

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

Report to:	Executive
Date:	7 July 2015
Subject:	Review of Financial Performance 2014/15
Decision Reference:	I006135
Key decision?	Yes

Summary:

This report:

- describes the Council's financial performance in 2014/15;
- identifies and explains variances from the Council's revenue and capital budgets;
- makes proposals on the carry forward of over and under spendings into the current financial year; and
- reports Prudential and Financial Performance Indicators for 2014/15.

Recommendation(s):

That the Executive:

- (1) recommends to full Council that the Adult Care underspend up to 1% is not carried forward as part of the Adult Care budget but is added to the underspends above 1% for the purposes of paragraph 2 below;
- (2) recommends to full Council that the proposals in paragraph 1.90 of the Report relating to the treatment of underspends in excess of 1% be approved;
- (3) note the transfers to and from reserves carried out in 2014/15 as set out in **Table D**; and
- (4) note financial performance in 2014/15 including the Prudential Indicators.

Alternatives Considered:

This report describes the actual position for the 2014/15 financial year and is factual in content and follows current Council policy. No alternatives are being considered in relation to this aspect.

In relation to the treatment of the Adult Care underspend up to 1% this could be carried forward as part of the Adult Care budget in the normal way. However, in the judgment of the service the amounts involved are not required and this enables them to be used manage the wider financial challenges facing the Council by supplementing reserves.

In relation to the treatment of overspends and underspends above 1% as set out in paragraph 1.90, there are a number of different ways these could be used. The proposed mix of service expenditure and transfers to reserves is considered to be the most prudent and appropriate approach for the Council.

Reasons for Recommendation:

Financial governance requires that the Executive reviews the financial performance of each year. This report facilitates this.

The treatment of underspends and overspends are considered appropriate and prudent for managing the financial challenges facing the Council.

1. Background

1.1 The County Council set its spending plans for 2014/15 against a backdrop of considerable national economic uncertainty, significantly reduced Government grant funding and rising demand for services (such as adult care). In setting the budget for 2014/15 the Council's aim was to set a balanced and deliverable budget that would effectively address reduced levels of funding, protect frontline services wherever possible, and continue to freeze Council Tax to the people of Lincolnshire for the fourth year running.

Revenue spending

1.2 The Council spent £924.224m on 2014/15 in providing public services – £1,248.68 for every person in Lincolnshire.

1.3 The Council has had to deal with a number of unavoidable cost pressures. These include: increasing population (in particular, the impact on the Council's adult care budgets of increasing numbers of older people) and general inflationary pressures. Some of these were accommodated within existing budgets but some external pressures have added to the Council's costs and required savings to be delivered.

1.4 In addition to saving targets, when the Council set its budget for 2014/15 the financial strategy included the use of £6.780m from the Council's Financial Volatility Reserve to bridge the gap between funding and expenditure levels. Use of reserves only offers a one off contribution towards the budget shortfall, but, it is expected that the reduction in funding levels will be permanent. The Council has undertaken a Fundamental Budget Review when setting its 2015/16 budget to address this, plus further shortfalls in funding anticipated in future years.

1.5 The general level of expenditure in 2014/15 indicates that during the year the Council has been able to secure the cash efficiency savings required in the budget.

Revenue Income

1.6 Revenue spending was funded by:

• Revenue Support Grant	£124.6m	13.4%
• Business Rates	£102.1m	10.9%
• Dedicated Schools Grant	£259.8m	27.8%
• Other grants and contributions	£160.0m	17.2%
• Local council tax payers	£226.4m	24.3%
• Charges and other income	£59.7m	6.4%

1.7 The Council's main sources of general funding come from Revenue Support Grant (RSG) and Business Rates (part of which is retained from business rates collected in Lincolnshire and part from central government as a 'top up' to the element collected locally). Funding from RSG received in 2014/15, on a like for like basis showed a reduction of £25.180m or 17.2% from the grant received in 2013/14. Business Rates showed a small growth of £4.651m or 4.8%.

1.8 In addition to RSG the Council also receives specific government grants. The most significant of these was £259.761m of Dedicated Schools Grant which is used for funding education in Lincolnshire.

1.9 In 2014/15 the Council chose to freeze council tax for the fourth consecutive year. Central Government again provided a grant equivalent to a 1% increase in Council Tax. The Council also saw a small growth of 0.4% on the number of band D equivalent properties in Lincolnshire.

Capital spending and funding

1.10 The Council spent £114.636m on the county's assets, in particular on:

- Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals;
- Integrated Transport Schemes across the Council including: minor capital improvements, rights of way, road safety, public transport and town/village enhancements;

- Redevelopment of Lincoln Castle including repairs to the walls development of a circular wall walk, construction of a vault for the Magna Carta and refurbishment of the prison.
- Programme of modernisation to meet the statutory responsibility for provision of educational places and a programme to improve the condition of school buildings.

1.11 This investment was funded through:

• Government Grants and other external contributions	£87.7m	76.5%
• Borrowing	£17.2m	15.0%
• Capital Receipts	£5.4m	4.7%
• Revenue Funding and Use of Earmarked Reserves	£4.3m	3.8%

1.12 The Council used grants from central government to fund: maintenance work on roads; modernisation and improvement of condition of school buildings; and provision of education places.

1.13 The Council sets itself a limit on its total borrowing to ensure that it remains prudent and affordable. The Council's target is to ensure that annual minimum revenue provision (MRP) plus interest are no more than 10.0% of the Council's annual income. The figure for 2013/14 was 5.77%. MRP is the amount required to be set aside as a provision for debt repayment, and in accordance with Regulation, this amount should be prudent to ensure debt is repaid over a period reasonably commensurate with the period over which the capital expenditure funded by borrowing provides benefits. The Council's current policy is to apply the average life method to calculate the MRP and use the MRP in full to repay debt annually.

The Council's financial standing

1.14 The Council's revenue budget remains under pressure from reduced funding and service pressures. For 2015/16 the Council has only set a one year budget, rather than the normal three year plans. This was due to the uncertainty associated with local government funding in the medium to long term. Uncertainty of future funding following a general election in May 2015 and the promise of a new Comprehensive Spending Review which will follow this, will affect local government funding to the end of the decade. Also changes to funding through the Better Care Fund and implementation of the Care Act will require further clarification for local government budgets to be set with certainty in the longer term. Clarity on such matters should allow the County Council to develop longer term plans from 2016/17 onwards.

