of the Section 151 Officer

- 12.1 The Section 151 Officer is responsible for ensuring that elected members tasked with either treasury management responsibilities or capital programme scrutiny responsibilities have access to training relevant to their needs and those responsibilities.
- 12.2 The Section 151 Officer is also responsible for ensuring that employees with responsibility for budget management, accounting, finance, and treasury management, are suitably skilled and experienced and have the opportunity to maintain their professional competence.
- 12.3 Statement of the Section 151 Officer:

The Section 151 Officer is satisfied that the Capital Programme for 2019/20, which includes future years, has been through a robust scrutiny process. The Capital Strategy includes an assessment of financial risks and the Section 151 Officer is satisfied that prudent assumptions have been made relating to those areas of risk and that the Capital Programme for 2019/20 is affordable over the longer term.

Council Priorities

- Safeguarding children and adults;
- Maintaining and developing highways and infrastructure;
- Managing flood risks;
- Supporting communities to support themselves;
- Fire and rescue services.

Links to Other Strategies

A. Financial Strategy

The Financial Strategy covers the medium term period but is refreshed periodically as part of the budget process. It sets out the Council's framework for financial management and provides some key principles which directly influence the Capital Strategy – these are interpreted below:

- a. Business cases and options appraisals will be completed and agreed before all major capital projects are commenced.
- b. The Council has set a key financial performance measure which relates to the affordability of the capital programme, which is that the level of council tax will remain in the lowest quartile of all English County Councils.
- c. The Council has set a key financial performance measure which relates to the financing of the capital programme, which is that capital receipts will be at least £8m per annum from 2017/18.
- d. The Council has set a further key financial performance measure which relates to the financing of the capital programme, which is that MRP and interest payments will not exceed 10% of total Council income in any year.

B. Flexible Use of Capital Receipts Strategy

The current strategy covers the period up to 2019/20. A new strategy will be agreed as part of the budget setting process 2020/21 onwards. The legal power to use capital receipts flexibly has been extended by the government to the end of 2021/22. The Council's current strategy is to use up to £8m of capital receipts per annum to fund transformational revenue expenditure and this therefore limits the value of capital receipts which can be used to finance the capital programme.

C. Commercialisation Strategy

This strategy documents the Council's approach to commercialisation. It sets out a broad vision of commercial activities that the Council could engage in, which include activities that might require capital investment e.g. the use of digital technologies to deliver savings or increase value and investment opportunities. The aim is to generate extra revenue streams and deliver cost reductions through commercial activity, thereby supporting the continued delivery of front line services. The strategy also clarifies the principle that all commercial opportunities considered should provide benefit to people who live in, work in or visit Lincolnshire i.e. the achievement of service objectives will be

the prime driver for commercial activities, with income generation a secondary benefit.

As the generation of income is not the main motive for the Council's commercial investment, the extent to which the Revenue Budget is reliant upon commercial income streams is not significant. However the Council has held some investment properties for a number of years, which are County Farms.

The Commercialisation Strategy defines the Council's risk appetite for investing in commercial opportunities as "whilst willing to take risk, we will manage that risk so as not to jeopardise the services and opportunities we offer to Lincolnshire citizens. Risk management will be proportionate to the magnitude of the risk and the adverse impact should it materialise"

Proposed new commercial activities will be scrutinised by the appropriate Scrutiny Board before being considered by the Executive. Commercial projects are subject to the Council's project management framework.

D. Treasury Management Strategy

The Council's annually approved Treasury Management Strategy is very closely aligned to the Capital Strategy as it covers the Council's borrowing strategy for the year ahead, a key source of funding for the capital programme. The relevant aspects of the Treasury Management Strategy are set out below:

In line with the CIPFA Prudential Code the Treasury Management Strategy sets out a series of Prudential Indicators which ensure and demonstrate that the Council's capital expenditure plans remain **affordable**, **prudent** and **sustainable** and manage treasury risks:

- a. Long term loans are usually secured at fixed rates of interest, to provide certainty over the cost of maintaining the loans over their lifetime thereby reducing the risk of adverse interest rate changes. However up to 30% of all borrowing could alternatively be secured at variable rates of interest.
- b. The Council will take new borrowing from the PWLB in all periods with the aim of achieving an even "spread of maturity" profile and keeping an increase in the average cost of the Council's debt to a minimum.
- c. Consideration will be given to borrowing market loans, to fit into the above maturity strategy, in order to take advantage of lower rates offered on these loans. This proportion is limited to no more than 10% of total external borrowing for each of market loan and Lender Option Borrower Option loan.
- d. Other long term liabilities e.g. loans to other bodies and PFI contracts also impact on the revenue budget and future sustainability. Separate limits are set each year for total borrowing and for total other long term liabilities.

- e. Limits are set on the maturity structure of borrowings i.e. no more than 25% will mature within 12 months; no more than 25% will mature between 12 months and 24 months; no more than 50% will mature between 24 months and 5 years; no more than 75% will mature between 5 years and 10 years. This means that exposure to short term interest rate risk is limited.
- f. The Minimum Revenue Provision and Interest Charges together shall not exceed 10% of the Council's Net Revenue Stream.

Two "proportionality" Prudential Indicators have been set for 2019/20, to support the Capital Strategy and these are shown in Annex G. The Treasury Management Strategy includes the Council's **Capital Financing Requirement**, which reflects the need to borrow to fund capital expenditure in the future. It also includes the Policy for Minimum Revenue Provision which allows for debt to be repaid over the life of the underlying assets.

The Treasury Management Strategy is scrutinised by the **Overview and Scrutiny Management Board** and approved by the **Executive Councillor for Finance**. Performance against prudential indicators is also scrutinised by the **Overview and Scrutiny Management Board**, as is the Treasury Management Annual Report at year end.

Treasury Management activity is governed by The CIPFA Code of Practice for Treasury Management and a set of Treasury Management Practices arising from this Code. These set out the relevant delegations and processes which are designed to manage risk to an acceptable level. The Council's risk appetite for treasury activity is set at low – the security and liquidity of Council funds is of paramount importance and the Strategy includes a number of controls designed to manage risks to security and liquidity.

The Treasury Management Strategy also includes the policy on the use of external advisers, which states that the Council uses Link Asset Services Ltd as its external treasury management adviser, and recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

E. Asset Management Strategies

The Council has a corporate asset management plan covering all types of assets however there are also asset management strategies in place for the major types of assets. Asset management is about supporting the delivery of strategic objectives through the use of long term assets. All service areas which rely on long term assets to deliver services must plan for those assets over their whole life-cycle. This will include planning for the creation / purchase / build of new assets, their use, their replacement and their eventual disposal.

- The Council's Corporate Asset Management Plan 2014/15 – 2016/17
<https://www.lincolnshire.gov.uk/local-democracy/how-the-council-works/key-plans-and-strategies/corporate-asset-management-plan/51408.article>
- Highways Asset Management Strategy 2016
<https://www.lincolnshire.gov.uk/search-results?keywords=highways%20asset%20management%20strategy%202016&cmd=GoToPage&val=2>
- Property Strategy 2018-2020
supported by The State of the Estate 2017/18
- Integrated Risk Management Plan 2016-2020 (which includes a section on Fire and Rescue asset management)
<https://www.lincolnshire.gov.uk/searchResults.aspx?qsearch=1&keywords=irmp&x=0&y=0>

Prioritisation of Capital Programme Projects

If the total capital programme is deemed to be unaffordable then capital programme projects will need to be prioritised, and this may result in the cancellation or deferral of projects.

The aim of the process of prioritisation is to select those projects which generate the best value for the Council. As the Council's functions are wide-ranging, this diversity is reflected in the capital programme and this makes it difficult to compare projects. In many cases the benefits are non-financial and hard to measure, which means that return on investment measure is not an appropriate tool to use when trying to rank projects.

It is recognised that the reasons for undertaking capital projects may be complex, and that ranking projects in order of priority may sometimes be a matter of subjective assessment. When a Business Case for a capital project is prepared, the checklist below must be completed and submitted with the Business Case. The considerations set out on the checklist are designed to assist those making decisions on the prioritisation of capital projects if this is required. This is not an exhaustive list of factors to consider – there may be others.

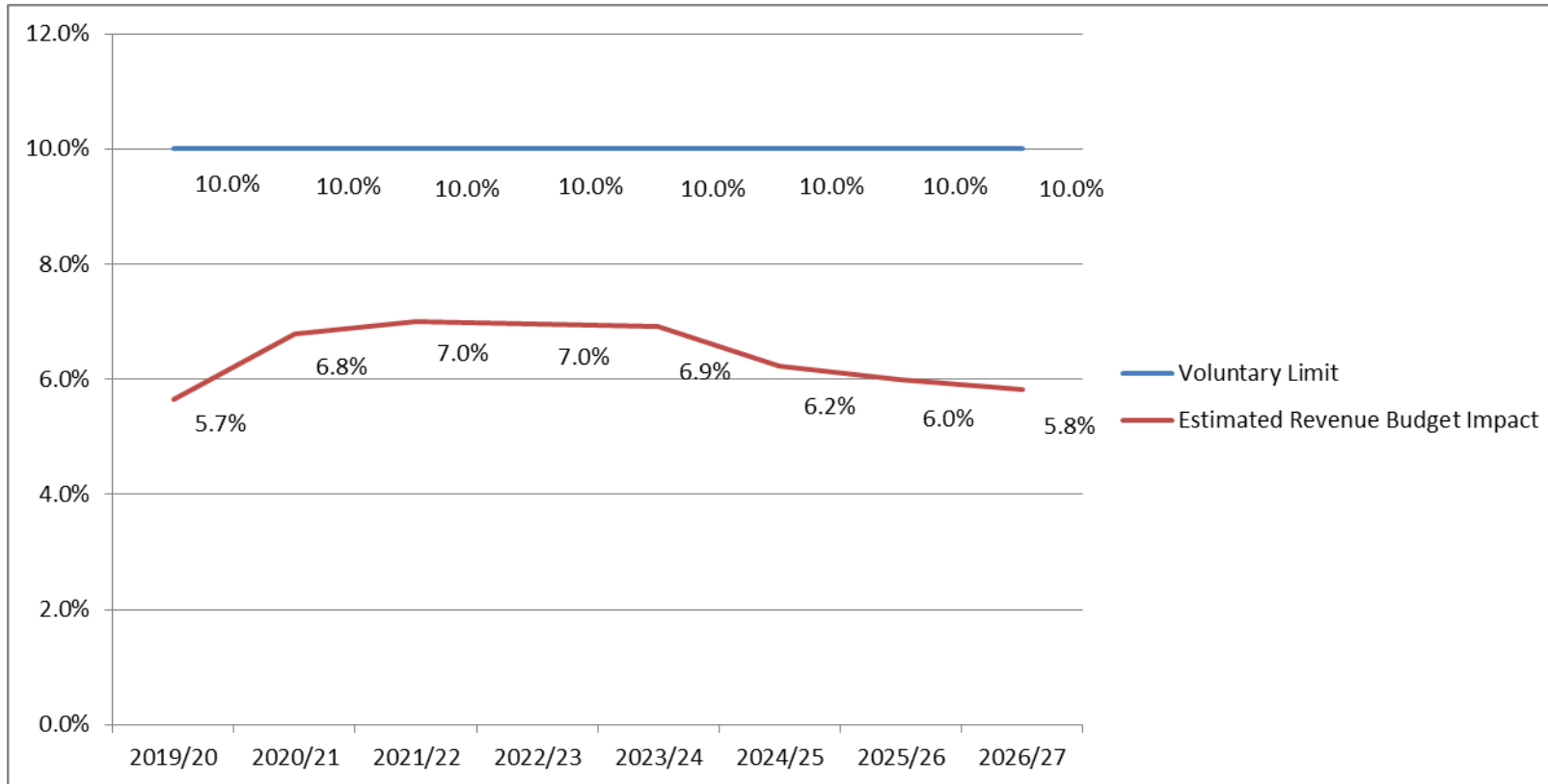
Consideration	Yes / No	If Yes, please provide detail
To what extent does the project support the Council's objectives (Appendix Capital A) or the Capital objectives (Section 6)?		
• Does it maintain current service delivery by replacing or refurbishing existing assets?		
• Does it improve current service delivery by:		
○ Satisfying increasing demand for services;		
○ Enabling economic growth;		
○ Meeting new statutory requirements;		
○ Transforming service delivery thereby:		
▪ Generating future capital receipts;		
▪ Reducing revenue costs;		
▪ Increasing income?		
• Does it meet identified community expectations?		

