

Report Reference:
Executive/Executive Councillor

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

Report to:	Executive
Date:	6 September 2016
Subject:	Review of Financial Performance 2015/16
Decision Reference:	I010797
Key decision?	Yes

Summary:

This report:

- describes the Council's financial performance in 2015/16;
- 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 2015/16.

Recommendation(s):

The Executive is recommended to:

- (1) recommend to full Council that the Information and Commissioning underspend up to 1.0% is not carried forward as part of the Information and Commissioning budgets but is added to the underspends above 1.0% for the purposes of recommendation 2 below;
- (2) recommends to full Council that the proposals in paragraph 1.77 of the Report relating to the treatment of underspends in excess of 1.0% be approved, subject to the final figures being confirmed pursuant to paragraph 5 below;
- (3) note the transfers to and from reserves carried out in 2015/16 as set out in **Table D**;
- (4) note financial performance in 2015/16 including the Prudential Indicators;

and

- (5) Request the Leader, to review and confirm the amount of the schools and Council Outturn to the County Council and the amount recommended to be transferred to the Financial Volatility Reserve pursuant to paragraph 1.77, as appropriate, in light of the final outturn position on Schools budgets and expenditure if finalised between the Executive meeting and the County Council on 16 September.

Alternatives Considered:

This report describes the actual position for the 2015/16 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 Information and Commissioning underspend up to 1.0% this could be carried forward as part of the Information and Commissioning budgets in the normal way. However, in the judgment of the service the amounts involved are not required and this enables them to be used to manage the wider financial challenges facing the Council by supplementing reserves.

In relation to the treatment of overspends and underspends above 1.0% as set out in paragraph 1.77, there are a number of different ways these could be used. The proposed mix of funding 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 2015/16 against a backdrop continued uncertainty in local government funding brought about by a general election in May 2015 and the promise of a new Comprehensive Spending Review which would affect local government funding to the end of the decade. 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 forward. The Council plan was a mixed approach to match spending to current levels of government funding. This included delivering savings identified

through the fundamental budget review plus the one off use of reserves and a 1.90% increase in Council Tax.

Revenue spending

1.2 The Council spent £941.360m in 2015/16 on providing public services – £1,283.91 for every person in Lincolnshire.

1.3 The Council has had to deal with a number of unavoidable cost pressures, amounting to £30.580m in budgetary terms. 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 additional savings to be delivered. These cost pressures in 2015/16 were balanced against a savings target of £30.733m; made up of savings including: improved contract arrangements and additional income for Adult Care responsibilities through the Better Care Fund (BCF).

1.4 In addition to saving targets, when the Council set its budget for 2015/16 the financial strategy included the use of £22.171m from reserves to bridge the gap between funding and expenditure levels (£21.871m from the Council's Financial Volatility Reserve and £0.300m released from the General Fund balance). 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 continues to explore further opportunities to bridge the gap between the funding values to the Council and levels of expenditure.

1.5 The general level of expenditure in 2015/16 indicates that during the year the Council has been able to secure the cash efficiency savings required in the budget and deliver an underspend against the budget.

Revenue Income

1.6 Revenue spending, excluding the use of reserves, was funded by:

• Revenue Support Grant	£94.7m	10.3%
• Business Rates	£103.7m	11.3%
• Dedicated Schools Grant	£248.8m	27.1%
• Other grants and contributions	£169.5m	18.5%
• Local council tax payers	£237.6m	25.9%
• Charges and other income	£63.2m	6.9%

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 2015/16, on a like for like basis showed a reduction of £32.661m or 25.65% from the grant received in 2014/15. Business Rates showed a small growth of £1.600m or 1.57%.

1.8 In addition to RSG the Council also receives specific government grants. The most significant of these was £248.8m of Dedicated Schools Grant which is used for funding education in Lincolnshire.

1.9 In 2015/16 the Council increased Council Tax by 1.90% and also saw growth of 1.85% on the number of band D equivalent properties in Lincolnshire which generated an additional £6.945m. The Council Tax element of the collection funds in Lincolnshire also generated a further £4.254m for the County Council.

Capital spending and funding

1.10 The Council spent £107.105m 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;
- Construction of two new road schemes, one in Lincoln and another in Grantham;
- The Broadband Programme which is installing high speed internet infrastructure in communities and businesses, particularly in rural areas; and
- 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	£78.3m	72.8%
• Borrowing	£20.7m	19.7%
• Capital Receipts	£2.8m	2.6%
• Revenue Funding and Use of Earmarked Reserves	£5.3m	4.9%

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 2015/16 was 5.75%. 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 cost pressures. For 2015/16 and again in 2016/17 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 and the continuation of growing costs pressures.

1.15 In developing the financial plan for 2016/17, the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding to set a balanced budget. The Council plans to use a mixed approach, funding unavoidable cost pressures and reducing service spending where savings were identified. The Council has also set a Council Tax increase in 2016/17 of 3.95%, 1.95% plus a further 2.00% for Adult Care responsibilities (including demographic pressure and the impact of the national living wage) and using £20.965m from reserves (£20.165m from the Financial Volatility Reserve and £0.800m which can be released from the general fund).

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 2016, as proposed in this report, would be £15.600m 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 mixed approach to meeting the current financial challenges 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 2015/16 on these key indicators.

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

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2015/16 Estimate	2015/16 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	£2.768m
4	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	6.24%	5.75%
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 3.5%	Within range 3.5%
7	Internal control	None of the processes audited receive a low assurance" opinion from internal audit	Yes	Low Assurance opinion given on Financial Control Environment
8	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	85.00%	87.70%
9	Treasury management	Risk adjusted return comparison	Weighted Benchmark	Weighted Benchmark 0.73%

Revenue Budget Outturn

1.20 The revenue outturn for 2015/16 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £11.329m or 2.64% (previously £11.252m or 2.62%).
- Schools were underspent by £16.801 or 6.75% (previously £18.802m or 7.04%) of the schools budget. ~~Please note due to the problems experienced with the new financial system and the impact this has had on the Council's ability to close the financial year 2015/16 the outturn position on school budgets and spend is not complete. This outturn position may change, however, all schools budget under or over spendings are carried forward to be used by schools in future years.~~
- There was an underspend of £10.828m or 15.72% (previously £11.925m or 17.32%) on other budgets.
- The Council received £2.789m or 0.61% less general funding income than originally budgeted for.
- The Council transferred £0.273m from earmarked reserves into the capital programme.
- This give the Council an overall underspend of £36.440m (previously £39.190m). ~~Subject to confirmation of the final schools outturn position there may be an increase in total costs for the Council, this would reduce the underspend for the year.~~

1.21 The revenue outturn position for 2015/16 is shown in **TABLE B** (over page).

TABLE B – Revenue Budget Final Outturn 2015/16 (updated table)