1.15 In developing the financial plan for 2015/16, the Council has undertaken a fundamental review of priorities and related budgets to identify how to close the gap between current spending levels and the amount of funding available to local government going forwards. The Council plans to use a mixed approach of delivering spending at the reduced level of funding available through budget savings/reductions, plus the use of reserves (£21.871m from the Council's Financial Volatility Reserve) built up in previous financial periods to smooth the

effect of reductions to service budgets in this financial year. The Council has also chosen to increase Council Tax by 1.9%.

1.16 The Council also maintains a general reserve as a contingency against unexpected events or emergencies. The Council sets itself a target, based on a financial risk assessment, of maintaining these reserves within a range of 2.5% to 3.5% of its total budget. The Council's general reserves at 31 March 2015, as proposed in this report, would be £15.900m or 3.5% of the Council's total budget.

1.17 In addition to the general reserve and Financial Volatility Reserve the Council maintains a number of other reserves earmarked for specific purposes (details of these are set out in **TABLE D**).

1.18 The savings identified through the fundamental budget review plus the one off use of reserves and the modest Council Tax increase, will ensure the Council can withstand the immediate pressures in local government funding, whilst implementing the arrangements for delivering services at the reduced level of government funding.

Key Financial Performance Measures: Financial Health and Performance

1.19 The County Council has identified a number of key indicators to monitor its Financial Health and Performance. **TABLE A** reports the actual position for 2014/15 on these key indicators.

TABLE A – Key Financial Performance Measures: Financial Health and Performance

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2014/15 Estimate	2014/15 Actual
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 27 county councils)	Yes	Yes 25th
2	Government grants	Lobby for annual increases in general government grants to be above the county average.	Yes	Yes
3	Capital receipts	At least £15m over four years 2011/12 to 2014/15.	£2.000m	£5.426m
4	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	6.24%	5.77%
5	Accounting	Unqualified external audit opinion.	Yes	Not Yet Available
6	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requirement net of Dedicated Schools Grant	Within range	Within range 3.5%
7	Internal control	None of the processes audited receive a "no assurance" opinion from internal audit	Yes	No areas evaluated as 'No Assurance' / 'Inadequate'
8	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	92.50%	95.42%
9	Treasury management	Risk adjusted return comparison	Weighted Benchmark 0.41%	Weighted Benchmark 0.66%

Revenue Budget Outturn

1.20 The revenue outturn for 2014/15 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £8.126m or 1.9%.
- Schools were underspent by £17.658m or 6.3% of the schools budget.
- There was an underspend of £9.150m on other budgets or 15.8%.
- The Council received £0.407m or 0.1% of general funding income in excess of budget.
- This give the Council an overall underspend of £35.341m.

1.21 The revenue outturn position for 2014/15 is shown in **TABLE B** (over page).

TABLE B – Revenue Budget Final Outturn 2014/15

REVENUE BUDGET MONITORING 2014/2015				
SERVICE	CURRENT BUDGET	EXPENDITURE	UNDER OR OVER SPENDING	PERCENTAGE UNDER OR OVER SPENT
	£'000	£'000	£'000	%
SERVICE BUDGETS				
Adult Care	139,794	138,688	-1,106	-0.8%
Public Health	40,793	40,484	-309	-0.8%
Public Health Grant Income	-29,777	-29,777	0	0.0%
Children's Social Care	49,316	51,697	2,381	4.8%
Education Services	57,022	54,094	-2,928	-5.1%
Highways and Transportation	49,484	49,145	-339	-0.7%
Environment, Planning and Customer Services	27,264	27,070	-194	-0.7%
Economy and Culture	12,255	12,054	-201	-1.6%
Finance and Resources	17,202	14,654	-2,548	-14.8%
Fire and Rescue	21,370	21,264	-106	-0.5%
Community Safety	19,116	18,097	-1,019	-5.3%
Performance and Governance	21,892	20,135	-1,757	-8.0%
TOTAL SERVICE BUDGETS	425,731	417,605	-8,126	-1.9%
SCHOOLS BUDGETS				
Delegated School Budgets	259,288	241,895	-17,393	-6.7%
Dedicated Schools Grant	-259,761	-259,761	0	0.0%
Schools Related Expenditure	20,691	20,411	-280	-1.4%
Schools Budget (Other Funding)	-7,450	-7,435	15	-0.2%
NET SCHOOLS BUDGET	12,768	-4,890	-17,658	-138.3%
OTHER BUDGETS				
Contingency	1,680	0	-1,680	-100.0%
Capital Financing Charges	52,844	44,818	-8,026	-15.2%
Other Budgets	3,319	3,875	556	16.8%
TOTAL OTHER BUDGETS	57,843	48,693	-9,150	-15.8%
TOTAL EXPENDITURE	496,342	461,408	-34,934	-7.0%
MET FROM				
Revenue Support Grant	-124,575	-124,575	0	0.0%
Business Rates	-102,301	-102,143	158	-0.2%
Council Tax	-226,361	-226,361	0	0.0%
Other Non Specific Grants	-16,180	-16,745	-565	3.5%
TOTAL MET FROM	-469,417	-469,824	-407	0.1%

Adult Care – (£1.106m under budget)

1.22 The Adult Care net outturn is £138.686m, an under-spend of £1.106m on the final budget of £139.794m. This is as a result of the continued drive for efficiencies and increasing income collection rates. However this is set against an environment of increasing placement activity in all services as demographic pressures continue to grow.

1.23 Adult Care continues to change the way it works with partners from additional areas of the care spectrum including colleagues from other directorates such as Children's Services and Public Health, alongside health partners from the Clinical Commissioning Groups. This has resulted in the recent agreement to pool health and social care budgets totalling £197m through 5 Section 75 agreements and 2 aligned budgets.

1.24 Adult Care has now completed its four year savings plan which has delivered in excess of £38m worth of savings. Adult Care produced savings of £7.9m in 2014/15 from a number of successful projects including:

- Savings due the outsourcing of the Lincolnshire Assessment and Reablement Service;
- Diversions from Long Term Residential Care;
- Continued savings due to the decommissioning of the in-house night care service;
- Reductions in business mileage;
- Savings from the review of the in-house day opportunities service;
- A review of existing contracts; and
- Reduction in the Section 75 Contract for the provision of mental health services.

Older Peoples Services

1.25 The final outturn for the Older Peoples Service was £70.914m, an underspend of £0.049m on a budget of £70.963m.

Physical Disabilities Service

1.26 The Physical Disability Service reported a balanced position on a budget of £12.265m.

Learning Disability Service

1.27 Learning Disabilities finished 2014/15 with a small underspend of £0.030m against a budget of £45.971m.

Mental Health

1.28 The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust by way of a section 75 agreement. The agreement was reviewed in 2012 with a profile of savings targets agreed over a four year cycle. The agreement has resulted in a saving to the authority of £2.375m over the last four years including savings in 2014-15. The service delivered a balanced budget in 2014/15 of £5.636m.