How is Value for Money achieved by this project?		
• What are the project Benefits?		
○ Number of citizens who benefit		
○ Significance of improvement to citizens lives		
○ Significance of improvement to aspects of service delivery		
• What are the project Costs?		
○ What is the whole life cost of the asset:		
▪ What is the expected useful life of the asset in years?		
▪ What is the total capital cost?		
▪ Minimum Revenue Provision charge?		<i>(Finance to provide)</i>
▪ Interest charge?		<i>(Finance to provide)</i>
▪ Asset maintenance costs per annum?		
○ Is external funding available for the project?		
▪ If Yes, how much?		
▪ If Yes, where from?		
▪ If Yes, when will it be received?		
○ Is internal funding available for the project?		
▪ If Yes, how much?		
▪ If Yes, where from (capital receipts or revenue contributions)		
▪ If Yes, when will it be received?		
What are the key risks inherent in this project?		
○ How urgent is the need?		
○ How long will the project take?		<i>If more than 1 year, please phase the capital costs over Year 1, Year 2, Year 3 etc.</i>
○ Does the Council have the capacity to deliver the project?		
▪ If Yes, please list them?		
○ Are there any other significant project risks?		

<ul style="list-style-type: none"> ▪ If Yes, please list them? 		
<ul style="list-style-type: none"> ○ Does the project take account of future needs? 		
<ul style="list-style-type: none"> ○ Does the project take account of the changing world, e.g. technology or social changes? 		
<p>When the project is complete, a post implementation review must be undertaken and a Project Closure report completed.</p> <p>Please add any further information which you think may support the decision-making process.</p>		

<u>Capital Programme (2019/20 to 2026/27)</u>	Estimated Maximum Annual Revenue Impact £'000	Revised Net Programme	Grants and Contributions	Gross Programme	Revised Net Programme	Grants and Contributions	Gross Programme
		2019/20 £'000	2019/20 £'000	2019/20 £'000	Future Years £'000	Future Years £'000	Future Years £'000
Children's Services	0	1,616	29,390	31,006	0	18,769	18,769
Adult Care & Community Wellbeing	0	0	0	0	0	0	0
Environment and Economy	2,873	78,320	30,157	108,477	92,176	31,992	124,168
Finance and Public Protection	963	31,517	0	31,517	16,378	0	16,378
Other programmes	1,813	7,500	0	7,500	37,500	0	37,500
TOTAL	5,649	118,953	59,547	178,500	146,054	50,761	196,816

Estimated Proportion of Revenue Budget to be Spent on Capital Financing Charges Compared to Prudential Indicator Voluntary Limit



Schedule of Non-Treasury Investments

			Original	Principal	Estimated
			Term of	Outstanding	Interest
		Risk	Loan in	as at	Income
		Level	Years	31/03/2018	2019/20
				£000's	£000's
Loans to Other Bodies made for Service Reasons	Classification				
Police Loan Debt	Loan	Low	25	104	-1
School Academies	Loan	Low	Various	1,973	-48
Lincs Community Foundation Ltd -Soft Loan	Loan	High	24	174	-11
Transport Connect Ltd - Fixed Loan	Loan	High	3	522	-24
Investors in Lincoln Debenture -written off 2018/19	Loan	High	14	200	0
Transport Connect Revolving Credit Facility	Loan	High	3	257	-13
Total				3,229	-97
Commercial Investments held for Non Service reasons (including loans to 3rd Parties)					
				Fair Value as	Estimated
				at 31/03/2018	Rental Income
		Risk		£000's	2019/20
		Level		£000's	£000's
		Classification			
County Farms	Investment Properties	Low		105,971	-2,386
Other non-farm properties	Investment Properties	Low		1,690	-77
				107,661	-2,463
Equity Purchase held for Service Reasons					
				Estimated	Estimated
				Value as at	Dividend
		Risk		31/03/2018	Income
		Level		£000's	2019/20
		Classification		£000's	£000's
ESPO Trading Limited Shares	Non-specified investment	Low		0	0
Investors in Lincoln Shares	Non-specified investment	Low		14	0
				14	0

Prudential Limits Relating to Non-Treasury Investments

		2017-18 Actual	2018-19 Updated Estimate	2019-20 Estimate	2020-21 Forecast	2021-22 Forecast
PRUDENTIAL INDICATORS - PROPORTIONALITY						
6) Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments						
The Council will set for the forthcoming financial year and the following two years a limit of no more than 10% of General Reserves to be at risk from potential loss of total investments. (Voluntary Indicator).						
General Reserves	£m	15.300	15.200	14.600	14.200	14.000
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.544	0.374	0.298	0.221	0.175
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	3.56%	2.46%	2.04%	1.56%	1.25%
7) Income from Non Treasury Investments & Net Service Expenditure						
The Council will set for the forthcoming financial year and the following two years a limit of 3% for Income from non- treasury investments as a proportion of Net Service Expenditure. (Voluntary Indicator). This is to manage the risk of over dependency of non-treasury investment income to deliver core services.						
Income from Non-Treasury Investments (Including County Farms)	£m	2.533	2.479	2.364	2.234	2.112
Net Service Expenditure	£m	521.244	459.780	462.740	448.845	454.736
Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	%	0.49%	0.54%	0.51%	0.50%	0.46%

A full list of Prudential Indicators is included within the Council's Budget Book

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Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Overview and Scrutiny Management Board
Date:	31 January 2019
Subject:	Council Budget 2019/20

Summary:

The Executive, at its meeting on 18 December 2018, agreed the budget proposals described in the attached report (Appendix A) together with two amendments. The amendments related to the level of council tax increase and the Heritage Services budget. The Provisional Local Government Finance Settlement was published after the report had been written and the implications of this settlement are set out in Appendix B to this report.

Actions Required:

The Committee is asked to consider and comment upon the Executive's budget proposals.

1. Background

1.1 The Executive, at its meeting on 18 December 2018, approved the budget proposals set out in the report as the preferred option for consultation subject to two amendments. The report to the Executive describes these proposals in detail (Appendix A). The two amendments agreed at the meeting were:

- to allocate a budget of £1,018,571 to Heritage Services in order to maintain the budget at its existing level;
- to propose a Council Tax increase of 4.95% (instead of 3.95%).

1.2 The Provisional Local Government Finance Settlement was announced prior to the Executive meeting but after the report had been published. The implications of the settlement are set out in Appendix B, and were presented to the Executive on 18 December.

Further Consultation

1.3 In addition to the review of budget proposals by the Overview and Scrutiny Management Board further scrutiny and consultation arrangements are:

- All other Council Scrutiny Committees will have the opportunity to scrutinise budget proposals in detail in January;
- Budget proposals were publicised on the Council's website following the Executive meeting and provide the opportunity for the public to comment;
- Public awareness of the impact of the budget proposals on Council Tax will be raised using social media channels; and
- A consultation meeting with local business representatives, trade unions and other partners will take place on 25 January 2019.

1.4 Consultation responses and comments will be available to be considered when the Executive makes its final budget proposals on 5 February 2019.

2. Conclusion

2.1 These budget proposals reflect the level of government funding available to the Council in 2019/20 which is the final year of the four year grant settlement, as well as the proposal to increase Council Tax in 2019/20 by 2.95% plus 2.00% for the Adult Care precept. Service areas have been reviewed and the budget proposals aim to support the Council's priorities within the financial resources available.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 5 February 2019.

Further Risk and Impact Assessments will need to be undertaken on a service by service basis.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Executive Paper: Council Budget 2019/20 (including: Appendix A1 Commissioning Strategies Glossary and Appendix A2 Feedback from the Budget Briefing sessions held in December 2018).
Appendix B	Update following Provisional Local Government Finance

	Settlement December 2018
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5. Background Papers

Document title	Where the document can be viewed
Provisional Local Government Finance Settlement announcements	Executive Director Finance and Public Protection
Council Budget 2018/19	Executive Director Finance and Public Protection

This report was written by David Forbes, who can be contacted on 01522 553642 or david.forbes@lincolnshire.gov.uk.

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Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Executive
Date:	18 December 2018
Subject:	Council Budget 2019/20
Decision Reference:	I016571
Key decision?	Yes

Summary:

This report outlines the Council's budget proposals for the next financial year 2019/20, based on the four year funding deal announced by Government as part of the 2016/17 Local Government Finance Settlement. Details of the Provisional Local Government Finance Settlement for 2019/20 have not yet been issued at the time of writing this report but it is expected that the settlement will be in line with the previously announced funding for this Council.

The Executive is asked to make proposals for the Council's budget for 2019/20 and to refer these proposals for internal and external consultation.

This report describes the basis on which proposals have been developed and their impact on services.

In the current year, 2018/19, the Council is in a Business Rates Pilot arrangement and has made an application to be in a further Pilot in 2019/20. It is anticipated that successful Pilot applications will be confirmed at the same time as the Provisional Local Government Finance Settlement. This report does not assume that the 2019/20 bid will be successful. The Executive is asked to delegate authority to the Leader to either confirm Pilot status if the application is successful or, if unsuccessful, confirm that the Council will revert to a pooling arrangement with the seven Lincolnshire District Councils in line with the Business Rates pooling arrangement in place prior to 2018/19.

Recommendation(s):

That the Executive:

1. agrees the budget proposals described in this report as its preferred option for the purposes of further consultation; and
2. delegates authority to the Leader to confirm either participation in a Business Rates Pilot in 2019/20 or participation in a Business Rates Pool in 2019/20 depending upon the outcome of the Council's application for Pilot status.

Alternatives Considered:	
1.	The proposals for the revenue budget, capital programme and council tax as described in this report.
2.	Higher levels of spending and consequently higher levels of council tax in future years.
3.	Lower levels of spending and consequently lower levels of council tax in future years.

Reasons for Recommendation:

The recommended option takes account of the reducing government grant income to the Council, allows for an increase in council tax of 3.95% (1.95% general council tax plus a further 2% for the adult social care "precept"), and acknowledges that earmarked reserves will be used to balance the budget in 2019/20 in line with the Council's medium term financial plan.

Prior to 2018/19 the Council participated in a Business Rates Pool with up to seven Lincolnshire District Councils, which generated additional income for the Council. In 2018/19 the Council has participated in a Pilot scheme to retain additional Business Rates income, following a successful application. It is hoped that the Council can continue to be in a Pilot scheme in 2019/20, but if the application is not successful then it is proposed that the Council and the seven District Councils will revert to a Pooling scheme.

1. Background

1.1 This report sets out a financial plan for revenue and capital budgets in 2019/20 to take the Council to the end of the four year funding deal from government. The Council continues to face significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay staff and some contractors the National Living Wage. Uncertainty around government funding beyond the four year funding deal (which runs from 2016/17 to 2019/20) means that the Council has not considered it practicable to develop sustainable long term financial plans into the next decade. Work on this has started and will continue next year as information starts to emerge about the future funding framework.

1.2 The budget process carried out a year ago considered budgets for both 2018/19 and 2019/20. This year, the 2019/20 budgets have been reviewed in the light of latest available information to arrive at the proposals set out in this report. In developing its financial plan the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding (including use of reserves and capital receipts) to set a balanced budget.

1.3 Areas of service expenditure have been reviewed to identify cost pressures which must be funded and savings which can be made through efficiencies and by reducing the level of service provided.