	Revised Net Revenue Budget	Expenditure	Under or Over Spending	Percentage Under or Over Spent
	£'000	£'000	£'000	%
COMMISSIONING STRATEGIES				
Readiness for School	8,287	7,654	(633)	-7.64%
Learn & Achieve	35,658	35,764	106	0.30%
Readiness for Adult Life	6,452	5,634	(818)	-12.68%
Children are Safe and Healthy	54,072	54,281	209	0.39%
Adult Safeguarding	3,020	3,009	(11)	-0.36%
Adult Frailty & Long Term Conditions	96,272	95,853	(419)	-0.44%
Carers	1,673	1,538	(135)	-8.07%
Adult Specialities	45,837	44,941	(896)	-1.95%
Community Resilience & Assets	13,598	13,941	343	2.52%
Wellbeing	37,072	35,932	(1,140)	-3.08%
Sustaining & Developing Prosperity Through Infrastructure	60,677	57,040	(3,637)	-5.99%
Protecting & Sustaining the Environment	22,465	23,610	1,145	5.10%
Sustaining & Growing Business & the Economy	1,885	1,206	(679)	-36.02%
Protecting The Public	24,980	24,712	(268)	-1.07%
How We Do Our Business	8,455	8,235	(220)	-2.60%
Enablers & Support To Council's Outcomes	39,415	35,139	(4,276)	-10.85%
Public Health Grant Income	(30,723)	(30,723)	0	0.00%
TOTAL COMMISSIONING STRATEGIES	429,095	417,766	(11,329)	-2.64%
OTHER BUDGETS				
Capital Financing Charges	52,589	44,441	(8,148)	-15.49%
Contingency	3,038	0	(3,038)	-100.00%
Other Budgets	13,239	13,599	360	2.72%
TOTAL OTHER BUDGETS	68,866	58,040	(10,826)	-15.72%
SCHOOL BUDGETS				
Schools (DSB)	246,462	232,151	(14,311)	-5.81%
Schools Related Expenditure (DSB)	22,974	20,838	(2,136)	-9.30%
Dedicated Schools Grant	(248,801)	(248,801)	0	0.00%
Schools Budgets (Other Funding)	(7,275)	(7,629)	(354)	4.87%
TOTAL SCHOOL BUDGETS	13,360	(3,441)	(16,801)	-125.76%
TOTAL EXPENDITURE	511,321	472,365	(38,956)	-7.62%
INCOME				
Revenue Support Grant	(94,670)	(94,670)	0	0.00%
Business Rates	(106,057)	(103,711)	2,346	-2.21%
Council Tax	(237,253)	(237,561)	(308)	0.13%
Other Non Specific Grants	(17,646)	(16,895)	751	-4.26%
TOTAL INCOME	(455,626)	(452,837)	2,789	-0.61%
USE OF BALANCES				
Use of Balances - Earmarked Reserves	(55,395)	(55,668)	(273)	0.49%
Use of Balances - General Reserves	(300)	(300)	0	0.00%
TOTAL USE OF RESERVES	(55,695)	(55,968)	(273)	0.49%
TOTAL	0	(36,440)	(36,440)	

Children's Services – (£1.136m – previously £1.060m under budget)

1.22 Over the four commissioning strategies, Children's Services underspent by £1.060m (or 1.1%).

Readiness for School - (£0.633m previously £0.557m under budget)

1.23 Readiness for School commissioning strategy underspent by £0.557m (6.72%). This is due to a number of commissioned services being de-commissioned earlier than originally planned (£0.274m), children's centre running cost underspends, including staffing costs, following the recent locality restructuring and non-staffing costs (£0.262m).

Learn and Achieve – (£0.106m over budget)

1.24 Learn and Achieve commissioning strategy overspent by £0.106m (0.30%). The main areas of variance relate to: the Children with Disability Section 17 which overspent (£0.301m), offset by there being one less transport day for Home to School/College Transport in 2015/16 (£0.123m) and receipt of an additional Music Services grant midyear (£0.221m).

Readiness for Adult Life – (£0.818m under budget)

1.25 Readiness for Adult Life commissioning strategy underspent by £0.818m (12.68%). This includes underspends on the following areas: the early adoption of the Careers Service (£0.319m) restructuring and saving on the Customer Services Centre contract being brought back in-house; Positive Activities for Young People (£0.314m) following the early restructuring of localities and the move to encourage communities to run youth centres; Youth Housing Contracts (£0.245m), and additional income generated by the Lincolnshire Secure Unit (£0.158m). There has, however, been a pressure on the Leaving Care Service regarding the accommodation costs for young people with complex and high needs leading to an overspend on this area (£0.262m).

Children are Safe and Healthy – (£0.209m over budget)

1.26 Children are Safe and Healthy commissioning strategy overspent by £0.209m (0.39%). There continues to be growing pressures within children's social care as a result of the increase in the number of Looked After Children and Children in Need. The most significant pressures have been on out of county residential placements, and accommodation and support costs for Looked After Children aged 16-18 (£1.251m), and remand costs (£0.221m). These pressures have been mitigated this year by a one-off funding from the Legal Shared Service (£0.309m) plus a permanent savings achieved through the Family Support Contract insourcing and the restructuring arising from it. Such savings contribute towards those identified for 2016/17.

Adult Care – (£1.461m under budget)

1.27 The Adult Care outturn is £145.341m, an underspend of £1.460m against a budget of £146.802m. This is as a result of higher than anticipated death rates and a reduction in Domiciliary Care placements due to implementation of the new Prime Provider contract for home based care services. This was partially offset by an increase in short term care residential placement activity and lower than anticipated income receipts. However this is set against an environment of increasing placement costs in all services following the introduction of the National Living Wage (NLW) and additional legislative burdens placed on providers in respect of pension obligations.

1.28 The service produced savings of £3.138m in 2015/16 from a number of successful projects including:

- Staff savings as a result of the recent senior management review;
- Maximising income recovery; and
- Review and renegotiation of provider contracts.

Adult Safeguarding – (£0.011m under budget)

1.29 The Safeguarding Adults commissioning strategy aims to protect an adult's right to live in safety, free from abuse and neglect. The service works both with people and organisations to prevent and stop both the risks and experience of abuse and neglect ensuring that adult's wellbeing is being promoted.

1.30 This area also encompasses the Deprivation of Liberty Safeguards (DOLS). This has seen a significant increase in activity as a result of the 'Cheshire West' legal judgement in March 2015.

1.31 The service had a small underspend £0.011m against a budget in 2015/16 of £3.020m.

Adult Frailty, Long Term Conditions and Physical Disability – (£0.419m under budget)

1.32 The Adult Frailty and Long Term Conditions commissioning strategy brings together Older People, Physical Disability and Adult Care Infrastructure and aims to ensure that eligible individuals receive appropriate care and support that enables them to feel safe and live independently.