Infrastructure

1.29 Infrastructure reported an underspend of £1.028m in 2014/15.

1.30 This included Contracting where a number of contracts were either completed earlier than expected within the year, or re-negotiated at a lower cost, and internal and external training where more external income was received than anticipated against, and a reduction in the provision of internal training.

1.31 The Safeguarding budget was overspent by circa £0.500m due to the additional Deprivation of Liberty Safeguards (DOLS) assessments required in the year. This increase came about through the Supreme Court Cheshire West case Judgement, whereby they introduced a new acid test as to whether arrangements for care/treatment of an individual who lacked capacity to consent to the arrangements, was a deprivation of their Liberty. This has significantly increased the number of service users who are now regarded as being deprived of their liberty which means each one will need to go through a re assessment. This also was a major contributor to the Legal budget being £0.300m overspent for the year.

Public Health – (£0.309m under budget)

1.32 The final outturn position for Public Health is an underspend of £0.309m. This relates to the service area funded by core LCC budgets, and the Lincolnshire Community Assistance Scheme (LCAS), which during 2014/15 was funded by a specific non ring-fenced grant of £1.8m. The majority of this underspend relates to the LCAS scheme, which had been budgeted for prudently to ensure the demand on the service did not exceed the grant provision available.

1.33 The expenditure relating to the Public Health ring-fenced grant has underspent by £2.038m. As this is a ring-fenced grant, the income received relating to this underspend, has been transferred to an earmarked grant reserve to ensure the grant is used in future in accordance with the grant conditions. This underspend relates to services provided based on activity levels such as healthchecks (£0.139m), adult weight management (£0.077m) and smoking cessation services (contracted provision £0.300m, development funding £0.246m and related prescribing costs £0.316m). There was also an underspend due to staff vacancies in the service of £0.528m. These vacancies were being held to help reduce the impact of the service restructure which has now been implemented. Savings of £0.087m were also generated by ceasing the contracted out management of GP Locally Enhanced Services (LES) contracts and managing this within the service. As there are still a number of uncertainties around some activity based costs (predominantly around prescribing costs and out of county sexual health services) a contingency was set to avoid the risk of cost pressures on the council resources. The contingency reflects £0.272m of the reported underspend.

Children's Services - (£0.547m under budget)

1.34 Children's Services underspent by £0.547m (or 0.5%). This was in line with the forecasts reported to the relevant committees from October onwards.

1.35 Children's Social Care budgets overspent by £2.391m. The growing pressures on children's social care were reported throughout the year and these pressures were as a result of the increase in the number of Children Looked After, which rose from 589 to 637 between April 2014 and March 2015. This placed a significant pressure on a range of services, which created material overspends in the following areas: out of county residential provision (£1.233m), accommodation

and support costs for looked after children (£0.313m), kinship carer payments (£0.389m), legal spending (£0.246m) and special guardianship orders (£0.231m).

1.36 Children's Services feel confident that these social care pressures can be managed in 2015/16 following the council's decision to increase children's social care budgets by £1.515m along with processes and measures being adopted across Children's Services.

1.37 Education Services underspent by £2.928m. The main areas of underspending were: special education needs & disabilities service restructuring (£0.581m); contractual changes to the CfBT school improvement & education support services contract (£0.368m); early years (£0.374m) and youth & positive activities (£0.310m); careers service additional income (£0.226m); music service activities (£0.206m). The remaining balance relates to one-off funds set aside to help finance projected overspends on social care budgets.

Highways and Transportation - (£0.339m under budget)

1.38 Highways and Transportations year end position was a £0.339m under spend. The main variances are:

- The winter maintenance budget provides for the cost of an average winter. In 2014/15 the winter weather was again less severe than the average, leading to an underspend of £0.280m. The Council's gritter fleet carried out 87 gritting runs during the winter months and this compares with 66 gritting runs the year before.
- Pressure continues on the structural maintenance of the road network with a £0.779m overspend. This has been accommodated by underspends on safety maintenance of £0.353m, and increased income from S38 agreements of £0.210m.
- Underspending on Civil Parking Enforcement and Fixed Penalty Notification £0.064m. It is proposed later in this report that this underspend is retained for this service as it completes its second full year under County Council control.
- The Linclab service showed a surplus of £0.050m on their trading operations, this is partly due to the year-end treatment of pay accruals for traffic enumerators and delays on other commitments.
- The advance design budget shows an underspend of £0.050m which will be needed in the new financial year due to the expected pressure on priority infrastructure schemes, including Grantham Growth Points.

Environmental Planning and Customer Services - (£0.194m under budget)

1.39 Environmental Planning and Customer Services year end position was a £0.194m under spend. The main variances are:

- Some of this underspend (£0.070m) has been managed to enable funding for new initiatives (match funded), including fire detection systems at waste transfer stations and for the Chalk Streams initiative.
- The restructuring of the service resulted in a saving of £0.058m at a management level and in year savings of £0.085m on staffing vacancies and related expenditure at an operational level.
- These staffing vacancies have led to underspends of £0.044m on sustainability projects, including education and campaigns.
- These underspends have been offset by overspending on the Customer Services Centre of £0.156m. This mainly involves a reduction in expected income and the challenges of meeting planned service savings. Operational responsibility was transferred to Public Health (October 2014) and from April 15 is delivered through the Serco contract.

Economy and Culture – (£0.201m under budget)

1.40 Economy and Cultures year end position was a £0.201m under spend. The main variances are:

- Underspends include deliberately prudent budget management in order to create a small budget to be rolled forward for planned and promotional events including the Magna Carta weekend scheduled for mid-June (£0.047m). There was also some additional income received by the Business Centre Portfolio (£0.087m), a saving on the Chance to Share Scheme with sports centres (£0.045m) and some savings on service restructuring (£0.050m).
- These savings are offset by a small overspend on Libraries and Heritage (£0.020m), which was due to Lincoln Castle being closed from January to March 2015.

Finance and Resources - (£2.548m under budget)

1.41 Finance and Resources year end position was a £2.548m under spend.

1.42 The under spend in Legal Services Lincolnshire increased to £1.098m. The under spend in total is due to Legal Services achieving a surplus on income within the year, and also savings made through the locum budget.