1.4 On an annual basis the Council has the opportunity to review the level of Council Tax. Central government sets thresholds above which a local authority would be required to hold a referendum for Council Tax increases. The technical consultation on the Local Government Finance Settlement proposed that for 2019/20 this threshold might be set at a 3.00% increase for general council tax, plus a further 2.00% for authorities with adult social care responsibilities to deal with pressures in this area including demographic pressures and the impact of the national living wage. A council tax increase of 3.95% (1.95% for general council tax, plus a further 2.00% for the social care 'precept') was proposed by the Council for 2019/20 last year, and this remains the basis for the budget set out in this report. The referendum threshold will be confirmed in the Provisional Local Government Finance Settlement.

The Outlook Beyond 2019/20

1.5 The pre-June 2017 Government was engaged in a substantial exercise to rebase local government funding. That initiative was based on 100% localisation of business rates by 2020 together with a resetting of the funding baselines for all local authorities – this was known as the fair funding initiative. Legislation to deliver this initiative was progressing through Parliament at the time the June 2017 General Election was declared. That legislation fell by the way as Parliament was wound down and there was no replacement legislation in the Queens Speech which sets the legislative programme for the next two sessions of Parliament. However, subsequent communications from the then Department for Communities and Local Government (DCLG) confirmed the department's commitment to work towards a new Local Government Finance Bill continuing towards giving local government greater control over business rate income, albeit that it is now proposed that only 75% of business rates will be retained by local authorities from 2020 rather than the previously announced 100% retention.

1.6 The basis of funding local authorities has not materially changed since the introduction of partial business rate localisation in 2013. It is widely accepted that both absolute and relative changes in demography and other key cost drivers means that the current distribution of resources is no longer a fair reflection of underlying need.

1.7 There are two distinct issues which need to be addressed. Firstly, the issue as to whether the total amount of funding allocated to local government is sufficient given increased service pressures coupled with ongoing reductions in government funding. Secondly, there is the case for an additional share of the national funding to be allocated to this Council.

1.8 At the July 2017 County Council this authority launched a campaign to lobby government to increase the funding coming to the sector and specifically requesting central government look at the distribution of funding to this County Council with a view to addressing past inequalities between authorities, and to address the relative allocations to reflect the needs of this area.

1.9 The Ministry of Housing, Communities and Local Government has been working with local government representatives on both business rates localisation and the fair funding review and it is anticipated that consultations on each of these significant funding reforms will be issued at the same time as the Provisional Local Government Finance Settlement. In addition, central government will be conducting a Spending Review in 2019 to determine the quantum amounts to be allocated to each government spending department. It is not yet known what period of time the Spending Review outcomes will cover but this will certainly influence the overall total amount to be allocated to local government.

1.10 The Better Care Fund, which significantly supports Adult Services spending, will end on 31 March 2020 and there is uncertainty around how Adult Social Care will be funded in the future. A green paper is expected to address this issue early in 2019.

Provisional Local Government Settlement and Multi Year Settlement Funding

1.11 The Provisional Local Government Financial Settlement for 2019/20 had not been received from central government at the time of writing this report, but is expected to allocate funding largely in line with the anticipated funding for 2019/20 as set out in the four year funding deal covering the years 2016/17 to 2019/20.

1.12 The table below sets out government grants received in each of the years from 2016/17 to 2018/19 as well as the government grants expected for 2019/20 as per the four year funding deal (**TABLE 1**). The figures for 2018/19 show what the Council's funding would have been as per the four year deal, rather than what it actually was as a result of being in the Business Rates Pilot Scheme, to enable a like for like comparison to be made. The level of funding for 2019/20 has been built into the Council's budget proposals set out below and assumes that the Council's application for Business Rates Pilot status in 2019/20 is not successful.

TABLE 1: Multi Year Settlement Funding Levels

Funding Summary	2016/17	2017/18	2018/19	2019/20
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Revenue Support Grant	70.351	48.292	33.964	20.139
Transitional Grant	0.011	0.009	0.000	0.000
Rural Services Delivery Grant	6.892	5.565	6.935	5.565
TOTAL	77.254	53.866	40.899	25.704

1.13 When comparing the level of Revenue Support Grant (RSG) received for 2016/17 and expected for 2019/20, the Council has seen a reduction of £50.212m or 71.37% over the four year period.

1.14 Rural Services Delivery Grant of £5.565m for 2019/20 has been awarded as part of the multi-year settlement. This is in recognition of the higher costs of providing services in rural areas.

Other Revenue Government Grants

1.14 It is anticipated that the following non-specific grants will be received in addition to those forming part of the multi-year settlement:

- New Homes Bonus Grant of £2.104m is estimated for 2019/20 (actual £2.342m in 2018/19).
- Lead Local Flood authority grant has been confirmed as £0.125m in 2019/20.
- Special Education Needs and Disability (SEND) grant will cease, with the final amount being £0.259m in 2018/19.
- It is assumed that the following grants will continue at the same level next year:
 - Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs of £0.128m; and
 - Extended Rights to Free Travel from the Department for Education of £0.639m.
- Independent Living Fund grant is estimated to be £1.594m in 2019/20.

1.15 The Public Health Grant will continue as a separate ring-fenced grant for next year. It is estimated that the Public Health Grant will be £31.800m for 2019/20.

1.16 Better Care Fund comes to the County Council in three streams. An element from the Lincolnshire Clinical Commissioning Groups (CCGs) and two grants coming directly to the Council from central government known as Improved Better Care Fund and the (Supplementary) Improved Better Care Fund. These funding streams combined will provide the Council with £46.343m in 2019/20 to fund Adult Care Services. Further details on its utilisation are set out below in the Adult Care and Community Wellbeing comments (paragraph 1.47 to 1.52).

1.17 The Chancellor announced in his Budget statement in October that additional revenue grant funding for Adult Care winter pressures would be made available in 2019/20 as a one year only grant £3.368m. In addition, he announced additional one year revenue grant funding for adults and children's social care of £5.754m.

Council Tax

1.18 It is proposed that Council Tax will be increased by 3.95% in 2019/20. This comprises 1.95% for general council tax plus a further 2.00% for the social care 'precept'. The Local Government Finance Settlement for 2017/18 allowed authorities with adult social care responsibilities to increase their council tax by up to 6.00% over a three year period from 2017/18 to 2019/20. In 2017/18 and in 2018/19 this authority chose to increase the adult social care element by 2.00% in each year, which means that a final increase of 2% can be implemented in 2019/20. The technical consultation on the Local Government Finance Settlement for 2019/20 proposed that the referendum threshold for general council tax might

be set at a 3.00% increase which would be the same as the referendum threshold set for 2018/19. If this is confirmed in the Provisional Local Government Financial Settlement for 2019/20 then the Council could choose to increase general council tax by 2.95% which would give a total council tax increase of 4.95%.

1.19 It is estimated that a council tax increase of 3.95% will generate additional income of £10.986m in 2019/20. If the Council were to raise council tax by a further 1% to a total of a 4.95% increase (this would be subject to the referendum limit which is yet to be confirmed) the additional income would be £2.783m making a total additional council tax income of £13.769m.

1.20 The final figures on the council tax base and any surpluses or deficits on the council tax element of the collection fund will not be received from Lincolnshire District Councils until 31 January 2019. In the previous financial year the growth in the Council Tax base across the whole County was 1.27%. If there is growth at a similar level in the next financial year this will generate additional income of £3.672m in 2019/20 based on a 3.95% council tax increase. There would be additional income over and above this of £0.035m if the council tax increase were to be set at 4.95%. The council tax collection fund surplus in 2018/19 was £2.641m. If it is assumed that there will be a surplus of a similar amount, the Council would receive additional income from tax base growth and a collection fund surplus of over £6.000m in 2019/20. The final information on base growth and the surplus/deficit on the council tax collection fund will be reported to the Executive at its meeting on 5 February 2019, together with the funding this will generate for the County Council.

1.21 An Equality Impact Analysis will be completed for the proposed increase in Council Tax. This will be reported back to the Executive at its meeting on 5 February 2019.

Business Rates

1.22 The multi-year settlement deal estimated the business rates receivable over the four year period to 2019/20, with estimated income from business rates expected to be £109.598m in 2019/20. This is made up of two elements, an amount actually collected by the seven District Councils in Lincolnshire and a top up grant from Central Government as the total business rates collected in Lincolnshire are not sufficient to cover local authority spending in the area. In 2019/20 this is split as: £19.824m collected locally and £89.774m top up from central government.

1.23 It is difficult to compare business rates funding from 2018/19 to 2019/20 as in 2018/19 the Council had Business Rates Pilot status, which resulted in Revenue Support Grant being incorporated into the baseline funding figure. Nevertheless the trend is that business rates income has increased over the four year term of the funding deal by at least the rate of inflation each year.

1.24 Any surpluses or deficits on the business rates element of the collection fund will not be received from the Lincolnshire District Councils until 31 January 2018. In 2018/19 this was a deficit of £0.174m for the County Council. This will be

reported to the Executive at its meeting on 5 February 2019. It is worth noting that only 10% of the business rates collected locally is passed to Lincolnshire County Council and any share of surpluses or deficits will also be on this basis.

1.25 In addition to the above business rates funding in previous financial years the Council received section 31 grant as compensation of central government RPI cap and reliefs offered to small and rural businesses. It is anticipated that Government will continue to compensate local authorities in full for the extension of small business rate relief and new rural rate relief. At the time of preparing this paper the Council is awaiting announcement of the value of this grant (the value of this grant in 2018/19 was £10.178m, although this was higher than its usual level due to the Council's participation in the Business Rates Pilot). This will be built into the budget assumptions reported to the Executive at its meeting on 5 February 2019.

Business Rates Pilot Bids 2019/20

1.26 The County Council is currently in a one year Business Rates Pilot Scheme whereby 100% of business rates are retained. The Council has made a bid to government to continue to be in a Pilot Scheme in 2019/20, with the other Lincolnshire District Councils and North Lincolnshire Council. The 2019/20 Pilot Scheme would be on the basis of 75% retention of business rates with this Council allocated 30% and the District Councils 45%. If the bid is successful then there will be some gains accruing from the scheme, estimated at around £3.000m for the Council however it is less likely that the bid will be successful next year as there are fewer Pilot places and more authorities have applied to join the scheme. The bid to government includes details of proposed schemes to be funded; for this authority additional monies would be channelled to cover two distinct areas of spending: pressures already identified in Children's Social Care and to fund highways advanced design work to develop the county's infrastructure and encourage economic growth. If this bid is not successful it is proposed that the County Council would revert to Business Rates Pooling in 2019/20. At the time of preparing this budget paper the Council is still awaiting notification from government regarding Pilot bids.

Following notification from government the additional income from either a successful pilot bid or pooling arrangement will be built into the Council's budget.

The Council's Overall Revenue Budget

1.27 The table below (**TABLE 2**) sets out the overall changes in budget, the cost pressures which the Council proposes to fund, the savings to be made and the current proposed use of reserves to bridge the gap between current funding available and service costs.

TABLE 2: Summary Revenue Budget

SUMMARY REVENUE BUDGET	2019/20 £m
EXPENDITURE:	
Base Budget	457.104
Cost Pressures (<i>including inflation</i>)	25.317
Savings	-18.138
Other Movements (PH Grant & BCF Grant)	-5.437
Total Expenditure	458.846
Use of Reserves	-23.292
Transfer to/from General Reserve	0.200
Budget Requirement	435.754
INCOME:	
Business Rates Local Retention	116.062
Revenue Support Grant	20.139
Other Grants	10.415
County Precept	289.138
Total Income	435.754

1.28 The Council proposes to allocate £2.977m of resources in 2019/20 to fund pay inflation. This provides an allowance of 2.0% for all employment groups. Details on all other cost pressures and savings included within the Council's budget for 2019/20 are set out in the Commissioning Strategy narratives below.

1.29 The Council's current budget proposals include using £23.292m from the Financial Volatility Reserve in 2019/20 to balance the budget and keep the Council's general reserves at 3.5% of the Council's total budget. This is a one off contribution to the Council's budget shortfall and is planned to smooth the effect of reductions in funding on implementing service changes and reductions.