1.33 The final outturn for Adult Frailties was £95.853m, an underspend of £0.419m on a budget of £96.272m.

1.34 Changes have recently been made to homecare contracts with the implementation of a new "Prime" provider contract. A consequence of the change to "Prime" providers was the significant increase in the number of service users choosing to take their care in the form of a Direct Payment as they sought to keep services that were delivered by outgoing providers. The resulting boost saw Direct Payments as a proportion of total long term packages increase.

1.35 The service also saw a change in Reablement provider, reducing costs, and increases in the number of direct payment audits completed along with a subsequent increase in direct payment refunds.

Carers – (£0.135m under budget)

1.36 The Carers commissioning strategy aims to prevent or delay ongoing care needs by supporting adult carers so they are able to sustain their caring role, reducing the need for costly services in primary and acute care, and long term social care.

1.37 The service ended 2015/16 with an underspend of £0.135m against a budget of £1.673m.

1.38 Throughout the year there was a lower than anticipated take up of Carer's Personal Budget in 2015/16. It is thought that this is due to changes in the eligibility criteria set out in the Care Act 2014, however it is anticipated that take up will increase in 2016/17.

Adult Specialities – (£0.896m under budget)

1.39 This commissioning strategy aims to ensure that eligible Adults with Learning Disability, Autism and/or Mental Health needs receive appropriate care and support that enables them to feel safe and live independently. Services for Learning Disabilities are administered via a Section 75 agreement between the Council and NHS commissioners in Lincolnshire in addition to a small in-house element that sits outside the Section 75. The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also by way of a Section 75 agreement.

1.40 Specialist Adult Services finished 2015/16 with an under-spend of £0.896m against a budget of £45.837m.

1.41 The service has seen growth in Supported Living and Direct Payments costs. This being a combination of high cost discharges from in-patient provision and school/college leavers requiring packages of care. This has been mitigated somewhat by in year residential placements being lower than expected this year and service user income has increased due to direct payment audit income and the successful conclusion a number of long standing legal disputes in respect out of county placements by other Local Authorities within the County. The Mental Health service delivered a balanced budget.

Community Resilience and Assets – (£0.343m over budget)

1.42 This commissioning strategy has overspent by £0.343m in 2015/16. The main elements of this include: an overspend on Chance to Share Sports Centre costs due to timing of charges received (£0.325m); and an overspend on the Customer Service Centre due to increased volume of activity and timing of savings requirements from channel shift (£0.549m). This was offset by an underspending

on the Library Service as the Council moves to the new model of service delivery (£0.320m).

Wellbeing – (£1.140m under budget)

1.43 This commissioning strategy has underspent by £1.141m in 2015/16. The main element of this relates to the redesign and procurement of the Wellbeing and Housing Related Support activities planned savings being brought forward. There was an overspending on the Coroners services (£0.255m) which has been partly offset by additional income from the Registration and Celebratory Services (£0.123m).

1.44 In addition there is an underspend on activities funded from the Public Health ring-fenced grant (£1.459m). The underspend from the grant is required to be added to an earmarked reserve, to be used in accordance with the grant conditions at a future time. This underspend relates to Health Improvement Contracts which are activity based, the re-procurement of the smoking cessation contract (and related prescribing costs) and staff vacancies being held to assist with the delivery of future budget and grant reductions. There has been an increase in the costs of demand led out of county sexual health services and prescribing costs which has offset an element of this underspend.

Sustaining and Developing Prosperity Through Infrastructure - (£3.637m under budget)

1.45 This commissioning strategy has underspent by £3.637m in 2015/16. Much of this variance is attributable to the high level of staff vacancies the Environment and Economy Service which have been maintained to assist with meeting budget reductions in 2016/17 and beyond, and the subsequent impact of service delivery. The difficulty with accessing reliable financial information during the year, had also caused managers to be cautious when committing expenditure as has the knowledge that there were anticipated overspends elsewhere in the service that needed to be met (i.e. waste disposal).

1.46 There has also been underspends on:

- The Heritage Service (£0.809m) relating to additional income generated from the success of the Castle Revealed events over the summer of 2015;
- Spending on transportation has also been cautious during the year, which has led to an underspend of £0.838m; and
- The winter maintenance budget due to the mild winter (£0.751m).

Protecting and Sustaining the Environment – (£1.145m over budget)

1.47 The overspend on this commissioning strategy in 2015/16 (£1.145m) relates to waste management and waste disposal and unavoidable increases in prices and volumes relating to these activities.

Sustaining and Growing Business and the Economy – (£0.679m under budget)

1.48 This commissioning strategy has underspent by £0.678m in 2015/16, this is attributable to income being generated additional to the budgeted expectations on the Council's business centres and cautious management of expenditure on lobbying, support to businesses and tourism.

Protecting the Public – (£0.268m under budget)

1.49 This commissioning strategy has underspent by £0.268m in 2015/16. This relates mainly to an underspend in the Fire and Rescue Service due to less than anticipated activity for retained firefighters (£0.160m) and an underspend on Emergency Planning activity costs (£0.048m).

How We Do Our Business – (£0.220m under budget)

1.50 The How We Do Our Business strategy provides the corporate governance, risk and standards framework and the democratic machinery for the whole Council. The budget and policy strategies/frameworks and the Council's constitution provide the context for this and the way that the Council works. It also encompasses the corporate, statutory roles of the Head of Paid Service, Monitoring Officer and the Section 151 Officer as part of the framework.

1.51 The service budgets are:

- Budget and Policy Framework (Finance and Audit);
- Precept – Eastern Inshore Fisheries and Conservation Authority;
- Corporate Standards (including Chief Executive's Office); and
- Decision-making, including the Democratic Process (including Members Allowances).

1.52 Budget and Policy Framework – Finance and Audit underspent by £0.077m. There are a number of over and under spendings which make up the final position. These include: additional costs of £0.283m were incurred by the Finance team due to problems experienced with the implementation of the new financial system, Agresso. These costs were offset by underspends: on the finance element of the Support Service Contract (£0.192m); vacancies and delays in recruitment within the Audit function (£0.085m); a delay in the replacement of Audit Software (£0.040m) and a reduction in the external audit fee (£0.028m).

1.53 There are a number of other small underspendings within How We Do Our Business. These are due to: staff vacancies, the Chairman's Fund and tight management of spending on supplies and services.

Enablers and Support to Council Outcomes – (£4.276m under budget)

1.54 The Enablers and Support to the Council's Outcomes cover the budgets and activities that support the Council both as a corporate organisation and facilitate the work to achieve the Council's main commissioning outcomes. The service budgets are: ICT Strategy and Support, Property Strategy and Support (including County Farms), People Strategy and Support, Legal Services, Commissioning, Business Support and Strategic Communication.