1.43 Treasury and Financial Strategy also under spent by £0.686m. This was due to a receipt of a dividend payment in February 2015 from ESPO that wasn't included in the budget (£0.296m) and also the remaining balance of the unallocated carry forward (£0.318m). In addition the external audit fee was lower than anticipated (£0.035m reduction against budget), and there was a saving in the Eastern Inshore Fisheries Levy of £0.037m.

1.44 Corporate Property underspend for the year was £0.664m. This was made up from slippage of schemes within the rationalisation programme. (£0.374m), Reactive repair and maintenance underspend of £0.130m, Projects where one off funding was allocated in 14/15 but the work has now slipped into 15/16 (£0.378m), and reduced maintenance work on County Farms of £0.045m. This was slightly offset by an overspend for the City Hall dilapidation costs in year of £0.263m.

1.45 Procurement Lincolnshire underspent for the year by £0.100m in total due to the impact of the Senior Management Review and the Information and Commissioning restructure.

Fire and Rescue and Emergency Planning - (£0.106m under budget)

1.46 The final outturn for this area was an underspend of £0.106m. The two main contributors to this underspend was the fact that pay accruals were not included at year end as the information was not available, (circa £0.060m), and also the level of activity for the retained firefighters in the last quarter reduced more than anticipated, hence giving an unexpected saving in this area.

Community Safety – (£1.019m under budget)

1.47 There is an underspend overall of £1.019m.

1.48 Business Support underspend increased to £0.731m for 2014/15, which is a 6% underspend against this year's budget. This was due to vacant posts either being filled later than expected, or in some cases not filled at all, and also additional miscellaneous income received in period 12 that was not expected.

1.49 The Coroner's and Registration Services over spent by £0.153m in the year due to an increase in the long inquest payments to Coroner's from April 2014 which have now also been made pensionable.

1.50 Youth Offending are showing an underspend of £0.108m for the year. This is largely due to a number of staff on fixed term contracts having recently left the service. In light of the Fundamental Budget Review they have been unable to fill these posts.

1.51 Safer Communities underspend increased to £0.333m for the year. The increase was due to a late decision by partnering commissioners to fund some projects that were scheduled to be funded by the County Council at the start of the year (DA Conference, SVA, and Sentinel). The remainder was £0.150m related to

the Voluntary Perpetrator Scheme which was planned for this year and will now not begin until 2015.

Performance and Governance – (£1.757m under budget)

1.52 The underspend in this area for the year was £1.757m.

1.53 People Management underspend for the year was £0.091m due to a number of small underspends including reduced level of CRB checks in the year, additional graduate vacancies and lower than projected level of Corporate Learning and Development.

1.54 There was also an underspend for Information Management and Technology (IMT) of £0.441m, due to the Mouchel contract payments being significantly lower than projected. The amount to be paid across to Mouchel was only finalised and agreed in March 15. Previous projections had been based on the last year's charges.

1.55 There is a projected under spend in Performance and Programmes and the Chief Executive's area totalling £1.076m. This is due to staff savings (£0.170m), the impact of the Senior Manager Review implementation (£0.394m), and the cessation of the Commissioning for Lincolnshire project (£0.421m).

1.56 The £0.182m of carry forward/legal surplus allocation has now been allocated against the IMT budget above.

1.57 The Policy Resource budget is also underspent by £0.050m.

Schools - (£17.658m under budget)

1.58 Under government regulations, schools carry forward automatically their under and overspendings to the next financial year. The budgets held centrally within the DSG underspent by £3.190m with £0.9m being capitalised to support the disadvantaged 2 year old agenda following Secretary of State approval. As the DSG is a ring fenced grant, the DfE requires the Local Authority to consult the Schools Forum later in the year on proposals for use of the £2.290m remaining under spend.

Other Budgets – (£9.150m under budget)

1.59 The Council's capital financing charges were £7.983m under budget. This is due to several factors. There has been slippage of the capital programme which reduced the need to borrow in 2014/15. This has had an effect on the interest payable on borrowing and the amount required to be set aside to finance borrowing costs in the future, both being lower than budgeted. Savings were also made due to the Council using a mix of external borrowing and utilising internal balances to finance the capital programme. Slippage in both capital and revenue budgets has

also led to excess balances being available for investment over 2014/15, and so interest generated from investments was also in excess of budget by £0.043m.

1.60 The Council has a contingency budget, set aside for emerging pressures which may arise during the financial year. At the year-end £1.680m remained, and was not required in 2014/15.

1.61 Other budgets were overspent by £0.556m. This comprises a number of under and over spends:

- Council's Corporate Redundancy Budget overspent by £3.001m. Actual redundancy costs were higher than the amount budgeted for. The most significant costs were generated by the Senior Management Review and Lincolnshire Adults Re-ablement Service (LARS) redundancy payments to Lincolnshire Partnership Finance Trust (LPFT). Costs were also generated by staffing reviews in several other areas of the County Council.
- Council Tax Support Schemes underspent by £0.200m. At the beginning of 2014/15 the County Council set aside £0.200m in case any of the Lincolnshire District's required additional funding for the administration of their new Council Tax Schemes. There was no call on this funding during 2014/15.
- The Council's insurance budget showed a surplus of £2.267m. The insurance fund is designed to enable the Council to 'self-insure' its insurable risks over the long term. The operating surplus this year has arisen mainly due to the following reasons:
 - claims and premiums were lower than predicted;
 - insurance recharges were high to enable the fund reserves to be increased. This approach was put in place as over the past years the funds operating costs fell into deficit; and
 - few bids for the risk management fund made.

It is proposed to add half of this underspend (£1.134m) into the insurance reserve to keep the balance at a prudent level for future years.

During 2015/16 an actuarial review will be undertaken on the insurance fund to assess the levels of reserves and long term sustainability. A 'root and branch' review of re-charging methodologies is also planned – this will ensure that insurance costs to services reflect their insurable interests and risk profile whilst ensuring that an appropriate level of reserve is maintained.