Revenue Budgets

1.30 The revenue budget for 2019/20 is shown in **TABLE 3** below together with the actual comparison for 2018/19. The Council services are delivered on the Commissioning Model and as such the budgets are presented on this basis. **Appendix A1** to this report provides further details of the services undertaken in each Commissioning Strategy.

TABLE 3: Net Service Revenue Budget 2019/20

Commissioning Strategy Revenue Budgets	2018/19 £m	2019/20 £m
Readiness for School	4.846	4.872
Learn & Achieve	34.075	34.285
Readiness for Adult Life	6.519	6.313
Children are Safe & Healthy	65.627	67.283
Adult Safeguarding	4.187	4.229
Adult Frailty, Long Term Conditions & Physical Disability	120.733	120.804
Carers	2.464	2.389
Adult Specialities	65.594	71.637
Wellbeing	27.174	27.279
Community Resilience & Assets	10.097	10.498
Sustaining & Developing Prosperity Through Infrastructure	43.057	40.635
Protecting & Sustaining the Environment	24.879	25.18
Sustaining & Growing Business & the Economy	1.166	1.199
Protecting the Public	22.835	23.596
How We Do Our Business	7.463	7.882
Enablers & Support to Council Outcomes	41.381	42.13
Enablers & Support to Key Relationships	0	0
Public Health Grant Income	-32.662	-31.8
Better Care Funding	-40.044	-46.343
Other Budgets	50.387	49.453
Schools Block	410.616	410.616
High Needs Block	81.133	81.133
Central School Services Block	3.929	3.929
Early Years Block	40.503	40.503
Dedicated Schools Grant	-538.857	-538.857
Total Net Expenditure	457.102	458.845
Transfer to/from Earmarked Reserves	-5.076	-23.292
Transfer to/from General Reserves	-0.8	0.2
Budget Requirement	451.226	435.754

Children's Services

1.31 Children's Services commissioning strategies include: Readiness for School, Learn and Achieve, Readiness for Adult Life and Children are Safe and Healthy.

1.32 **Readiness for School** strategy is proposing no savings or cost pressures for 2019/20.

1.33 **Learn and Achieve** strategy is proposing to make a saving of £0.259m in 2019/20. Within this strategy there is also a proposed cost pressure of £0.306m in 2019/20.

1.34 The proposed savings reduction of £0.259m relates to the removal of the funding from the government for the Special Education Needs & Disability (SEND) Reform Grant. The grant funding was to recognise the programmes of change in the area of SEND to streamline the system of SEN assessment, support and provision for children and young people 0-25, bringing together the provisions of a variety of Acts covering education, health and care as well as introducing new provisions, statutory implementation of associated duties, regulations and a new SEND Code of Practice. These changes have had a significant impact on the service with a 38% (or 1,260) increase in young people with an Education Health Care plan compared to the year before implementation (2013/14). Local Authorities continue to make representation at a national level of the increasing demands on the administration, assessment, co-ordination and monitoring of SEND services.

1.35 Within this strategy there are also a proposed cost pressures for Home to School / College Transport of £0.306m in 2019/20. The government's desire to deliver living wage rises to £9 per hour by 2020 has increased the hourly rate from £7.83 to £8.21 from April 2019. A large proportion of the individuals delivering transport services are paid on the national living wage causing this proposed cost pressure.

1.36 The Home to School / College Transport is a challenging and volatile budget with unfavourable economic conditions, and changing legislation (incorporation new guidelines relating to safety, Disability Discrimination Act passenger access and ERO6 emissions standards by 2020), the impact of school reorganisations, growth in special school numbers, added with the challenges of Lincolnshire being a rural county. The budget therefore remains a financial risk to the Council, although the service is taking every step to achieve efficiencies to manage such pressures where possible.

1.37 **Readiness for Adult Life** strategy is proposing to make a saving of £0.300m in 2019/20. There is no cost pressure proposed for 2019/20.

1.38 The proposed saving of £0.300m relates to the Local Authority's legal duty (defined under Section 17 of the Children Act 1989) to safeguard and promote the welfare of all young people by providing supported accommodation for those young people of 16 and 17 years at risk of homelessness (due in part to case law referred to the Southwark judgement, and the complex needs of this age group where parents are refusing to continue to provide care for them), and all looked after children and care leavers up to the age of 21 years.

1.39 Transformational work has resulted in a new accommodation pathway for young people who require support or who are experiencing homelessness (and where family and wider network is not a suitable option) by providing suitable and more cost effective accommodation. A pilot involving in-house provision as a pathway into other accommodation is delivering value for money and improved individual outcomes, which the service are planning to roll this out further across the Council, as properties become available.

1.40 **Children are Safe and Healthy** strategy is proposing to make a saving of £0.250m in 2019/20. Within this strategy there are also proposed cost pressures of £1.194m in 2019/20.

1.41 The proposed saving relates to Children's Services insourcing of the 0-19 health services in October 2017. This decision has allowed a more effective and integrated support for families as part of the overall delivery of Children's Services with teams working closely together to give quick, effective and joint support where it is needed. Savings have been delivered by having a lower cost base infrastructure and through utilisation of existing Children's Services sites, and a realisation of new ways of delivery.

1.42 A number of cost pressures exist within children's social care where the Local Authority has a statutory duty to protect children and take action when thresholds are met. Financial shortfalls have been identified for supporting looked after children and Special Guardianships Orders.

1.43 The national increase in looked after children is currently considered by the sector to be at 5% due to a number of reasons: case law, the impact of austerity, and the increasing complex nature of family life as a result of substance use, mental health and domestic abuse. The cost pressure in Lincolnshire relates more to the increasing complexity, costs rises and demand-led nature of providing specialist services for looked after children. This cost pressure of £0.948m will support the costs in fostering, kinship care, and residential home arrangements.

1.44 Special Guardianship Orders (SGOs) are increasingly being seen by the Courts as an important option for permanency for children who need to be removed from their birth parents which is endorsed by officers. The Local Authority is however required to fund SGOs (subject to means testing) so whereas we would once have seen children adopted, we are seeing increased SGO's which must be funded until the child reaches the age of 18 years. The expected increases are based on average numbers of SGO's being granted per month, which has identified a proposed budget pressure of £0.246m in 2019/20.

Adult Care and Community Wellbeing

1.45 There are 5 Commissioning Strategies led by Adult Care and Community Wellbeing, these are: Adult Frailty and Long Term Conditions, Specialist Adult Services, Carers, Safeguarding Adults and Wellbeing.

1.46 The Adult Care budget is set in the context of an ongoing savings requirement, increasing demographic and, cost pressures related to service provider fee increases in order to accommodate the additional cost of employment as a result of the National Living Wage.

1.47 The budget also includes funding for schemes that form a part of the Lincolnshire Better Care Fund (BCF). The current plan which ends in March 2019 totals £232.123m of which £56.165m was the national allocation, this includes Disabled Facilities Grant payments to Districts.

1.48 Lincolnshire's fund is one of the largest in the country and includes pooled budgets for Learning Disabilities, CAMHS and Community Equipment plus 'aligned' Mental Health funds from the County Council and the four CCGs.

1.49 In addition to the continuation of existing pooled funds, there are a number of additional funding streams. These increases result from:

- BCF funding via Lincolnshire Clinical Commissioning Groups (CCG's) for the Protection of Adult Care Services.
- Improved BCF funding that was announced in the Chancellor's November 2015 budget. Lincolnshire received £14.249m in 18/19 and will receive £25.771m in 19/20.
- Supplementary iBCF funding that was announced in the Chancellor's March 2017 budget. Lincolnshire received £9.607m in 18/19 and will receive £4.111m in 19/20.

1.50 Agreement for the 2019/20 Lincolnshire BCF plan is subject to the conditions yet to be set out by the Department of Health and Social Care, including the value of the national allocation, however indications suggests the 2019/20 plan will be an extension of the existing arrangements with an opportunity to review schemes.

1.51 The 2019/20 iBCF allocation will also include an additional £3.368m for winter pressures which was announced by the Chancellor in the October Budget Statement.

1.52 The total value of the 2019/20 Lincolnshire BCF is expected to be £242.285m (including winter pressures), on the basis that the national allocation is estimated to total £57.561m, as such these values are subject to change.

1.53 **The Adult Safeguarding** strategy is proposing to make savings of £1.000m related to Deprivation of Liberty Safeguards (DoLs). Within this strategy there are also proposed cost pressures of £1.006m in 2019/20 the majority also linked to DoLs.

1.54 The recent increase in investment within this strategy is as a direct result of the Cheshire West ruling in March 2014 with regards to DoLs. The assumption has always been that secondary legislation that is currently going through parliament will be passed at the end of this financial year and will mitigate the increase in demand brought about by the ruling. However current indications suggest that the new legislation will not have the desired impact on current levels of activity until much later and as such funding is still required.

1.55 **The Adult Frailty and Long Term Conditions** strategy is proposing to make savings of £6.015m in 2019/20.

1.56 Of the total savings identified in 19/20 £4.635m reflect the removal of non-recurrent schemes funded via the BCF in 2018/19. The remaining £1.380m is a result of increased income derived from increases in service user contributions.

1.57 Pressures funded in 19/20 (£5.768m) relate to increased demographic growth and additional pressure on provider unit costs brought about by increases in the

National Living Wage, largely impacting upon residential and community based services.

1.58 **The Carers** strategy is proposing to make savings £0.075m in 2019/20. Within this strategy there are no proposed cost pressures 2019/20.

Savings occur as a result of the withdrawal of non-recurrent BCF funds.

1.59 **Adult Specialities** strategy is proposing to make savings of £2.891m in 2019/20. Within this strategy there are also proposed cost pressures of £8.833m in 2019/20.

1.60 Of the total savings identified in 2019/20 £0.669m is a result of increases in service user contributions and £2.222m due the removal of one off BCF funds.

1.61 Pressures funded in 2019/20 relate to increased demographic growth and additional pressure on provider unit costs brought about by an increase in the National Living Wage for residential and community based services for those with a learning disability (£6.471m). £1.000m replaces the additional cost of increases to "Sleep-in" and "Waking Night" costs that have increased as a result of a HRMC ruling; these were previously funded via the BCF. £0.600m is to fund the additional cost borne by Lincolnshire Partnership Healthcare Trust for the delivery of community mental health services on behalf of the Council.

1.62 **The Wellbeing** strategy is proposing to make savings of £0.181m in 2019/20, with a cost pressure of £0.242m

1.63 Savings identified in 2019/20 are based on assumed savings following a proposed redesign and procurement of Housing related support services, with the cost pressures relating to a gap in the budget for the delivery of community equipment services against the contract value.

Environment and Economy

1.64 Environment and Economy commissioning strategies include: Community Resilience and Assets, Sustaining and Developing Prosperity Through Infrastructure, Protecting and Sustaining the Environment and Sustaining and Growing Business and the Economy.

1.65 **Community Resilience and Assets** within this strategy there are proposed cost pressures of £0.371m in 2019/20. These relate committed inflationary increases in the Library service contract (£0.042m); support to Lincolnshire Association of Local Councils (LALC) (£0.005m); and a new cost pressure to replace temporary funding for a Prevent Officer to meet the responsibility of the Council under the Counter Terrorism and Security Act 2015 (£0.046m).

1.66 The budget to support the Citizens Advice Bureaux (CAB) in Lincolnshire was removed in February 2017 by the Council, and the service has received support by use of reserves during the last two years. The proposal is to re-instate a budget to support the core services of CAB (£0.278m).

1.67 Sustaining and Developing Prosperity Through Infrastructure - within this strategy there are proposed savings of £4.319m and cost pressures of £1.562m in 2019/20.

1.68 Due to the Department for Transport re-designation of Lincoln as a 'PTE like' area, there was an expected increase in the cost of concessionary fares of £0.145m. £0.100m was added to the base budget for this during 2018/19, with the remaining £0.045m proposed in 2019/20 to give a full year effect.