- The Commissioning Service budget underspent by £1.381m. This is largely due to service credits applied for underperformance on the Support Service Contract (£1.205m). Further underspends relates to staffing vacancies within the Commissioning Team (£0.176m).
- Property Strategy and Support underspent by £1.376m. The main variances are due to:
 - The Council vacating buildings early during 2015/16, where a full year of rent was originally budgeted for these properties (£0.494m);
 - Additional rental income being received above the original budget (£0.415m); and
 - An underspend on the Property Services contract of £0.576m (including Estates Management, Energy and Records Management). The contract price is based on a target cost for staffing, however there were a number of vacancies held by the contractor which reduced the cost of the contract during 2015/16.
- Business Support underspent by £0.604m. This is due to additional savings being achieved over and above those originally required in 2015/16. This has been achieved through vacancy management and reallocating work to make better use of existing resources. These additional savings are from the services base budget and will help the service deliver savings targets set for future financial periods.
- The underspend of £0.538m is due to Legal Services achieving a surplus on income within the year.
- People Strategy and Support budgets underspent by £0.230m (5.61%). The main areas of underspend include: Occupational Health (£0.078m) where the budget for additional activity for physiotherapy has not been required this year; the Disclosure and Barring Service (£0.077m) and the Corporate Leadership and Management Development Programme (£0.072m).

Schools – (£16.801m – previously £18.802m under budget)

1.55 Under government regulations, schools carry forward automatically their under and over spendings to the next financial year. Due to the problems experienced with the new financial system and the impact this has had on the Council's ability to close the financial year 2015/16 the outturn position on school budgets and spend is not complete. This outturn position may change, however,

all schools budget under or over spendings are carried forward to be used by schools in future years.

Other Budgets – (£10.826m – previously £11.925m under budget)

1.56 The Council's capital financing charges were £8.107m under budget. There has been slippage of the capital programme during 2015/16 which reduced the need to borrow. 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 budget underspends has also led to excess balances being available for investment over 2015/16, and so interest generated from investments was also in excess of budget by £0.032m.

1.57 The Council has a contingency budget, set aside for emerging pressures which may arise during the financial year. At the year-end £3.038m remained, and was not required in 2015/16.

~~1.58 Other budgets were under budget by £0.739m. This comprises a number of under and over spends, the most significant being:~~

- ~~• Council Tax Support Schemes underspent by £0.200m. At the beginning of 2015/16 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 2015/16.~~
- ~~• The Council received an additional £0.432m grant in 2015/16. This was utilised at year end.~~
- ~~• The Council's insurance budget showed a surplus of £0.175m. 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 a reduction in claims payments and very few risk management bids, plus the contract re-tender has delivered significant savings for 2015/16.~~

~~1.58 Other budgets were over budget by £0.360m. This comprises a number of under and over spends, the most significant being a number of payroll costs which could not be directly attributable to the service accounts.~~

Council's General Funding – (£2.789m less than the income budget)

1.59 The Council's general funding was £2.789m less than the revenue budget approved at full Council in February 2015. The most significant reasons for this reduction in funding are as follows:

- New Homes Bonus Returned Funding - £0.329m (more than was budgeted for). At the time of budget setting, the Council had not been notified that we would be receiving this funding in 2015/16. This is funding that was originally allocated from the Local Government Finance Settlement to fund New Homes Bonus with a commitment from the Government that any unused funding would be returned to local authorities.
- Council Tax - £0.307m (more than was budgeted for). For 2015/16 City of Lincoln Council only included the distribution of the estimated surplus for 2014/15 and did not include the distribution of an accumulated surplus from previous years resulting in additional £0.307m due to us.
- Section 31 Grant for Business Rates - £0.112m (less than was budgeted for). The income we have received is £0.013m more than originally anticipated. However the Council had to refund £0.124m back to DCLG for the Retention Grant reconciliation for 2014/15.
- Business Rates - £0.647m (less than was budgeted for). City of Lincoln Council originally declared a surplus of £0.464m on the business rate element of the collection fund which was later revised to a deficit of £0.183m.
- Education Services Grant - £1.094m (less than was budgeted for). Due to a reduction in the funding rate allocated per pupil, we have received less income than originally anticipated. The grant is adjusted throughout the financial year as schools convert to Academies.
- Business Rates Pooling - £1.585m (less than was budgeted for). Income relating to business rates pooling in 2014/15 was £0.573m less than originally anticipated. The figure received for 2015/16 is £1.012m less than budgeted. Also for 2016/17 we are expecting to receive £0.104m which is a significant reduction from previous years.

Capital Programme Outturn

1.60 The capital outturn for 2015/16 is summarised below:

- Net capital expenditure was £42.701m; and
- There was an under spending of £52.042m or 54.9%.