Council's General Funding – (£0.407m in excess of budget)

1.62 The Council's general funding was £0.408m in excess of the revenue budget approved at full Council in February 2014. The most significant reasons for this increase of funding are as follows:

- Section 31 Grant for Business Rates - £0.112m (more than was budgeted for). This Grant relates to an Autumn Statement Reconciliation Payment 2013/14 following final outturns provided by District Councils.
- New Homes Bonus Returned Funding - £0.336m (more than was budgeted for). At the time of budget setting, the Council had not been notified of the amount to be received in 2014/15. This is funding that was originally allocated from the 2014/15 Settlement to fund New Homes Bonus, with a commitment from the Government, that any funding not used for this purpose would be returned to local authorities.
- Rural Services Delivery Funding (*previously known as, Efficiency Support for Services in Sparse Areas*) - £0.171m (more than was budgeted for). At the time of budget setting, the Council had not been notified of this additional funding. The Council had already been awarded £0.813m in recognition of the higher costs associated with delivering services in rural areas and added into the Revenue Support Grant. This £0.171m is the Council's share of an additional allocation of £2.000m awarded to the most rural councils and paid through a Section 31 Grant.
- Business Rates Pooling - £0.269m (less than was budgeted for). We have been notified by the Pooling Administrator, North Kesteven District Council, that the income we will receive from business rates pooling will be £0.157m less than budgeted for in 2013/14 and £0.112m less than budgeted for in 2014/15.

Capital Programme Outturn

1.63 The capital outturn for 2014/15 is summarised below:

- Net capital expenditure was £53.007m; and
- There was an under spending of £21.305m or 28.7%.

1.64 The capital budget outturn is shown in **TABLE C** over page. The reasons for significant capital budget over or underspendings are explained in the following paragraphs.

Table C – Net Capital Outturn 2014/15 – Part 1

CAPITAL PROGRAMME	NET BUDGET £'000	NET SPEND £'000	VARIANCE £'000	VARIANCE %
Highways and Transportation				
Lincoln Eastern Bypass	2,000	1,171	-829	-41.5%
Lincoln East-West Link	4,958	2,573	-2,385	-48.1%
Grantham East-West Link Road	0	863	863	100.0%
A16/A1073 Spalding to Eye Road	1,661	1,470	-191	-11.5%
Asset Protection	6,682	6,559	-123	-1.8%
Integrated Transport	3,867	1,650	-2,217	-57.3%
Other Highways and Transportation	33	43	10	30.3%
Highways and Transportation Sub Total	19,201	14,329	-4,872	-25.4%
Economy and Culture				
Enterprise				
Historic Lincoln	-25	2,118	2,143	-8572.0%
Other Enterprise Schemes	213	156	-57	-26.8%
Enterprise Sub Total	188	2,274	2,086	1109.6%
Regeneration				
Teal Park, Lincoln	342	1,307	965	282.2%
Grantham Growth Point	2,298	34	-2,264	-98.5%
Lincoln Growth Point	968	1,130	162	16.7%
Lincoln Waterways	1,025	332	-693	-67.6%
Skegness Countryside Business Park	1,100	47	-1,053	-95.7%
Other Regeneration Schemes	1,086	272	-814	-75.0%
Regeneration Sub Total	6,819	3,122	-3,697	-54.2%
Libraries and Heritage				
Libraries and Heritage	77	10	-67	-87.0%
Libraries and Heritage Sub Total	77	10	-67	-87.0%
Economy and Culture Sub Total	7,084	5,406	-1,678	-23.7%
Environment, Planning & Customer Services				
Energy from Waste	220	107	-113	-51.4%
Flood Defence	0	0	0	0.0%
Other Environmental & Planning	2,370	1,000	-1,370	-57.8%
Environment, Planning & Customer Services Sub Total	2,590	1,107	-1,483	-57.3%
Childrens' Services				
Devolved Capital	2,263	2,282	19	0.8%
Provision of School Places (Basic Need)	12,562	12,562	0	0.0%
Schools Condition / Maintenance	1,243	1,306	63	5.1%
Modernisation / Condition Capital	1,492	1,369	-123	-8.2%
Early Years Sufficiency / Extended Provision	471	318	-153	-32.5%
Universal Infant Free School Meals	0	0	0	0.0%
Schools Access Initiative	176	48	-128	-72.7%
Foster Care Capital	254	171	-83	-32.7%
Short Breaks for Disabled Children	102	82	-20	-19.6%
Other Children's Services	1,366	713	-653	-47.8%
Lincolnshire Secure Unit	0	4	4	100.0%
Lincoln Priory Academies	0	2	2	100.0%
Skegness Academy	178	155	-23	-12.9%
Sleaford St George's Academy	134	134	0	0.0%
University Academy Holbeach	265	231	-34	-12.8%
Priory Ruskin Academy	1,400	1,279	-121	-8.6%
Previous Projects and Programmes	181	130	-51	-28.2%
Childrens' Services Sub Total	22,087	20,786	-1,301	-5.9%

Table C – Net Capital Outturn 2014/15 – Part 2

CAPITAL PROGRAMME	NET BUDGET £'000	NET SPEND £'000	VARIANCE £'000	VARIANCE %
Adult Care				
Adult Care	313	332	19	6.1%
Adult Care Sub Total	313	332	19	6.1%
Public Health				
Public Health	280	280	0	0.0%
Public Health Sub Total	280	280	0	0.0%
Corporate Services				
Property	4,908	3,028	-1,880	-38.3%
Property Rationalisation Programme	2,500	520	-1,980	-79.2%
Property Contingency	0	0	0	0.0%
Fire & Rescue and Emergency Planning	569	544	-25	-4.4%
Fire Fleet Vehicles and Associated Equipment	1,141	723	-418	-36.6%
Other Community Services	54	28	-26	-48.1%
Corporate Services Sub Total	9,172	4,843	-4,329	-47.2%
Performance and Governance				
Broadband	200	-745	-945	-472.5%
Infrastructure and Refresh Programme	921	742	-179	-19.4%
Replacement ERP System	7,075	4,263	-2,812	-39.7%
Care Management System (CMPP)	1,616	1,159	-457	-28.3%
IMP Development	543	505	-38	-7.0%
ICT Development Fund	0	0	0	0.0%
Performance and Governance Sub Total	10,355	5,924	-4,431	-42.8%
Other Programmes				
New Developments Capital Contingency Fund	3,230	0	-3,230	-100.0%
Other Programmes Sub Total	3,230	0	-3,230	-100.0%
TOTAL NET PROGRAMME	74,312	53,007	-21,305	-28.7%
SOURCES OF FINANCING				
Revenue Contributions and Revenue Grants Transferred to fund Capital	-11,625	-8,354	-3,271	28.1%
Capital Receipts	-5,316	-5,380	64	-1.2%
Internal Borrowing	-35,300	-16,988	-18,312	51.9%
Capital Grants Reserves	-22,071	-22,285	214	-1.0%
TOTAL FUNDING	-74,312	-53,007	-21,305	28.7%

1.65 The capital programme comprises a series of schemes/projects which often span a number of years. Hence over/underspends cannot be related to time periods such as this financial year. Where a scheme/project is known to be exhibiting a material variance to its spend profile this will be described in the narrative associated with that Director area.