1.69 An element of the cost pressures for this strategy (mainly within the Transport activity) relates to an increase in contract costs, which have a direct relationship to national living wage levels. There are proposed cost pressures of £0.267m in 2019/20 to meet the Council's obligation to pay staff and some contractors the central government set national living wage.

1.70 The Heritage service is moving towards a self-financing model of delivery so savings of £1.019m have been proposed to move the service to a zero budget in 2019/20. To the extent that the full level of proposed savings cannot be achieved in 2019/20 for any reason, the service has earmarked reserves to the value of £0.880m which can be drawn down to support this transition.

1.71 The Highways Asset protection budget has a number of cost pressures proposed, which reflect the impact on Lincolnshire Highways of previous service reductions. These changes include; returning to two full cycles for weed spraying (£0.150m); reinstating the grass cutting 3rd flail and amenity cuts (£0.300m) and returning to a full cycle of gulley cleansing (£0.370m). There is also a need have available additional Mobile Maintenance Teams (MMT's) to manage the peak in demand for pot hole repairs over the autumn and winter period (£0.220m). The current arrangement the Council has for the Highways Asset Management 'CONFIRM' software is coming to an end. New licencing costs and a move to an on-demand system has created a cost pressure of £0.210m.

1.72 The saving in this budget reflects the removal of the additional 'one-off' budget provided to Highways Asset Maintenance in 2018/19 (£3.300m).

1.73 Protecting and Sustaining the Environment within this strategy there are proposed savings of £0.041m and cost pressures of £0.272m 2019/20.

1.74 The JCB's used in the waste transfer stations have been supplied under a lease arrangement. As these leases expire there is a proposal to move to a capital purchase to replace them. This has generated savings in 2018/19 (£0.123m), and further savings will be generated 2019/20 (£0.041m).

1.75 Within this strategy there are cost pressures of £0.272m in 2019/20. These pressures relate wholly to waste disposal costs in the increase in volumes of waste being collected for disposal and the inflationary increases of the waste management contract.

1.76 **Sustaining and Growing Business and the Economy** there are no savings or cost pressures for 2019/20.

Finance and Public Protection

1.77 Finance and Public Protection commissioning strategies include: Protecting the Public, How We Do Our Business and Enablers and Support to Council's Outcomes.

1.78 **Protecting the Public** strategy is proposing to make savings £0.100m in 2019/20 and has proposed cost pressures of £0.449m.

1.79 The Fire & Rescue Service have total cost pressures of £0.331m. These pressures relate to increased rates costs of fire stations (£0.023m); Emergency Services Network costs (Airwave replacement) (£0.029m); increased software costs for recording operational training records (£0.022m) and operational mobilising technology enhancement (move to Vision 4) (£0.057m). Changes in legislation have increased the number of Retained Duty System (RDS) Firefighters opting into the pension scheme, creating a cost pressure for the service (£0.120m). In order to meet the services risk based inspection programme for fire prevention a capacity issue has been highlighted by HMICFRS, a cost pressure of £0.080m has been identified to recruit to Fire Protection posts to meet these requirements.

1.80 There are cost pressures in 2019/20 within Trading Standards relating to the increased costs of product safety testing (£0.020m) and safeguarding checks required for scams on vulnerable victims (£0.040m).

1.81 There are also cost pressures identified within the Coroners Service (£0.058m) and savings (£0.100m) which relate to the new model of service delivery for the Coroners Service within Lincolnshire.

1.82 **How we do our Business** strategy is proposing cost pressures of £0.279m for 2019/20.

1.83 Whilst the notice to withdraw remains, it is proposed to reinstate the budget for the Local Government Association (LGA) subscription (£0.067m).

1.84 The Finance and Audit teams have recognised the need to establish training posts within the staff structure, to support the succession planning and resilience concerns that have been identified. It is proposed to start this with introducing apprenticeship posts within the Finance Team (£0.080m) and the Audit, Insurance & Risk Teams (£0.105m) with the aim that these training posts will become part of the core establishment in 3-4 years' time. A cost pressure of £0.026m is necessary to continue to deliver the Councils Counter Fraud Partnership. This is a joint initiative with the District Councils and the PCC and is generating significant savings for the Council.

1.85 **Enablers and Support to Council's Outcomes** strategy is proposing to make savings of £0.015m in 2019/20. Within this strategy there are also proposed cost pressures of £0.293m in 2019/20.

1.86 Property Strategy & Support are proposing a saving in 2019/20 (£0.015m) to support the capital programme. The remaining saving in this area relates to the removal of a one off pressure for concluding archaeological costs of West Deeping minerals site (£0.278m).

1.87 An element of the cost pressures for Property Strategy and Support relates to an increase in contract costs, which have a direct relationship to national living wage levels. There are proposed cost pressures of £0.391m in 2019/20 to meet the Council's obligation to pay staff and some contractors the central government set national living wage. There are also cost pressures relating to increasing property rates and utility costs (£0.181m).

Other Budgets

1.88 Other Budgets includes: Capital Financing Charges, Other Budgets and Contingency budgets.

1.89 **Capital financing charges**, within other budgets have been set at a level to reflect the revenue implications of the revised capital programme set out below (paragraphs 1.102 to 1.111). The revenue implications of the capital programme are estimated to cost the Council £41.819m in 2019/20. The overall affordability of the capital programme has been reviewed to ensure that the impact on the revenue budget remains affordable. The Council is also budgeting for £2.000m of receipts from investment of cash balances in 2019/20.

1.90 There are cost pressures within **other budgets**, as follows:

- As reported last year, as advised by the actuary, Hymans Robertson, the employers' pensions secondary payment to the pension fund will be increased by £1.007m to £6.510m in 2019/20; and
- Two small increases to the Apprentice Levy Budget £0.006m and to Eastern Inshore Fisheries and Conservation Association (EIFCA) precept budget £0.059m.

1.91 The Autumn Statement 2016 and the Provisional Local Government Settlement of that year provided local authorities with some flexibilities around the use of capital receipts in 2016/17 and for the following two financial years. This flexibility has been extended up to 01 April 2020. Under previous regulations these were required to be utilised to fund capital expenditure, or repay debt. Under these new flexibilities the Council will be able to use capital receipts to fund the cost of transformation of which the key criteria is the expenditure will generate ongoing revenue savings to the authority.

1.92 It is currently proposed that an amount of £8.000m will be used from income generated from capital receipts to fund these types of schemes in 2019/20. Details of the schemes to be funded and the Council's updated Efficiency Plan will be presented to Executive at its meeting on 5 February 2019.

1.93 The Council's **contingency budget** for 2019/20 will remain at £3.000m. This budget is available to fund any pressures which arise during the financial year.

Schools

1.94 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2019/20, the DSG will continue to comprise of four blocks: schools, central school services, high needs, and early years block. Each of the four blocks of the DSG is determined by a separate national funding formula.

1.95 Lincolnshire's indicative DSG allocation for 2019/20 is £551.862m, and will be used to support all schools in Lincolnshire including Local Authority schools and academies. Over half of Lincolnshire pupils attend academy schools; therefore the DSG figure for the Schools block will be revised down for the academy schools budget share allocations. The DSG is a ring-fenced grant and the actual split between academies and Local Authority schools has no financial risk to the Council from the DSG schools delegated budget perspective.

1.96 The government implemented a new national funding formula in 2018/19 to ensure a fairer settlement for each school. The Council agreed to replicate the funding formula factors and monetary values along with the government's agreed floors and ceiling approach to enable incremental steps to move to the 'hard' formula. The introduction of the new national funding formula increased overall Lincolnshire mainstream school funding levels by c.3.7% in 2018/19, and is planned to grow by a further 2.9% in 2019/20.

1.97 The Local Authority will continue to be responsible for setting the mainstream school funding formula for all Lincolnshire schools including academies in 2019/20. The Local Authority's decision agreed to the direction of travel of replicating the government's national funding formula to ensure schools' allocations are on a sensible trajectory towards the move to the 'hard' formula. The Local Authority remains committed to continue replicating the national funding formula in 2019/20 with the protection arrangements (floors and ceiling) in place subject to affordability of the DSG from central government.

1.98 In 2019/20, the Schools block that is used for the purposes of funding all mainstream schools budget shares will be determined by aggregating the schools' notional allocations under the national funding formula determined by the government. The government will ensure all schools notional allocations will receive at least 0.5% per pupil increase in 2019/20 in respect of all mainstream schools compared to their 2018/19 baselines, and gains of up to 3% per-pupil in 2019/20 depending on each schools' circumstance.

1.99 The government is also moving to a basis for distributing funding to Local Authorities for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending. Local Authorities will be protected under the formula by seeing a minimum increase of 0.5% per head in 2019/20 compared to their 2018/19 High Need block.

1.100 Lincolnshire's indicative pupil premium allocation for 2019/20 is £30.677m. Pupil premium funding nationally is at £2.423 billion, and will grow for increases in pupils meeting the eligibility criteria. Similarly to the DSG, the pupil premium allocation for Lincolnshire covers both the allocations for Local Authority schools and academy schools. The Education and Skills Funding Agency will continue to allocate pupil premium for academy schools, so the grant will be reduced accordingly. However, this has no financial risk to the Council. The final publication of 2019/20 allocations will be released in year.

Reserves

1.101 The Council's current financial strategy is to maintain general reserves within a range of 2.5% to 3.5% of the Council's total budget, at 31 March 2018 the balance stood at £15.200m. General reserves, at 31 March 2018, are expected to remain at £15.200m which is 3.49% of the budget requirement for 2019/20 as set out in this report. The Overview Scrutiny and Management Board considered a report on Financial Risk in October 2018 and recommended to the Executive Councillor with responsibility for finance that the general reserves should be maintained at £15.200m for the forthcoming financial year

Capital Programme

1.102 The proposed capital programme covers the remainder of the current year and 2019/20, as well as major schemes for future years. Schemes comprise: a number of major highways schemes; the rolling programme of renewal and replacement of fire fleet vehicles, gritters fleet and vehicles at the Waste Transfer Stations; improvements and review of property portfolio and information technology (IT) developments.

1.103 The gross programme is set at £381.315m from 2019/20 onwards, with grants and contributions of £110.308m giving a net programme of £271.007m to be funded by the County Council.

1.104 The overall capital programme and its funding are shown in **TABLE 4**.

TABLE 4: Summary Capital Programme 2018/19 plus future year's commitments.

	2018/19	2019/20	Future Years
	£m	£m	£m
Gross Capital Programme	186.303	178.500	202.815
Less: Grants and Contributions	-99.044	-59.547	-50.761
Net Programme Funded by LCC	87.259	118.953	152.054
Funded By:			
Revenue Funding	4.833	0.600	0.000
Borrowing	70.080	118.353	152.054
Use of Capital Grants Unapplied	12.335	0.000	0.000
Use of Revenue Grant Reserves	0.011	0.000	0.000
Total Funding by LCC	87.259	118.953	152.054

1.105 The following additions have been made to the net capital programme as part of the budget setting process:

1.106 Environment and Economy

- Additional budget for Grantham Southern Relief Road £20.130m in future years as a result of increased costs of construction, archaeology, and additional scheme requirements.
- Additional budget for Lincoln Eastern Bypass £11.700m in 2019/20 and £14.578m in future years. This is due to an increase in archaeology costs and the need to re-let the main contract following the demise of Carillion.
- Additional budget for Spalding West Relief Road scheme section 5 - £3.291m in future years to complete this major scheme development. Advance design work is continuing for section 1 of the Spalding West Relief Road, but any future capital support for this scheme will be reliant on an agreed level of developer contribution.
- Major scheme development of Corringham Road in partnership with West Lindsey District Council (WLDC) – budget of £1.500m in 2019/20 and receipt of £1.000m contribution during 2020/21.
- Budget of £1.100m in 2019/20 for the A46 Dunholme/ Welton Roundabout, the scheme has been partly funded by £2.000m National Productivity Improvement Fund awarded in 2018/19 and £1.839m of Integrated Transport Grant.
- Improvement of Holdingham Roundabout £0.435m in 2019/20 and £2.115m in future years.