1.61 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 2015/16

Capital Programme	Revised budget £	Net Expenditure		
		Actuals £	Variance £	Variance %
Other Readiness for School	585	440	(145)	-24.8%
Readiness for School	585	440	(145)	-24.8%
Devolved Capital	1,264	1,264	0	0.0%
Provision of School Places (Basic Need)	8,496	8,496	0	0.0%
School Condition / Maintenance Capital	1,217	1,217	0	0.0%
Other Academies	1,376	94	(1,282)	-93.2%
Other Learn & Achieve	1,527	174	(1,353)	-88.6%
Learn & Achieve	13,880	11,245	(2,635)	-19.0%
Other Readiness for Adult Life	(4)	30	34	-850.0%
Readiness for Adult Life	(4)	30	34	-850.0%
Universal Infant Free School Meals Capital	2,157	2,157	0	0.0%
Other Children are Safe & Healthy	605	217	(388)	-64.1%
Children are Safe & Healthy	2,762	2,374	(388)	-14.0%
Childrens Services - Commissioning	17,223	14,089	(3,134)	-18.2%
Adult Care	471	263	(208)	-44.2%
Better Care Fund - Disabled Facility Grants	0	0	0	0.0%
Adult Frailty & Long Term Conditions	471	263	(208)	-44.2%
Adult Care - Commissioning	471	263	(208)	-44.2%
Libraries	1,095	261	(834)	-76.2%
Other Community Wellbeing & Public Health	0	0	0	100.0%
Community Wellbeing & Public Health - Commissioning	1,095	261	(834)	-76.2%
Highways Asset Protection	2,117	1,660	(457)	-21.6%
Integrated Transport	3,923	(395)	(4,318)	-110.1%
Lincoln Eastern Bypass	2,000	320	(1,680)	-84.0%
Lincoln East-West Link	10,375	2,182	(8,193)	-79.0%
Grantham Southern Relief Road	137	2	(135)	-98.5%
Street Lighting Transformation	400	445	45	11.3%
A16/A1073 Spalding to Eye Road Improvement	191	350	159	83.2%
Grantham Growth Point	2,264	0	(2,264)	-100.0%
Lincolnshire Waterways	993	297	(696)	-70.1%
Skegness Countryside Business Park	1,073	371	(702)	-65.4%
Historic Lincoln	(1,143)	464	1,607	-140.6%
Other Sustaining & Developing Prosperity	143	582	439	307.0%
Sustaining & Developing Prosperity Through Infrastructure	22,473	6,278	(16,195)	-72.1%
Flood Defence	6,000	3,800	(2,200)	-36.7%
Energy from Waste	113	1	(112)	-99.1%
Other Protecting & Sustaining the Environment	4,490	1,829	(2,661)	-59.3%
Protecting & Sustaining the Environment	10,603	5,630	(4,973)	-46.9%
Other Sustaining and Growing Business & the Economy	245	21	(224)	-91.4%
Sustaining & Growing Business & the Economy	245	21	(224)	-91.4%
Environment & Economy - Commissioning	33,321	11,929	(21,392)	-64.2%
Protecting The Public Thrh Trading Stds	23	23	0	0.0%
Youth Offending	3	0	(3)	-100.0%
Fire & Rescue and Emergency Planning	3,043	1,798	(1,245)	-40.9%
Fire Fleet Vehicles and Associated Equipment	1,183	955	(228)	-19.3%
Protecting The Public	4,252	2,776	(1,476)	-34.7%
Broadband	13,409	3,714	(9,695)	-72.3%
Infrastructure and Refresh Programme	2,601	349	(2,252)	-86.6%
Replacement ERP Finance System	2,964	737	(2,227)	-75.1%
Care Management System (CMPP)	1,866	1,705	(161)	-8.6%
IMP Development	38	19	(19)	-50.0%
ICT Development Fund	2,690	0	(2,690)	-100.0%
Property	7,172	5,156	(2,016)	-28.1%
Property Rationalisation Programme	5,991	1,703	(4,288)	-71.6%
Enablers & Support To Council's Outcomes	36,731	13,383	(23,348)	-63.6%
Finance & Public Protection - Commissioning	40,983	16,159	(24,824)	-60.6%
New Developments Capital Contingency Fund	1,650	0	(1,650)	-100.0%
Other Capital Programmes	1,650	0	(1,650)	-100.0%
Other Programmes	1,650	0	(1,650)	-100.0%
Total Capital Programme 2015/2016	94,743	42,701	(52,042)	-54.9%

1.62 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 spending profile this will be described in the narrative associated with that Commissioning area.

Children's Services – (£3.134m under budget)

1.63 The net underspend of Children's capital is due to the slippage of some costs, such as the final payments on the major rebuilding programme at Grantham Ruskin Academy, and the prudential use of government grants for major programmes prior to spending LCC net capital. All of the capital underspend is earmarked for significant major investment in the education estate over the next three years.

Adult Care – (£0.208m under budget)

1.64 Adult Care spent a total of £0.263m against a net budget of £0.471m. Expenditure included ongoing pre-development costs for the Council's Extra Care Housing Scheme and additional investment in Lincolnshire Telecare services. Telecare has seen continuing growth in the number of people using telecare which is seen as a low-cost preventative service.

Community Wellbeing and Public Health – (£0.834m under budget)

1.65 This budget was specifically made available for bids from Community Groups to support the move to the Community Hub service delivery model. Although this budget has underspent by £0.834m in 2015/16, community groups have four years to make requests from this budget.

Environment and Economy

Sustaining and Developing Prosperity Through Infrastructure – (£16.195m under budget)

1.66 The capital programme for this commissioning strategy has an underspend of £16.544m in 2015/16. This is mainly due to slippage of major schemes (e.g. Grantham Southern Relief Road and Skegness Countryside Business Park), and the use of external funding to ensure the maximisation of monies available to the authority.

Protecting and Sustaining the Environment – (£4.973m under budget)

1.67 The capital programme for this commissioning strategy has an underspend of £4.973m in 2015/16. This is mainly due to some slippage on the Louth and Horncastle Flood schemes which are now underway and the timing of government grants received.

Finance and Public Protection

Protecting the Public – (£1.476m under budget)

1.68 The capital programme relating to this commissioning strategy relates to the Fire and Rescue service and has underspent by £1.476m in 2015/17. In the non-fleet programme this relates to delays in the delivery until 2016/17 of the regional control and the new station build at Sleaford and some slippage of station maintenance spend.

Enablers and Support to Council's Outcomes – (£23.348m under budget)

1.69 The Broadband capital programme underspent by £9.695m. This is due to project efficiencies through more cost effective technology, achieved during the first phase of the project. These underspendings will be reallocated to the second phase of the programme which is now underway.

1.70 Underspendings on other elements of the IMT capital programme include:

- £2.252m on the Infrastructure and Refresh Programme. Infrastructure and End-User Refresh programmes were put on hold due to contractor capacity to deliver enabling projects in 2015/16. It is anticipated that the 2015/16 underspend will be used on refresh during 2016/17;
- £2.690m on the ICT Development Fund. Due to delays in contractor delivery new 'invest to save' initiatives were stalled during 2015/16. Potential spend is now being allocated to schemes to be undertaken in 2016/17; and
- £2.227m on the Replacement ERP Finance System (Agresso). Work to complete the ERP replacement is still required due to issues with the implementation. It is anticipated that these costs will be incurred in future financial years.

1.71 The Property capital programme underspent by £2.016m in 2015/16. This was due to:

- Slippage in the repairs and maintenance programme (£1.484m) due to planning consents, contractor availability and fitting work in around school holidays;
- Slippage of £0.297m on county farms capital schemes, again due to planning consents; and
- £0.235m on asbestos works, due to the reduced number of buildings and schools becoming academies.

1.72 The Property Rationalisation Programme underspent by £4.288m, this is due to slippage in the delivery of the new fire station and office accommodation building in Sleaford.

Other Programmes

New Developments Capital Contingency Fund – (£1.650m under budget)

1.73 For 2015/16 the Council set aside £15.000m in a New Developments Capital Contingency Fund. During the financial year £13.350m was allocated from this reserve. This has been utilised to fund the following schemes:

- Foster Care Capital Schemes (£0.500m);
- Bourne Waste Recycling Centre (£1.450m);
- Flood and Water Risk Management Schemes (£0.650m);
- Canwick Road Highways Scheme (£1.500m);
- Transforming Street Lighting in Lincolnshire (£6.400m);
- Boston Household Recycling Centre (£1.500m);
- Heritage Lottery – Castle Funding (£1.000m); and
- Fire Mobilising System (£0.350m).

Carry forward of over and under spendings

1.74 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

1.75 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.