Highways and Transportation – (£4.872m under budget)

Lincoln East West Link – (£2.385m under profile)

1.66 This major scheme with a contract award of £10.600m has now been re-profiled following receipt of the contractors programme moving more expenditure into future years.

Integrated Transport – (£2.217m under profile)

1.67 Grantham projects were delayed due to the Network Rail undertaking bridge protection works along the East Coast Main Line, which meant some planned works had to be postponed to minimise impact on the highway network. Additionally, Grantham Southern Relief Road project has been delayed due to the Judicial Reviews, which meant associated works have been delayed too.

1.68 Resources required to deliver a number of major schemes in parallel (e.g. Lincoln East West Link, Whisby Road, Station Road and pinch-point schemes on Canwick Hill and Newark Road), combined with difficulties with statutory processes on other schemes (e.g. around land and utilities), has delayed a number of both road and cycleway schemes across the county.

1.69 The remaining underspend is due to a number of minor variances within Highways and Transport.

Economy and Culture – (£1.678m under budget)

Lincoln Castle Revealed – (£2.143m over profile)

1.70 The overall scheme budget of around £22m requires re-profiling as there is expected income from the re-sale of the Castle Moat House of £1.000m. Additional income is also expected from external funding / sponsorship and fundraising initiatives to offset against this amount.

Regeneration – (£3.697m under profile)

1.71 The regeneration area was £3.697m under profile this was due to:

- The Teal Park project has moved into an overspend situation due to the Highways Agency insisting on a commuted sum for future maintenance on the improved A46. This will be funded from within the overall Economy capital programme.
- Grantham Growth Points, £2.264m under profile – this is due to various delays in getting this major project to the construction stage.
- Skegness Countryside Business Park, £1.053m under profile – this scheme has been re-profiled in the new financial year to allow the construction of the

roundabout and Business Park access road to be delivered together to improve efficiencies of scale.

- Various waterways projects, £0.663m under profile – some schemes and in particular the Sutton Bridge Marina, were the subject of delayed starts in 2014/15 and some being due to the wait for funding letters in respect of Growth Deal funding.
- Various premises related schemes, £0.400m under profile – this was due to general delays in progressing schemes through to completion.
- Libraries and Heritage schemes, £0.067m under profile – this was due to the delay in implementing the Radio Frequency Identification (RFID) project in Libraries.

1.72 The remaining underspend is due to a number of minor variances within Economy and Culture.

Environment, Planning and Customer Services – (£1.483m under budget)

Waste Management – (£0.900m under profile)

1.73 There were a number of budget movements towards the end of the financial year for this service area. Taken with a number of outstanding commitments and payments the budget will be re-profiled into the new financial year.

1.74 Based on current operational priorities the anticipated spend includes:

- £0.250m Gainsborough Household Waste Recycling Centres (HWRC) compactors;
- £0.090m Gainsborough HWRC final valuation for completed site construction, the final valuation is yet to be received but is expected in May;
- £0.100m projects for district heating initiatives which are match funded;
- £0.050m Louth waste transfer station retaining wall alterations to ensure the facility can handle waste efficiently due to operational changes with mixed dry recyclable contract and street sweeping waste collection;
- £0.200m Louth waste transfer station concrete floor repairs;
- £0.110m Skegness HWRC improvement works; and
- £0.100m waste transfer station drainage works to bring 4 sites in line with Environment Agency requirements, failure to resolve may jeopardise the site permit and may result in site closure.

Other Environmental Management – (£0.405m under profile)

1.75 The Gibraltar Point Visitor Centre project accounts for this outturn and is committed to be spent this year following an insurance reimbursement received during March 2015.

Energy from Waste – (£0.113m under profile)

1.76 This budget is needed to fund the service road works at Grantham waste transfer station to complete to an adoptable standard, as the project has been delayed.

Solar Panels – (£0.065m under profile)

1.77 The solar panels at the Collection has still not been delivered, due to ongoing issues.

1.78 The remaining underspend is due to a number of minor variances within Environment, Planning and Customer Services

Children's Services – (£1.301m under budget)

1.79 Children's Services Schools Capital is funded through government grant allocations and these schemes often span financial years. Work slippages do occur with capital projects, however there are no planned overspends to highlight on current schemes.

1.80 The net capital programme outturn was an underspend of £1.301m (5.9%). This comprises the following: revenue funding of c.£0.500m has been transferred to the capital programme to fund the Family Centre developments planned for 2015/16; £0.130m committed for Schools Access improvements going forward; £0.150m for planned future Early Years Sufficiency projects; £0.180m for major Academy rebuild projects awaiting final costs; £0.080m committed to current capital projects to extend Foster Care provision; £0.100m for replacement of end-of-life mobile classrooms; and £0.100m reserved for other minor capital projects, for example Youth Centre provision.

Adult Care – (£0.019m over budget)

1.81 The Adult Care spent a total of £0.332m against a net budget of £0.313m. Expenditure included additional payments following completion of the development of the Barratt Court Extra Care Scheme and additional investment in Lincolnshire telecare services.

Corporate Services – (£4.329m under budget)

Property Services – (£3.860m under profile)

1.82 There is an under spend of £3.860m on the Property capital budget for the year made up from the expenditure relating to the purchase of Keily House in Louth now taking place in 2015/16, and also a large slippage in the repairs and maintenance programme. There is also an £0.080m underspend on the disabled access works.

Fire and Rescue – (£0.443m under profile)

1.83 The Fire Service budget was rephased in February with £1.805m being moved into 15/16. However, there has been further slippage in March 15 mainly due to the delay with the Breathing apparatus replacement and timing of replacement vehicles delivery (both within the Fleet programme).

Community Safety – (£0.026m under profile)

1.84 Only £0.028m was actually spent in 2014/15, leaving £0.026m to be carried forward into 15/16.

Performance and Governance - (£4.431m under budget)

1.85 A number of underspends to carry forward into 2015/16. These include circa £5.000m gross underspend for Broadband, due to the implementation by BT costing less than anticipated. BT have been submitting their invoices quarterly hence it has been difficult to project the final cost until the last invoices have been received. The replacement of the ERP system has not achieved all of the milestones by 31 March 2015, hence costs will run into 2015/16. – circa £2.800m. There is also a delay in the implementation of CMPP into 2015/16 circa £0.500m to carry forward into 2015/16.