- To support the programme of local flood improvement schemes in relation to the Council's responsibility as Lead Local Flood Authority to undertake improvement measures - £0.650m in 2019/20 and £1.950m in future years.
- Budget for the development of Business Units to safeguard employment - £2.000m in 2019/20. Independent research shows that there is demand for these centres, and income would be received from renting the facilities to tenants.
- The Executive has approved the development of a business case for a North Hykeham Relief Road to enable bids for 70% of grant funding to be made. Future budgets for this scheme will be considered based on the outcome of this bid.

1.107 Finance and Public Protection

- Firefighters' personal protective equipment (PPE) and breathing apparatus and maintenance of fire safety programme - £0.325m in 2019/20 and £2.953m in future years. This is to replace damaged items, to provide PPE to new recruits, a full refresh of PPE, to support fitting of smoke detectors in the private homes of vulnerable members of the community, and ensure adequate water provision for firefighting across the county.
- Replacement of fire mobilising system for fire and rescue £0.875m in 2019/20. The mobilising system provides the mechanism for the Council's Fire Control function to alert and inform fire crews of an emergency incident on station.

The system provides remote alerting to the Lincolnshire Fire and Rescue 'On Call' staff, who have an Alerter (pager). The funding includes the replacement of Alerters, which are coming to the end of their life.

- Development of Cloud Navigator and support ICT innovation £5.000m in 2019/20 and £9.000m in future years. The Cloud Navigator will enable the digital transformation of services to citizens.
- Property Improvement Programme £0.250m in 2019/20 and £0.250m in future years. This funding will enable further opportunities for property rationalisation to release inefficient office accommodation and realise associated revenue savings; to continue to maximise the use of existing office space by implementing the 'next office' concept, which supports rationalisation; and to target specific improvements to the office estate where facilities have been identified as poor, e.g. sub-standard toilet and kitchen facilities.
- Improvement to County Farms £0.259m in 2019/20 and £0.367m in future years to include works on sewage treatment, private roads and grain stores.

This funding will ensure that the 17 dwellings on the County Farms Estate affected by new regulations implemented in January 2020 will have a new sewage treatment plan which will comply with legislation (General binding rules: small sewage discharge to a surface water). Non-compliance will be enforced by the Environment Agency.

Secondly, the funding will improve the condition of the private roads on the County Farms estate by undertaking resurfacing works.

Lastly, the funding will allow investment in modern agricultural buildings suitable for modern machinery and crop storage to Farm Assurance standards. This will increase the capital value of the holdings and improve the efficiency of farming operations in order to increase the rental value. The new buildings may make existing yards surplus, thereby creating potential capital receipts.

- Schools Mobile Classroom Replacement Programme £0.300m in 2019/20 and £0.300m in future years to support the provision of schools places programme.
- Property Area Reviews £0.550m in 2019/20. This will support the relocation of staff as a result of property leases coming to an end.
- Modernisation of the County Emergency Centre £0.500m in 2019/20 to ensure the facility supports the Lincolnshire Resilience Forum (LRF) and all Emergency Planning requirements. The project will include upgraded information technology (IT) and resilience.
- To support the current priority condition works required over the next few years on Children's Homes - £0.250m in 2019/20 and £0.250m in future years. This will ensure lower disturbance and a comprehensive plan will be implemented to ensure that value for money is achieved for the works.

1.108 Other Programmes

- Development Capital Contingency £37.500m in future years (i.e. £7.5m per annum) to fund emerging schemes identified at the time.

The Council receives government grant funding to support large parts of the capital programme, including schools and roads maintenance. The following grants have been incorporated into the capital programme for 2019/20 and future years:

1.109 Environment and Economy

- An indicative award of £24.995m per annum for 2019/20 and future years, for the Highways Asset Protection Maintenance Block;
- An indicative award for Integrated Transport Grant of £3.312m per annum 2019/20 and future years; and

- Successful bids from the Safer Roads Fund to improve some of the most dangerous stretches of 'A' roads were announced by Department of Transport.

Under this scheme the Council will receive £1.245m in 2019/20 for A1084 Brigg to Caistor; £0.645m in 2019/20 towards A1084 Middle Rasen to Bishops Bridge; and £2.725m in future years for A631 Louth to Middle Rasen;

1.110 Children's Services

- An allocation for Provision of Schools Place Basic Need Grant is £22.971m in 2019/20, and £12.351m is planned for 2020/21. This will allow the Council to plan strategically to fulfil its statutory duty to provide sufficient school places for the children of Lincolnshire;
- An indicative grant award for the Schools Condition Allocation is £4.511m for 2019/20. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2019;
- An indicative allocation for Devolved Formula Capital is £1.136m for 2019/20. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2019, and
- The award of the Special Provision Fund allocations of £0.771m per annum in both 2019/20 and 2020/21. This funding will support the implementation of the Building Communities of Specialist Provision Strategy, which is to make significant improvements to SEND provision, so pupils can access an integrated school system which meets All Needs, in the right place, at the right time as close to home as possible.

1.111 The Council funds the net capital programme primarily from borrowing £118.353m in 2019/20, £152.054m in future years, and revenue contributions of £0.006m in 2019/20.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- * Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- * Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- * Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

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

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

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

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

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

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

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

As part of its decision-making the Executive will need to consider whether any alternative approaches could alleviate or at least mitigate the impact of the decision

such as making reductions in other areas which do not have the same impacts, including particularly equality impacts. The result could be to require additional resources to be used in certain areas than has been budgeted for.

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

It is not considered that this applies to any of the proposed reductions set out in this Report.

In particular, in the event that any of the proposed reductions cannot be achieved, the usual budget management processes such as the use of earmarked reserves or virement would be followed and approval sought at the appropriate levels in accordance with Financial Regulations including full Council where necessary. Furthermore, a contingency has been built into the budget proposals in the form of the Financial Volatility Reserve (the balance is estimated to be £21.324m after use to balance the 2019/20 budget) and the annual Contingency budget of £3.000m for 2019/20, for when additional funding cannot be found by way of earmarked reserves or virement from other service areas.

A full Equality Impact Analysis will be developed in respect of the final budget proposal and in particular any Council Tax proposals in the light of feedback received during the consultation process.

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

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

Individual proposals will only be implemented after due regard to the legal matters that must be considered including the Joint Strategic Needs Assessment and Joint Health and Well-being Strategy.

Crime and Disorder

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

Individual proposals will only be implemented after due regard to the legal matters that must be considered including the duty under section 17 of the Crime and Disorder Act 1988.

3. Conclusion

3.1 These budget proposals reflect the level of government funding available to the Council and a proposal to increase general council tax in 2019/20 by 1.95%. The Adult Social Care "precept" is proposed to be set at 2.00% in 2019/20 and this gives a total council tax increase of 3.95%.

3.2 A thorough review of Council services was carried out during last year's budget process, which covered both the 2018/19 and 2019/20 financial years. This year further unavoidable cost pressures as well as some savings have been identified, and the capital programme has been reviewed - the 2019/20 budget has therefore been refined this year. The budget proposals aim to reflect the Council's priorities whilst operating with the resources available to it.

4. Legal Comments:

The Executive is responsible for publishing initial budget proposals for the budget for the purposes of consultation before determining the budget it will recommend to the full Council.

The matters to which the Executive must have regard in reaching its decision are set out in the body of the report.

The recommendations are within the remit of the Executive and are lawful. The Executive has the power to accept the recommendation 1 or to agree one of the alternative approaches referred to in the report, subject to the limits on Council Tax increases referred to in the report.

The proposed delegation in recommendation 2 is lawful.

5. Resource Comments:

These budget proposals incorporate the level of funding available to the Council from central government plus an increase in council tax of 3.95% (1.95% general council tax plus a further 2.00% for the adult social care 'precept'). The Council's Financial Strategy for 2019/20 includes one off use of reserves of £23.292m to produce a balanced budget.

To achieve a sustainable budget from 2020/21 a comprehensive review of budgets will be required and the planning for this has started.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

Overview and Scrutiny Management Board:

The Overview and Scrutiny Management Board considered the Council's Financial Risk Assessment for the year 2019/20 at its meeting on 25 October. The Overview and Scrutiny Management Board supported the Council's Financial Risk Register and the assessment of the appropriate level of General Reserves.

Councillor Budget Briefings:

At the beginning of December two budget briefings were held for all Councillors to attend. Comments from these meetings are included within Appendix A2.

Further Scrutiny and Consultation:

A consultation meeting with local business representatives, trade unions and other partners will take place on 25 January 2018.

The Council's scrutiny committees will have the opportunity to scrutinise proposals in detail during January.

The proposals will be publicised on the Council's website together with the opportunity for the public to comment.

Consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 5 February 2019.

d) Have Risks and Impact Analysis been carried out?

Yes

e) Risks and Impact Analysis

An Equality Impact Analysis will be complete for the proposed increase in Council Tax. This will be reported back to the Executive at its meeting on 5 February 2019.

Further Equality Impact Analyses will need to be undertaken on a service by service basis.

7. Appendices

These are listed below and attached at the back of the report	
Appendix A1	Commissioning Strategies Glossary
Appendix A2	Councillor Comments from the Budget Briefings held on 3 and 5 December 2018

8. Background Papers

Document title	Where the document can be viewed
Provisional Local Government Finance Settlement announcements	Executive Director of Finance and Public Protection
Council Budget 2019/20	Executive Director of Finance and Public Protection

This report was written by David Forbes, who can be contacted on 01522 553642 or david.forbes@lincolnshire.gov.uk

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Commissioning Strategies Glossary

APPENDIX A1

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
Readiness for School	Children Centres - and commissioned services	This commissioning strategy aims to ensure all children will be ready to learn when they start school enabling them to achieve their full potential.
	Early Years sufficiency and support to the Private, Voluntary and Independent sector	
	Birth to 5 Service	
Learn & Achieve	School Support Services	This commissioning strategy aims to ensure all children and young people will learn and achieve, enabling them to reach their potential.
	School Improvement	
	Statementing process and interventions (to be replaced with new health, education and social care plan)	
	Home to school/college transport	
	Children with Disabilities	
Readiness for Adult Life	Careers Service	This commissioning strategy aims to ensure all young people will be prepared and ready for adult life.
	Positive activities for young people	
	Teenage Pregnancy	
	Supported accommodation/lodgings	
	Supported employment	
	Lincs Secure Unit	
	Reducing youth offending	
	Leaving Care Service	
Children are Safe and Healthy	School Nursing	This commissioning strategy aims to ensure all children and young people will be safe and healthy.
	Healthy schools & healthy child	
	Child protection (contact, referral and assessment)	
	Targeted Support - young people	
	Looked after Children	
	Fostering and adoption	
	Residential homes	
	Child and Adolescent Mental Health Services	
	Family support	
	Commissioning Support for all Children's Strategies	
Adult Frailty, Long Term Conditions and Physical Disability	Supporting Adult frailty (older people)	This commissioning strategy aims to ensure that individuals receive appropriate care and support that enables them to feel safe and live independently.
	Physical disability	
	Dementia	
Carers	Adult & Young carers	This commissioning strategy aims to ensure that carers feel respected and are able to balance their caring roles and maintain their quality of life.
Adult Specialities	Supporting Adults with learning disability	This commissioning strategy aims to improve outcomes for adults with mental health, learning disabilities and/or autism.
	Mental health	
	Autism	
Adult Safeguarding	Adult Safeguarding (including Mental Capacity Act)	This commissioning strategy aims to ensure all vulnerable adults rights are protected to live in safety and free from abuse and neglect.