1.76 The carry forward of over and underspendings relating to Executive Directors revenue spending is shown in the table below. This includes:

- Up to 1% carry forward on service budgets. Note Information and Commissioning do not require their 1.0% underspend to be carried forward

into 2016/17. This is subject to recommendation 1. Subject to the decision of the Council, excluding Information and Commissioning, the carry forward of other underspends up to 1.0% is £4.295m. Details of how the 1% carryforwards will be utilised is set out at **APPENDIX A**.

Executive Director	Final Proposal £'000
Executive Director - Children's Services	1,011
Executive Director - Adult Care	1,460
Executive Director - Community Wellbeing and Public Health	282
Executive Director - Environment and Economy	764
Executive Director - Finance and Public Protection	778
Chief Information and Commissioning Officer	-
TOTAL	4,295

- The full carry forward of underspends relating to schools (£16.446 – previously £18.801m) and shared services (£0.538m). Note the final schools outturn has not yet been confirmed due to ongoing issues with the payroll information from Agresso. The reported underspend here may change in light of this work.
- Transfers to earmarked reserves linked to revenue budgets where spend is of an uneven nature (£0.521m previously £0.166m). Made up of:
 - A transfer to the Schools Sickness Fund of £0.355m, for the underspend on the scheme;
 - A transfer of £0.175m for the underspend on the Insurance Fund; and
 - A transfer of £0.009m from the reserve for an utilisation of the Museum Exhibits Reserve.

1.77 In addition to this other proposed allocations of amounts resulting from overspends and underspends above the 1.0%, supplemented by the Information and Commissioning underspend referred to in paragraph 1.76 above, are:

- A year end transfer of £12.154m (previously £13.175m) into the financial volatility reserves. £20.165m is required for the planned contribution to Council's revenue budgets in 2016/17. The balance of £23.623m (previously £24.644m) will be available to fund future uncertainties in local government funding in 2017/18 and beyond. ~~Note the final schools outturn may result in further costs being incurred by Council. This would reduce that amount of funds available to go into the Financial Volatility Reserve at the end of the financial year;~~
- Additions to existing reserves for:

- Civil Parking Enforcement (£0.498m) and Fixed Penalty Notices (£0.052m);
 - Flood and Water Risk Management (£0.127m);
 - Local Welfare Provision (£0.015m); and
 - Health and Wellbeing (£0.014m).
- Creation of new reserves for:
 - Waste Management (£1.000m) to meet the cost of anticipated waste volumes and disposal costs in 2016/17;
 - Heritage Service (£0.880m) to contribute towards the cost of service developments to minimise future dependence of Council funding; and
 - Street Lighting (£0.100m) to fund the cost of re-programming street lamps.

1.78 A variety of other transfers to or from other earmarked reserves reflecting actual expenditure and income in 2015/16 are shown in **TABLE D** over the page.

TABLE D – Transfers to and from reserves (updated table)

EARMARKED RESERVES	Balance at 31 March 2015 £'000	Used in Year £'000	Additional in Year £'000	Balance at 31 March 2016 £'000
Schools Carryforward	-32,141	21,340	-16,587	-27,388
Prime Account Loan Reserve Adjustment	573	214	0	787
Balances held by Schools under a scheme of delegation	-31,568	21,554	-16,587	-26,601
Other Services	-2,167	2,167	-4,295	-4,295
Adverse Weather	-1,000	0	0	-1,000
Insurances	-6,220	0	-175	-6,395
Schools Sickness Insurance Scheme	-788	0	-355	-1,143
Museum Exhibits	-144	9	0	-135
Development - Economic Development Reserve	-443	20	0	-423
Health and Wellbeing	-2,177	1,036	-14	-1,155
Development - Lincs Coastal Country Park	-373	5	0	-368
Legal	-1,967	1,098	-538	-1,407
Procurement	-825	37	0	-788
Salix Carbon Management	-166	38	-120	-248
Safer Communities Development Fund	-833	0	0	-833
Community Safety Development Fund	-473	473	0	0
Co-Responders Services	-150	0	0	-150
Financial Volatility Reserve - Budget Shortfall	-21,871	21,871	-20,165	-20,165
Financial Volatility Reserve	-31,634	20,165	-12,154	-23,623
Teal Park	-50	0	0	-50
Youth Service Positive Activities Development Fund	-107	87	0	-20
Corby Glen/South Lincolnshire Sports Fund	-171	0	0	-171
Youth Offending Service	-363	0	-150	-513
Domestic Homicide Reviews	-100	0	0	-100
Civil Parking Enforcement and Fixed Penalty Notices	-313	0	-551	-864
Support Service Contract Reserve (FDSS)	-2,632	922	0	-1,710
Roads Maintenance Reserve	-2,203	2,115	0	-88
New Salt Dome Willingham	-200	200	0	0
Planning Appeals Reserve	-80	80	0	0
Adoption Reform Reserve	-600	408	0	-192
Community Advisors Reserve	-156	0	0	-156
Local Welfare Provision Reserve	-416	0	-125	-541
Property Management	-250	0	0	-250
Energy from Waste Lifecycles	-1,286	0	-1,286	-2,572
Broadband Project	-135	0	0	-135
Broadband Clawback	-157	0	0	-157
Flood and Water Risk Management	-431	0	-127	-558
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	-611	12	0	-599
Enterprise Schemes	-191	0	0	-191
Asbestos Pressure	-50	0	0	-50
DAAT Pooled Budget	-265	18	0	-247
Waste Management	0	0	-1,000	-1,000
Heritage Services	0	0	-880	-880
Street Lighting	0	0	-100	-100
Earmarked Reserves	-82,940	50,761	-42,035	-74,214
Revenue Grants and Contributions	-55,317	34,427	-28,406	-49,296
TOTAL RESERVES	-169,825	106,742	-87,028	-150,111

General Reserve

1.79 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 2015/16 the Council had planned to reduce the balance in the General Fund by £0.300m. After considering the impact of actual expenditure and income in 2015/16 and the proposals on the carry forward of over and under spendings it is not proposed to make any further additions or reductions to the general fund at the year end. The general reserves at 31 March 2016 are £15.600m or 3.5% of annual budget requirement (**TABLE E**).

TABLE E – General Reserves

GENERAL RESERVES		Balance at 31 March 2016 £'000
Balance at 1 April 2015		-15,900
Planned contribution to / use in year		300
Proposed contribution to / use of reserves		0
Balance as at 31 March 2016		-15,600
Balance as a percentage of total budget		3.50%

Prudential indicators

1.80 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.

1.81 In complying with the Code the indicators for 2015/16 were approved by County Council on 20 February 2015 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 B** 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

1.82 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).

1.83 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.

1.84 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.

1.85 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.

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

1.87 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.

1.88 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.

1.89 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 2015/16. Net revenue spending amounted to £475.806m (previously £474.785m), excluding Schools Budgets. Net capital spending totalled £42.701m.