Other Programmes – New Developments Capital Contingency Fund (£3.230m under budget)

1.86 The Council set aside £3.380m in 2014/15 to fund any new capital schemes on a business case basis which emerged during the financial year. Only one call was made on this funding during 2014/15; £0.150m for 'A Chance to Share' Scheme at Crowland former St Guthlacs School.

Carry forward of over and under spendings

1.87 The Council's policy as set out in its Financial Strategy is that:

- All under and overspendings on service revenue budgets of up to 1% will be carried forward without exception.
- The use of all underspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.
- The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.
- All under and overspendings on capital budgets, the dedicated schools budget and shared services will be carried forward.
- All under and overspendings on revenue budgets where the spend is of an uneven nature will be transferred to reserves.

Transfers to and from reserves

1.88 The Council has a number of reserves earmarked for specific purposes. Transfers are made to or from these earmarked reserves at each year end dependent on actual expenditure and income during the year. It is proposed that the transfers are made in the normal way.

1.89 The carry forward of over and underspendings relating to Directorate revenue spending includes:

- Up to 1% carry forward on service budgets. Note Adult Care does not require their 0.8% underspend to be carried forward into 2015/16. This is subject to recommendation 1. Subject to the decision of the Council, excluding Adult Care, the carry forward of other underspends up to 1% is £2.168m.

Directorate	Proposal £'000
Childrens' Services	547
Adult Care	-
Public Health	110
Communities	776
Resources and Community Safety	516
Performance and Governance	219
TOTAL	2,168

- The full carry forward of underspends relating to schools (£17.672m) and shared services (£1.249m).

- Transfers to earmarked reserves linked to revenue budgets where the spend is of an uneven nature (£1.125m). Made up of:
 - A transfer from the Schools Sickness Fund of £0.015m for the deficit in the revenue budget;
 - A transfer of £1.134m for the underspend on the Insurance Fund; and
 - A transfer of £0.006m for the underspend on Museum Exhibits.

1.90 In addition to this other proposed allocations of amounts resulting from overspends and underspends above the 1%, supplemented by the Adult Care underspend referred to in paragraph 1.89 above, are:

- A year end transfer of £12.415m into the financial volatility reserves. £21.871m is required for the planned contribution to Council's revenue budgets in 2015/16. The balance of £31.634m will be available to fund future uncertainties in local government funding in 2016/17 and beyond;
- Additions to existing reserves for:
 - Health and Wellbeing (£0.017m); and
 - Local Welfare Provision (£0.195m).

1.91 A variety of other transfers to or from other earmarked reserves reflecting actual expenditure and income in 2014/15 are shown in **TABLE D** over the page.

TABLE D – Transfers to and from reserves

EARMARKED RESERVES	Balance at 31 March 2014 £'000	Used in Year £'000	Additional in Year £'000	Balance at 31 March 2015 £'000
Schools Carryforward	-34,382	19,951	-17,710	-32,141
Prime Account Loan Reserve Adjustment	486	87	0	573
Balances held by Schools under a scheme of delegation	-33,896	20,038	-17,710	-31,568
Other Services	-3,999	3,999	-2,168	-2,168
Adverse Weather	-1,000	0	0	-1,000
Insurances	-5,087	0	-1,134	-6,221
Schools Sickness Insurance Scheme	-803	15	0	-788
Museum Exhibits	-138	0	-6	-144
Development Reserve	-576	134	0	-442
Health and Wellbeing	-2,932	772	-17	-2,177
Development - Lincs Coastal Country Park	-386	13	0	-373
Legal	-1,569	700	-1,098	-1,967
Procurement	-780	106	-151	-825
Salix Carbon Management	-100	108	-174	-166
Safer Communities Development Fund	-833	0	0	-833
Community Safety Development Fund	-945	473	0	-472
Co-Responders Services	-150	0	0	-150
Financial Volatility Reserve - Budget Shortfall	-6,780	6,780	-21,871	-21,871
Financial Volatility Reserve	-43,006	23,789	-12,415	-31,632
Teal Park	-50	0	0	-50
Youth Service Positive Activities Development Fund	-301	194	0	-107
Corby Glen/South Lincolnshire Sports Fund	-171	0	0	-171
Youth Offending Service	-363	0	0	-363
Domestic Homicide Reviews	-100	0	0	-100
Civil Parking Enforcement	-313	0	0	-313
Support Service Contract Reserve (FDSS)	-4,000	1,368	0	-2,632
Roads Maintenance Reserve	-5,843	3,640	0	-2,203
New Salt Dome Willingham	-200	0	0	-200
Waste Management Reserve	-727	727	0	0
Planning Appeals Reserve	-100	20	0	-80
Adoption Reform Reserve	-600	0	0	-600
Community Advisors Reserve	-287	131	0	-156
Local Welfare Provision Reserve	-221	0	-195	-416
Property Management	-250	0	0	-250
Energy from Waste Lifecycles	0	0	-1,286	-1,286
Mosaic Implementation	0	0	0	0
Broadband Project	-135	0	0	-135
Broadband Clawback	-157	0	0	-157
Flood and Water Risk Management	-621	189	0	-432
Young People in Lincolnshire	-334	0	0	-334
Members Big Society	-8	0	0	-8
Lincoln Eastern Bypass (LEB)	-500	0	0	-500
Unsuitable Transport Routes	-100	0	0	-100
Families Working Together	-738	127	0	-611
Enterprise Schemes	-191	0	0	-191
Asbestos Pressure	-137	88	0	-49
Adult Care Operations - Lincoln Prison	-20	20	0	0
DAAT Pooled Budget	-265	0	0	-265
Earmarked Reserves	-85,816	43,393	-40,515	-82,938
Revenue Grants and Contributions	-45,563	12,644	-22,398	-55,317
TOTAL RESERVES	-165,275	76,075	-80,623	-169,823

General Reserve

1.92 The Council's policy on general reserves is that they will be maintained within a range of 2.5% to 3.5% of its annual budget requirement. When setting its budget for 2014/15 the Council had planned to reduce the balance in the General Fund by £1.125m. After considering the impact of actual expenditure and income in 2014/15 and the proposals on the carry forward of over and under spendings it is proposed to make a contribution £0.625m to the general fund at the year end. The overall change in the balance in the General Fund is a £0.500m reduction. The general reserves at 31 March 2015 are £15.900m or 3.5% of annual budget requirement (shown in **TABLE E** below).