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
Community Resilience and Assets	Advice, information and support services from community and voluntary sector infrastructure organisations	This commissioning strategy aims to assist communities in the county to support themselves. It will also include the community response to emergencies.
	Financial Inclusion	
	Library and information services	
	Customer Service Centre	
Wellbeing	Health Improvement, prevention and self management	This commissioning strategy aims to assist improvements in the health and wellbeing of the population as a whole, it covers advice, information and preventative services.
	Public Health statutory service	
	Wellbeing Service (including specialist equipment, assistive technology and Disabled Facility Grants)	
	Sexual Health	
	Housing related support	
	Prevention and treatment of substance misuse	
Protecting the Public	Preventing and reducing crime	This commissioning strategy will cover all of the work required in order to protect the communities in Lincolnshire.
	Tackling domestic abuse	
	Preventing and tackling fires & emergency response	
	Protecting the public through trading standards	
	Protecting the public by planning for and responding to emergencies	
	Improving road safety	
	Registration, Celebratory and Coroners service	
Sustaining & Developing Prosperity Through Infrastructure	Transportation including concessionary fares and other government grants etc	This commissioning strategy facilitates growth and prosperity through encouraging investment and enhancing the economic potential of the county.
	Highway asset maintenance	
	Highway network management	
	New transport investments including highways improvements and bypasses, growth corridors and programmes	
	Heritage & tourism operation and development	
Protecting & Sustaining the Environment	Reducing carbon emissions	This commissioning strategy covers how the Council will protect, enhance and balance our environmental needs.
	Flood risk management	
	Protecting and enhancing the natural & built environment	
	Waste management	
	Sustainable Planning	
Sustaining & Growing Business & the Economy	Improving skills and employability	This commissioning strategy covers how the council will help businesses to be the drivers of economic growth through supporting a climate in which they are able to invest, enhance their business performance, and offer attractive jobs to a skilled workforce.
	Encourage enterprise through support to business and our growth sectors	
	Attracting and expanding business investment	
	Lobbying and attracting funding for Lincolnshire	

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
How We Do Our Business	Budget & Policy Framework - Finance & Audit	This commissioning strategy will include the overarching governance and standards for the Council, including decision making through the democratic process.
	Chief Executive's Office	
	Decision making, including the democratic processes and elections	
	Monitoring Officer requirements	
	Eastern Inshore Fisheries & Conservation Authority - Levy	
Enablers & Support to Council's Outcomes	Information Management & Technology Strategy & support	This commissioning strategy will include the enablers required to support the delivery of the Councils agreed outcomes.
	Property Strategy & support (including County Farms)	
	People Management Strategy & support	
	Legal Advice	
	Commissioning Strategy & Support	
	Business Support	
	Strategic Communications	
Enablers & Support to Key Relationships	Partnership engagement & support	This commissioning strategy encompasses the Council's corporate strategies and the support to our relationships with the public, service users, partners and outside bodies.

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County Councillor Budget Briefings

Notes of Key Outcomes from Sessions on 3 December and 5 December 2018

Two budget briefing sessions for all county councillors were held on 3 December and 5 December 2018. Each session was attended by 13 councillors. Factual clarifications were given at each session, which have not been reproduced in these notes.

During the first session the following observations were made:

- Business Rates – Councillors highlighted the impact of retail sector changes on the localisation of Business Rates. It was suggested that the government needed to be aware of this due to the move towards greater online shopping and a smaller high street/retail sector.
- Future Budget Planning – Councillors highlighted that planning for future savings needed to be a consideration during the coming year. There was support from Councillors that income generation needed to be a greater focus from 2020 onwards.
- Adult Social Care – Councillors welcomed the digital platform for charging discussed by Glen Garrod.

At the second session, the following observation was made:

- Heritage Services – A Councillor commented that the budget savings associated with the Heritage Service becoming financially self-sufficient ought not to be taken in advance of decisions being made about the service delivery model. Although advice was given that earmarked reserves could be used to fund the service in 2019/20 until a decision on the service was implemented, there was a view that appropriate budget provision ought to be made rather than relying on reserves.

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UPDATE TO THE COUNCIL BUDGET 2019/20

This briefing paper provides an update on the 2019/20 budget following the publication of the Provisional Local Government Finance Settlement 2019/20 on 13 December 2018. The Council Budget report to the Executive on 18 December 2018 was prepared prior to this date so this information should be read in conjunction with that report. The impact of this information on the Council's budget proposals is set out below.

Provisional Local Government Finance Settlement 2019/20 and the Multi-Year Funding Deal

The funding the County will receive from government next year is largely in line with the four year deal which the authority agreed to in October 2017. The main exception is a positive one whereby our Rural Services Delivery grant is expected to be over £1.3m higher next year than agreed as part of the four year deal. This increase is analogous to one made in last year's provisional settlement. Our grant will now be £6.935m next year in recognition of the additional costs of providing services in rural areas.

The table below shows the 2019/20 major funding streams from government, both as originally indicated as part of the four year deal, and as announced on the 13 December 2018 with the difference between the two. This shows a total increase in funding of just under £1.5m.

	<u>2019/20</u> <u>Original</u>	<u>2019/20</u> <u>Provisional</u> <u>Settlement</u>	<u>Difference</u>	<u>Notes</u>
	£	£	£	
Business Rates Baseline Funding Level	109,597,860	109,676,913	79,053	Provisional settlement
Revenue Support Grant	20,138,594	20,138,594	0	Provisional settlement
Rural Services Delivery Grant	5,565,063	6,934,924	1,369,861	Assumption based on ministerial statement
New Homes Bonus Grant	2,104,177	2,143,824	39,647	Provisional settlement
			1,488,561	

It was also announced that there is a surplus amount in the national Business Rates Levy Account and this will be distributed to authorities next year. The indicative amount for Lincolnshire County Council is £1.683m.

Business Rates Pilot Bid

The County wide business rate pilot bid for next year submitted by all 8 Lincolnshire authorities together with North Lincolnshire Council was not approved. Fifteen such bids have been approved for 2019/20 with just two of these in respect of authorities who had pilot status in 2018/19. The non-approval, whilst disappointing, was in line with our expectations given the success in getting a bid approved for the current year. This Council will revert to a business rates pooling arrangement with all 7 Districts for the year ahead.

Confirmation of One-Off Funding Announced in Budget

The provisional settlement reaffirms an announcement made by the Chancellor in his Autumn Budget that further one year funding will be available next year for both adult care winter pressures (£3.368m for Lincolnshire) and for additional adult and children's social care pressures (£5.754m for Lincolnshire). This latter sum will assist in funding the ever increasing demand for these services and the increasing unit cost of provision which is driven substantially by further increases in the national living wage.

Also previously announced in the Chancellor's Autumn Budget was an additional £13.7m capital funding for highways maintenance ('pothole funding') which, whilst available in the current year, is expected to be of some benefit next year in terms of improving the condition of the road network.

Council Tax

The core level of council tax which can be levied prior to triggering a referendum will be 3% for next year (plus 2% for the adult care precept). The provisional budget approved for 2019/20 by Full Council in February 2018 was predicated on only a 2% maximum referendum threshold for core council tax next year. The Council will have to decide whether to use all or some of this additional flexibility. An additional 1% council tax income is worth around £2.8m pa in the income base of the Council.

Future Funding Consultations

Further consultation papers on the proposed 75% business rate localisation from April 2020 and the related national Fair Funding Review were also released along with the Provisional Settlement. These will be analysed over the coming weeks – the consultation response date for both is 21 February 2019.

Policy and Scrutiny

Open Report on behalf of David Coleman, Chief Legal Officer

Report to:	Overview and Scrutiny Management Board
Date:	31 January 2019
Subject:	Overview and Scrutiny Management Board Work Programme

Summary:

This item enables the Board to consider and comment on the content of its work programme for the coming year to ensure that scrutiny activity is focused where it can be of greatest benefit. Members are encouraged to highlight items that could be included for consideration in the work programme.

The work programme will be reviewed at each meeting of the Board to ensure that its contents are still relevant and will add value to the work of the Council and partners.

Actions Required:

Members of the Board are invited to:

- 1) Review and agree the Board's work programme as set out in Appendix A to this report.
- 2) Highlight for discussion any additional scrutiny activity which could be included for consideration in the work programme.

1. Background

Overview and Scrutiny should be positive, constructive, independent, fair and open. The scrutiny process should be challenging, as its aim is to identify areas for improvement. Scrutiny activity should be targeted, focused and timely and include issues of corporate and local importance, where scrutiny activity can influence and add value.

Overview and scrutiny committees should not, as a general rule, involve themselves in relatively minor matters or individual cases, particularly where there are other processes, which can handle these issues more effectively.

All members of overview and scrutiny committees are encouraged to bring forward important items of community interest to the Board whilst recognising that not all items will be taken up depending on available resource and assessment against the prioritisation toolkit.

Purpose of Scrutiny Activity

Set out below are the definitions used to describe the types of scrutiny, relating to the items on the Board's Work Programme:

Policy Development - The Board is involved in the development of policy, usually at an early stage, where a range of options are being considered.

Pre-Decision Scrutiny - The Board is scrutinising a proposal, prior to a decision on the proposal by the Executive, the Executive Councillor or a senior officer.

Policy Review - The Board is reviewing the implementation of policy, to consider the success, impact, outcomes and performance.

Performance Scrutiny - The Board is scrutinising periodic performance, issue specific performance or external inspection reports.

Consultation - The Board is responding to (or making arrangements to) respond to a consultation, either formally or informally. This includes pre-consultation engagement.

Budget Scrutiny - The Board is scrutinising the previous year's budget, or the current year's budget or proposals for the future year's budget.

Requests for specific items for information should be dealt with by other means, for instance briefing papers to members.

Identifying Topics

Selecting the right topics where scrutiny can add value is essential in order for scrutiny to be a positive influence on the work of the Council. Members may wish to consider the following questions when highlighting potential topics for discussion to the Board:-

- Will Scrutiny input add value?
Is there a clear objective for scrutinising the topic, what are the identifiable benefits and what is the likelihood of achieving a desired outcome?
- Is the topic a concern to local residents?
Does the topic have a potential impact for one or more section(s) of the local population?
- Is the topic a Council or partner priority area?
Does the topic relate to council corporate priority areas and is there a high level of budgetary commitment to the service/policy area?
- Are there relevant external factors relating to the issue?
Is the topic a central government priority area or is it a result of new government guidance or legislation?

Scrutiny and Executive Protocol

The County Council's Scrutiny and Executive Protocol sets out practical working arrangements which develops a unity of purpose between the Executive, overview and scrutiny committees as well as the Council's senior managers.

The Protocol provides a framework for positive relationships between the Executive and overview and scrutiny committees, but its effectiveness is dependent on all councillors and officers accepting the principles underlying the Protocol.

The Protocol includes the following expectations:

- The Chairman or Vice Chairman of the Overview and Scrutiny Management Board will as far as possible attend each meeting of the Executive.
- The Chairmen or Vice Chairmen of overview and scrutiny committees should attend meetings of the Executive, where an item relevant to their committee's remit is being considered.
- Regular briefing meetings are recommended between the Chairmen and Vice Chairmen of overview and scrutiny committees and the relevant Executive Councillor(s) and Executive Support Councillor(s). These meetings should include the scrutiny officers, and any relevant officers if required.
- It is accepted that Executive Councillors may not be able to attend all meetings of their relevant overview and scrutiny committees. An overview and scrutiny committee may request the attendance of an Executive Councillor for a particular item on the agenda. In such cases if the Executive Councillor is not available he or she should be represented by the Executive Support Councillor.

Scrutiny Panel Activity

Where a topic requires more in-depth consideration, the Board may commission a Scrutiny Panel to undertake a Scrutiny Review, subject to the availability of resources and approval of the Board. Details of Scrutiny Panel activity is set out in Appendix B.

Work Programme items on scrutiny review activity can include discussion on possible scrutiny review items; finalising the scoping for the review; consideration and approval of the final report; the response to the report; and monitoring outcomes of previous reviews.

The Board may also establish a maximum of two working groups at any one time, comprising a group of members from the Board.

Committee Working Group Activity

Scrutiny Committees may establish informal working groups, which can meet a maximum of three times, usually to consider matters in greater detail, and then to put their proposals to Committee. Details of Working Group activity is set out at Appendix C.

Executive Forward Plan

The Executive Forward Plan of key decisions is set out at Appendix D. This is background information for the Committee's consideration to ensure that all key decisions are scrutinised by the relevant scrutiny committee.