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 £15.600m with a further £100.815m (previously £106.527m) 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 Information and Commissioning.

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.

The Leader has the power to confirm the Outturn amount and the amount recommended for transfer to the Financial Volatility Reserve in accordance with recommendation 5

3. Resource Comments:

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) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

On 28 July 2016, the Overview and Scrutiny Management Committee considered the report on Financial Performance 2015/16.

Overall Conclusions of the Overview and Scrutiny Management Committee

The Overview and Scrutiny Management Committee agreed to support the four recommendations in the report to the Executive. Councillors P M Dilks and R B Parker requested that their vote against supporting the recommendations was recorded.

The Committee also concluded that it would like to see more information on budget monitoring considered by overview and scrutiny committees during the course of the year, including consideration by the Overview and Scrutiny Management Committee.

The Committee also recorded that it would look forward to improved financial information in the current year to enable underspends to be identified sooner, rather than being reported after the end of the financial year.

Points of Clarification

The following points of clarification were made during the meeting:

- With the exception of the items listed in paragraph 1.77 of the report

[proposed transfer of funds to reserves], no executive directors had submitted any bids to carry forward underspends in excess of 1%, on the basis that executive directors understood the overall financial challenges facing the County Council and they had not identified any special circumstances, other than those items in paragraph 1.77, to merit making a bid for funding over and above the 1% limit.

- In relation to the allocation of funds from underspends up to 1% (paragraph 1.76 of the report), it was a matter for each executive director, in consultation with the relevant Executive Councillor, to determine how these funds would be allocated.
- In relation to the proposal to add £0.498 million to reserves for Civil Parking Enforcement (paragraph 1.77 of the report), it was understood that these reserve funds would be used to provide closed circuit television to support parking enforcement activity, and could not be used for other activities, but further clarification would be required on whether under the relevant legislation, the bid for a street lighting reserve of £100,000 (paragraph 1.77 of the report) could be funded from it.
- The impact of business rate appeals could be a significant risk, but business rate income was a complex topic and would merit consideration in its own right.
- Approximately £4.5 million had been raised by the Council Tax increase of 1.9% for 2015/16.
- Disability Facilities Grant (DFG) had been passed to the County Council as part of the Better Care Fund since 2015/16. The responsibility for the approval of the Better Care Fund rested with the Health and Wellbeing Board. In 2015/16, the full Better Care Fund identification of allocated DFG had been transferred to district councils. A higher element of DFG had been identified in the Better Care Fund for 2016/17, but no district council had received a lower level of DFG funding than under the previous system.
- The reported underspend of £18.802 million on the schools budgets was a cumulative total, meaning it was inclusive of previous year underspends, and did not solely relate to the 2015/16 financial year.
- Executive directors actively monitored budgets. For example, one executive director had taken action during 2015/16 to manage a potential overspend, by reallocating funds within the directorate. Executive directors continued to monitor budgets, and data from the in-year monitoring of the 2016/17 budget was a factor in setting the budget for 2017/18.

Comments of Individual Members of the Committee

Individual members of the Committee also made the following comments, which the Committee agreed would be passed to the Executive: -

- The capital programme underspend on broadband was a concern and there a risk that broadband would not be delivered to an adequate level

and might require additional funding in the future. The Overview and Scrutiny Management Committee would consider progress with broadband as part of its next regular update on the topic.

- If certain information technology systems in the capital programme had been implemented sooner, the County Council could have achieved savings.
- Prior to the setting of the 2015/16 budget, it was widely reported that it would be a challenging year. However, an underspend of £20 million (County Council budget, net of school budget) occurred. Improved budget monitoring during the course of 2015/16 would have enabled the Council to use identified underspends to deliver improved services.
- More information should have been included in the report to the Executive on how the underspends of up to 1%, representing £4.295 million (referred to in paragraph 1.76 of the report) had been allocated.
- An underspend of £20 million (County Council budget, net of school budget) in 2015/16 might be a relatively small percentage of the County Council's budget. However, for a district council, this sum would be substantial. The County Council needed to ensure that appropriate explanations were given to the public for this level of underspend.
- An overall underspend of 3% of the Council's total budget was not excessive, and the Executive and executive directors should be congratulated for managing the budget in challenging circumstances. The overall budgetary position of the County Council was good.
- The Council's overall budget strategy was on course and there was no need for the County Council to change its approach.

d) Policy Proofing Actions Required

n/a

5. Appendices

These are listed below and attached at the back of the report	
Appendix A	Use of Service 1% Carryforwards
Appendix B	Prudential Indicators 2015/16

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 – Use of Service 1% Carryforwards

Directorate		Children's Services			Up to 1% Carry Forward	1,010,763
Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)	
1	Regulated Services	Recruitment Team for foster carers. Team manager, 3 x Social Workers and 2 x business support staff to provide a dedicated immediate response to all fostering and adoption enquirers for a 2 year project. The aim is to increase the number of registered foster carers and adopters to provide sufficient resource in order to minimise the numbers of looked after children being placed in expensive external placements.	One Off	N/A	278,850	
2	Regulated Services	Barnardo's Supported Lodgings worker initially a two year contract now a permanent arrangement. This is to enable us to achieve the range of accommodation options identified within the Youth Housing Strategy.	On going pressure	The service plans to meet this pressure internally through a thorough review of budgets and priorities, but require time to facilitate this process.	39,000	
3	Music Service	Agreement for the service to carry forward their underspend to support the creation of a fully sustained trading unit within LCC. Arts Council grant funding has been fully utilised to maximise income to Lincolnshire.	One Off	N/A	208,160	
4	Positive Activities for Young People	Grant given to Lincolnshire YMCA to help fund the cost of running The Showroom.	One Off	N/A	17,000	
5	Social Care	Complaint Investigator costs. This budget was taken over from the Customer Services Centre during 2013-2014. Costs have continued to exceed the budget that was transferred and in 2015-2016 the budget overspent by £51,000. Temporary monies will allow the service time to address the situation for future years.	One Off	N/A	50,000	
6	Social Care	Funding for Signs of Safety post. To fund a post for 12 months for Signs of Safety to support child protection casework and risks of child sexual exploitation.	One Off	N/A	86,274	
7	LSCB	Funding of temporary posts. A service review is taking place. LSCB has some temporary posts and at the board meeting (Debbie Barnes attended) it has been agreed to fund these, which has increased the contributions for all partners. The additional contribution for LCC is £13,000. The review will consider provider contributions.	One Off	N/A	13,000	
8	School Improvement Service	Education Endowment Fund project. A jointly funded LCC and Lincolnshire Learning Partnership project for Teaching Assistants led by Teaching Schools.	One Off	N/A	49,000	