TABLE E – General Reserves

GENERAL RESERVES	Balance at 31 March 2015 £'000
Balance at 1 April 2014	-16,400
Planned contribution to / use in year	1,125
Proposed contribution to / use of reserves	-625
Balance as at 31 March 2015	-15,900
Balance as a percentage of total budget	3.50%

Prudential indicators

1.93 The Local Government Act 2003 gave authorities freedoms to borrow what they need to fund their capital programmes. The Act requires Local Authorities to comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. The Code provides a framework to ensure that Local Authorities' capital programmes are affordable, prudent and sustainable and that treasury management decisions are taken to support this.

1.94 In complying with the Code the indicators for 2014/15 were approved by County Council on 21 February 2014 along with the budget and council tax for that year. In accordance with the Code, the Executive Director has been monitoring the actual performance against the targets set and would have reported any issues of concern to members had there been a need to. The County Council should also be informed of the actual position compared with that estimated for any given year after the year end. **APPENDIX A** provides details of this comparison for 2014/15. It shows that Prudential Indicators have not been exceeded during the year and there have been no breach of limits set by the Authority.

Equality Act 2010

1.95 The Executive must be mindful of its obligations under the Equality Act 2010 and the special duties the Council owes to persons who have a protected characteristic as the duty cannot be delegated and must be discharged by the

decision maker. The duty is for the Council, in the exercise of its functions, to have due (that is proportionate) regard to the need to:

1. Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
2. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
3. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it: Equality Act 2010 s 149(1).

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation: s 149(7).

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

- a. Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- b. 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; and
- c. 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.

1.97 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.

1.98 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.

1.99 Compliance with the duties in this section may involve treating some persons more favourably than others.

1.100 A reference to conduct that is prohibited by or under this Act includes a reference to:

- i. A breach of an equality clause or rule
- ii. A breach of a non-discrimination rule.

1.101 The Executive must also have regard to the Child Poverty Strategy, the Joint Strategic Needs Assessment and the Joint Health and Wellbeing Strategy in reaching a decision.

1.102 These matters have been considered and there is not considered to be any direct impact of the decisions called for by this Report on the Equality Act duty or any of these strategies. The Council set its budget for 2015/16 in February 2015 having had regard to these matters. The treatment of underspends and overspends in this Report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to equality act obligations and the various strategies as they are taken. This includes decisions on the use of carried forward underspends.

2. Conclusion

2.1 The report provides details of the council's financial performance for 2014/15. Net revenue spending amounted to £466.298m excluding Schools Budgets. Net capital spending totalled £53.007m.

2.2 Existing policies allow all over and underspendings on capital, schools budgets and shared services to be automatically carried forward. The carry forwards and transfers to and from earmarked reserves have been proposed in accordance with existing policy. General reserves stand at £15.900m with a further £114.506m in earmarked reserves.

2. Legal Comments:

With regard to recommendation 1, the Council's Financial Regulations state that underspends up to 1% will be carried forward without exception. Full Council approval is therefore required to allow an exception to take place in relation to Adult Care.

With regard to recommendation 2, Council's Financial Regulations provide that the use of all underspending on service budgets in excess of 1% will be considered by the Executive and decided by the full Council. The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

With regard to recommendation 4, under Section 3 of the Local Government Act 2003 the Authority must determine and keep under review how much money it can afford to borrow. Reporting on the Prudential Indicators assists the Council in discharging this function.

The recommendations are lawful in accordance with the Constitution and the Policy Framework and within the remit of the Executive.

3. Resource Comments:

4.1 The Council has a sound financial base from which to manage the challenges of a difficult medium to longer term outlook for public sector finances.

4. Consultation

(a) a) Has Local Member Been Consulted?

n/a

(b) b) Has Executive Councillor Been Consulted?

Yes

(c) c) Scrutiny Comments

This paper will be scrutinised at the Value for Money Scrutiny Committee on 23 June, comments from this Committee will be presented directly at the Executive Meeting.

d) Policy Proofing Actions Required

n/a

5. Appendices

These are listed below and attached at the back of the report	
Appendix A	Prudential Indicators 2014/15

6. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Financial Strategy	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.

Appendix A

PRUDENTIAL INDICATORS ACTUAL COMPARED TO ESTIMATED 2014/2015			
Original Estimate	2014/15 £000	Actuals	2014/15 £000
Capital Expenditure Net	87,315	Actual Capital Expenditure (Excl Sch RCCO & Leasing)	53,009
Capital Financing Requirement 31/3/2015	632,560	Actual Capital Financing Requirement 31/3/2015	561,085
Capital Financing Requirement Estimate at 31/3/2017	660,283	Capital Financing Requirement Estimate 31/3/2017	588,809
Gross External Borrowing	521,225	Actual Gross External Borrowing	463,409
Borrowing in Advance of Need Limit	6,931	Actual Borrowing in Advance of Need Taken	0
Incremental Impact of Borrowing Plans on Council Tax '-Band D	£3.53	Actual Incremental Impact of Borrowing Plans on 'Council Tax -Band D	-£8.63
MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Estimate	6.24%	MRP & Interest Repayments not to exceed 10% of Net Revenue Stream Actual	5.77%
Ratio of Financing Costs To Net Revenue Stream	6.21%	Actual Ratio of Financing Costs To Net Revenue Stream	5.73%
External Debt:			
<u>Authorised limit for external debt -</u>		Actual external debt at 31/3/15	
borrowing	594,125	Borrowing	463,409
other long term liabilities	16,231	Other long term liabilities(Credit Arrangements)	12,938
TOTAL	610,356	TOTAL	476,347
<u>Operational boundary -</u>			
borrowing	570,125		
other long term liabilities	14,231		
TOTAL	584,356		
Treasury Management:			
<u>Upper limit for fixed interest rate exposure</u>		Actual exposure fixed interest	
Net principal re fixed rate borrowing less investments	660,283	Net Principal	368,719
<u>Upper limit for variable rate exposure</u>		Actual exposure variable interest	
Net principal re variable rate borrowing less investments	198,085	Net Principal	-56,669
<u>Upper limit for total principal sums invested for over 364 days</u> (per maturity date)	40,000	Actual sums invested > 364 Day	214
Maturity structure of fixed rate borrowing during 2014/15	upper limit	Actual maturity structure as at 31 March 2015	
under 12 months	25%	under 12 months	5.00%
12 months and within 24 months	25%	12 months and within 24 months	3.60%
24 months and within 5 years	50%	24 months and within 5 years	15.20%
5 years and within 10 years	75%	5 years and within 10 years	12.20%
10 years and above	100%	10 years and above	64.10%

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