2. Conclusion

The Board's work programme for the coming year is attached at Appendix A to this report.

Members of the Board are invited to review, consider and comment on the work programme as set out in Appendix A and highlight for discussion any additional scrutiny activity which could be included for consideration in the work programme.

Consideration should be given to the items included in the work programme as well as any 'items to be programmed' listed.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Not Applicable

b) Risks and Impact Analysis

Not Applicable

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Overview and Scrutiny Management Board – Work Programme
Appendix B	Scrutiny Panel Activity
Appendix C	Working Group Activity
Appendix D	Forward Plan of Decisions

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Tracy Johnson, Senior Scrutiny Officer, who can be contacted on 01522 552164 or by e-mail at Tracy.Johnson@lincolnshire.gov.uk

OVERVIEW AND SCRUTINY MANAGEMENT BOARD

Chairman: Councillor Robert Parker

Vice Chairman: Councillor Ray Wootten

Each agenda includes the following standard items:

- **Call-in (if required)**
- **Councillor Call for Action (if required)**

31 January 2019		
Item	Contributor	Purpose
Establishment of a Property Company	Kevin Kendall, County Property Officer	Pre-Decision Scrutiny (Executive Decision on 5 February 2019)
Final Draft Council Business Plan 2019/20	Jasmine Sodhi, Performance and Equalities Manager	Pre-Decision Scrutiny (Executive Decision on 5 February 2019)
Revenue and Capital Budget Monitoring Report 2018/19	Dave Simpson, Technical and Development Finance Manager David Forbes, County Finance Officer	Pre-Decision Scrutiny (Executive Decision on 5 February 2019)
Service Budget Proposals 2019/20	Michelle Grady, Head of Finance - Communities David Forbes, County Finance Officer	Budget Scrutiny (Council Decision on 22 February 2019)
Capital Strategy 2019/20	Sue Maycock, Head of Finance - Corporate David Forbes, County Finance Officer	Pre-Decision Scrutiny (Executive decision on 5 February 2019)
Council Budget 2019/20	David Forbes, County Finance Officer	Budget Scrutiny (Council Decision on 22 February 2019)
<i>Treasury Management Training Session – 2.00pm</i>		

28 February 2019		
Item	Contributor	Purpose
Membership of the Local Government Association (LGA)	David Coleman, Chief Legal Officer	Pre-Decision Scrutiny <i>(Leader Decision TBC)</i>
2018/19 Council Business Plan Quarter 3	Jasmine Sodhi Performance and Equalities Manager	Performance Scrutiny / Pre-Decision Scrutiny <i>(Executive decision on 5 March 2019)</i>
Treasury Management Performance Quarter 3 (1 October 2018 to 31 December 2018)	Karen Tonge Treasury Manager	Performance Scrutiny
Treasury Management Strategy Statement and Annual Investment Strategy 2019/20	Karen Tonge Treasury Manager	Pre-Decision Scrutiny <i>(Executive Councillor Decision on 22 March 2019)</i>
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> • Children and Young People Scrutiny Committee • Public Protection and Communities Scrutiny Committee 	Cllr Robert Foulkes Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

28 March 2019		
Item	Contributor	Purpose
Reconfiguration of the Council's ERP system – Business World	Andrew McLean: Transformation Programme Manager Helen Edwards: Strategic Finance Manager – Agresso	Pre-Decision Scrutiny <i>(Executive Decision on 2 April 2019)</i>
Scrutiny Panel B – Transitions Review Final Report	Cllr Angela Newton, Chairman of Scrutiny Panel B	Scrutiny Review Activity

28 March 2019		
Item	Contributor	Purpose
Corporate Support Services Contract – IMT Progress Report	John Wickens, Chief Digital Officer	Performance Scrutiny
Council People Management and Workforce Plan – Six Monthly Update Report	Fiona Thompson, Service Manager – People Management	Performance Scrutiny
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> • Environment and Economy Scrutiny Committee • Highways and Transport Scrutiny Committee • Flood and Water Management Scrutiny Committee 	Cllr Barry Dobson Chairman of Environment and Economy Scrutiny Committee Cllr Mike Brookes Chairman of Highways and Transport Scrutiny Committee Cllr Bob Adams Chairman of the Flood and Water Management Scrutiny Committee	Performance Scrutiny

25 April 2019		
Item	Contributor	Purpose
Corporate Support Services Contract – Housekeeping Progress Report	Sophie Reeve, Chief Commercial Officer	Performance Scrutiny
Overview and Scrutiny Annual Report	Nigel West, Head of Democratic Services and Statutory Scrutiny Officer	Performance Scrutiny
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> • Adults and Community Wellbeing Scrutiny Committee • Health Scrutiny Committee 	Cllr Hugo Marfleet, Chairman of Adults and Community Wellbeing Scrutiny Committee Cllr Carl Macey, Chairman of Health Scrutiny Committee	Performance Scrutiny

30 May 2019		
Item	Contributor	Purpose
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> • Children and Young People Scrutiny Committee • Public Protection and Communities Scrutiny Committee 	Cllr Robert Foulkes Chairman of Children and Young People Scrutiny Committee Cllr Nigel Pepper Chairman of Public Protection and Communities Scrutiny Committee	Performance Scrutiny

27 June 2019		
Item	Contributor	Purpose
Corporate Support Services Contract – Six Monthly Overview Report	Sophie Reeve, Chief Commercial Officer John Wickens, Chief Digital Officer	Performance Scrutiny
Overview and Scrutiny Work Programmes <ul style="list-style-type: none"> • Environment and Economy Scrutiny Committee • Highways and Transport Scrutiny Committee 	Cllr Barry Dobson Chairman of Environment and Economy Scrutiny Committee Cllr Mike Brookes Chairman of Highways and Transport Scrutiny Committee	Performance Scrutiny

For more information about the work of the Overview and Scrutiny Management Board please contact Tracy Johnson, Senior Scrutiny Officer, on 01522 552164 or by e-mail at Tracy.Johnson@lincolnshire.gov.uk

Scrutiny Panel Activity

(as at 23 January 2019)

Current Reviews

Scrutiny Panel A	Membership	Completion Date
Roundabout Sponsorship and Advertising	Councillors L Wootten (Chairman), S R Parkin (Vice Chairman), W J Aron, Mrs A M Austin, Mrs P Cooper, P Coupland, A G Hagues and N Pepper	11 March 2019

Scrutiny Panel B	Membership	Completion Date
Transitions	Councillors Mrs A Newton (Chairman), A H Turner (Vice Chairman), R L Foulkes, A G Hagues, C Matthews, S R Parkin, R H Trollope-Bellew and M A Whittington	28 March 2019

All completed review reports to be approved by relevant scrutiny committee before consideration at a meeting of the County Council's Executive.

Working Group Activity

(as at 23 January 2019)

Committee	Working Group	Membership
Adults and Community Wellbeing Scrutiny Committee	Government Green Paper – Care and Support for Older People	Councillors C E H Marfleet, R J Kendrick, Mrs J E Killey, A P Maughan, Mrs E J Sneath and M A Whittington
Environment and Economy Scrutiny Committee	High Street Vitality	Councillors B Dobson, B Adams, W Bowkett, Mrs J Brockway, K Clarke, K Cook, G Cullen, Mrs C Lawton and A Spencer
Overview and Scrutiny Management Board	UK's Exit from the European Union	Councillors Mrs A Austin, T Bridges, M Brookes, M T Fido, R L Foulkes, C E H Marfleet, Mrs M J Overton MBE, R B Parker, A M Stokes and Mrs C A Talbot; and added member: Mr S Rudman
Overview and Scrutiny Management Board	IT Provision	Councillors B Adams, M D Boles, C J T H Brewis, T Bridges, Mrs J Brockway, S R Parkin, S P Roe and M A Whittington

FORWARD PLAN OF KEY DECISIONS FROM 1 FEBRUARY 2019

DEC REF	MATTERS FOR DECISION	REPORT STATUS	DECISION MAKER AND DATE OF DECISION	PEOPLE/GROUPS CONSULTED PRIOR TO DECISION	DOCUMENTS TO BE CONSIDERED	OFFICER(S) FROM WHOM FURTHER INFORMATION CAN BE OBTAINED AND REPRESENTATIONS MADE (All officers are based at County Offices, Newland, Lincoln LN1 1YL unless otherwise stated)	DIVISIONS AFFECTED
I017223 New!	Street Lighting Policy 2019 - to include actions from Part Night Street Lighting Scrutiny Review	Open	Executive Councillor: Highways, Transport and IT Between 25 Jan 2019 and 1 Feb 2019	Highways and Transport Scrutiny Committee	Report	Group Manager Design Services Tel: 01522 552394 Email: john.monk@lincolnshire.gov.uk	All
I016780	Capital Strategy 2019/20	Open	Executive 5 Feb 2019	Overview and Scrutiny Management Board	Report	Head of Finance - Corporate Tel: 01522 553663 Email: sue.maycock@lincolnshire.gov.uk	All
I016572	Council Budget 2019/20	Open	Executive 5 Feb 2019	Overview and Scrutiny Management Board	Report	County Finance Officer Tel: 01522 553642 Email: David.forbes@lincolnshire.gov.uk	All

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I016862	Council Business Plan 2019-2020	Open	Executive 5 Feb 2019	Overview and Scrutiny Management Board	Report	Performance and Equalities Manager Tel: 01522 552124 Email: jasmine.sodhi@lincolnshire.gov.uk	All
I015181	Revenue and Capital Budget Monitoring Report 2018/19	Open	Executive 5 Feb 2019	Overview and Scrutiny Management Board	Report	County Finance Officer Tel: 01522 553642 e-mail: david.forbes@lincolnshire.gov.uk	All
I016025	To seek approval to go out to Consultation on the approved options for the Future Model for the Heritage Service	Open	Executive 5 Feb 2019	Public Protection and Communities Scrutiny Committee	Report	Chief Community Engagement Officer Tel: 01522 553786 Email: nicole.hilton@lincolnshire.gov.uk	All
I017211 New!	Establishment of a Property Company	Open	Executive 5 Feb 2019	Overview and Scrutiny Management Board	Report	County Property Officer Tel: 01522 552933 Email: kevin.kendall@lincolnshire.gov.uk	All

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I017099	School Admission Policies and Co-ordinated Schemes for 2020 Intake	Open	Executive Councillor: Adult Care, Health and Children's Services Between 11 Feb 2019 and 20 Feb 2019	As required by the School Admissions Code 2014	Report	School Admissions Manager Tel: 01522 553304 Email: steven.gamble@lincolnshire.gov.uk	All
I017038	Community Based Support Service for People with Dementia and their Families	Open	Executive Councillor: Adult Care, Health and Children's Services Between 28 Feb 2019 and 4 Mar 2019	Commercial Team – People Services; Adults and Community Wellbeing Departmental Management Team; and the Adults and Community Wellbeing Scrutiny Committee	Report	Senior Commercial and Procurement Officer Tel: 01522 553695 Email: karley.beck@lincolnshire.gov.uk	All

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I017098	The approval for the publication of The Lincolnshire County Council (A46 Dunholme and Welton Junction) (Classified Road) (Side Roads) Order 2019 and associated Compulsory Purchase Order 2019 for the acquisition of land	Open	Executive 5 Mar 2019	Highways and Transport Scrutiny Committee; impacted landowners and tenants	Report	Senior Project Leader Tel: 01522 782070 Email: charlotte.hughes@lincolnshire.gov.uk	Welton Rural
I017124 New!	Authority to Procure Replacement Breathing Apparatus Equipment	Open	Executive 2 Apr 2019	Public Protection and Communities Scrutiny Committee	Report	Assistant Chief Fire Officer Tel: 01522 582222 Email: dan.quinn@lincolnshire.gov.uk	All
I013959	Future Model of the Heritage Service	Open	Executive 8 May 2019	Public Protection and Communities Scrutiny Committee	Report	Chief Community Engagement Officer Tel: 01522 553831 Email: nicole.hilton@lincolnshire.gov.uk	All