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
9	School Improvement Service	Leadership Programme. An LCC funded project led by Teaching Schools.	One Off	N/A	28,600
10	School Improvement Service	CfBT Contract and new service delivery. Dual running of the new service with the CfBT contract that will end in August 2016. The new service will achieve a savings target of £2m by 2017/18.	One Off	N/A	90,963
11	Commissioning	Funding to support a Senior Commissioning Officer to work on the Commercial Offer to Schools to make a concerted effort for the project to succeed. The intention it will be pump primed for 12 months.	One Off	N/A	44,326
		Total Children's Services			905,173
12	People Management	To fund an Employment Officer post that will support the apprenticeship work with the intention of reducing the levy imposed on certain size organisations when it is implemented.	One Off	N/A	42,640
13	People Management	Funding for a Workforce Change Co-ordinator until 31st March 2017 to work on projects for engagement.	One Off	N/A	62,950
		Total People Management			105,590
		TOTAL			1,010,763

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Adult Safeguarding	Deprivation of Liberty Safeguards (DoLs) - Funding required to support increase in DoLs assessments and reviews. Costs are expected to be short term ahead of an expected review of appropriate legislation following Cheshire West Judgement in 2014	One off	N/A	500,000
2	Adult Frailty and Long Term Conditions	Scheme to support the delivery of Homecare in Lincolnshire ensuring its sustainability and deliverability.	One off	N/A	254,800
3	Carers	Carers Service to Hospitals - Funding required to provide hospital dementia support service in addition to support already provided in the community. This reduces the need for clinical staff in supporting dementia specific needs, enabling the person with dementia to engage whilst in an acute setting	One off	N/A	101,900
4	Adult Frailty and Long Term Conditions and Adult Specialities	Flexible Mobile Working - Funding required to purchase specialist IT equipment and licenses needed to allow front line staff (Adults and Children) to have full access to Mosaic whilst out in the field.	One off	N/A	255,000
5	Adult Frailty and Long Term Conditions and Adult Specialities	Maintenance of existing establishment to support Mosaic Implementation - Funding required to support temporary staff to backfill key specialists staff seconded to CMPP project.	One off	N/A	51,000
6	Adult Frailty and Long Term Conditions	Balance of 1%. It is proposed to set this aside for emerging pressures during the financial year.	One off	N/A	297,014
		TOTAL			1,459,714

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Wellbeing - Registration, Celebratory & Coroners	Use of carry forward to meet cost pressures in the Coroners Service until new model of service is implemented	One-off (until model of delivery is changed)	N/A	100,000
2	Communities - Customer Service Centre	Use of carry forward to meet cost pressures in the CSC due to increased volumes of activity, and timing of channel shift savings	One-off (until model of delivery is changed)	N/A	181,973
		TOTAL			281,973

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Sustaining & Developing Prosperity via infrastructure	<p>Greater Lincoln Transport Model - the resulting model would be capable of fulfilling all of the County Council's requirements for a minimum of five years and with the possibility of extending this further with limited refinement in the future.</p> <p>The anticipated uses of the GLTM in the future, and changes in guidance, will dictate the necessary functionality of the model and this in turn will determine the details of any model update. These are technical issues to be discussed in due course, and information regarding data collection, programme and costs will be refined. They are based on an assumption that an updated model would have broadly the same functionality as the current model (for example no explicit public transport or parking allocation modelling) but would incorporate the most up to date guidance on model building.</p>	One off production of the model but recurring use/ benefit in relation to modelling transport/ highway matters for Lincoln	Ongoing support/ use and updates funded through individual schemes/ projects	400,000
2	Protecting & Sustaining the Environment	To undertake its statutory function of determining planning applications Planning Services uses an applications software package. The current provider of this package is no longer supporting planning applications and has given notice to the Council that it will no longer support the software. It is therefore necessary for an alternative software provider to be appointed to provide this service. In addition the software is used to receive and distribute planning applications consultations received from the District Councils to Development Management Officers to provide responses on highways and SuDS matters.	One off	This is a one off scheme and we are seeking a 5 year contract with further 2 year extension option. Existing licensing/ running costs are expected to be similar to existing budget	175,000
3	Sustaining & Developing Prosperity via infrastructure	Implementation of Highways Asset Management and Scheme Prioritisation Software.	One off	n/a	50,000
4	Sustaining & Developing Prosperity via infrastructure	Oak House Business Centre - to replace phone system, CCTV system, boilers, automatic doors and car park surfacing at Oak House Business centre in order to maintain tenant appeal	One off activity	N/A	50,000

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
5	Sustaining & Developing Prosperity via infrastructure	Project Feasibility - to develop economic infrastructure project feasibility to planning application stage in order to create a stock of viable and ready to implement projects / bids for future Growth Deal	One off activity	N/A	68,501
6	Sustaining & Developing Prosperity via infrastructure	Team Lincolnshire Collateral - The development of materials and collateral to help build Team Lincolnshire and enable it to become the vehicle through which investment in Lincolnshire is promoted.	One off activity	N/A	20,000
		TOTAL			763,501

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1	Budget and Policy Framework - Finance and Audit	Audit. The audit budget for 2015/16 included £42k to upgrade the Council's Audit Software. Due to problems with SERCO availability this upgrade was not completed during 2015/16. It is requested that this budget is carried forward into 2016/17 to undertake this work.	One-Off	N/A	42,000
2	Property Strategy and Support	Wainfleet Library. £72k was allocated for works at this property in 2015/16. Due to the specific nature of the repairs required and it being a Scheduled Ancient Monument the works could not be carried out over the winter period and therefore the original budget could not be utilised during last financial year.	One-Off	N/A	72,000
3	Business Support	To cover the budget shortfall for offsite storage of records management with Restore.	On going	This has been covered by underspends in past but can no longer be sustained.	80,000
4	Preventing and Tackling Fires and Emergencies	Retained Duty Staff Public Holiday Drill - Night Payment. It was discovered during the later stages of last year that Spitfire had been configured incorrectly so RDS staff were only being paid single time on public holidays since 2012. £21k is required to resolve this.	One-Off	N/A	21,000
5	Preventing and Tackling Fires and Emergencies	Retained Duty Staff/CM Backdated Pay. Currently Lincolnshire Fire and Rescue pay all WDS personnel competent pay on promotion. This hasn't been applied to RDS at crew and watch manager level due to a clerical omission. This issue has occurred since 2012 and this figure is the cost to the service of resolving this back pay issue.	One-Off	N/A	50,000
6	Preventing and Tackling Fires and Emergencies	Project Officer. The service would like to employ and additional WM within the CFS team to undertake a 9 month project to progress with the development and implementation of a Community Risk Intervention Team to support the health agenda.	One-Off	N/A	36,000
7	Protecting the Public - Safer Communities	Scams. Vulnerable victims, through a national project we have been made aware of at least 1,800 victims of mail scams. Each victim poses a safeguarding risk from financial abuse. There is a need to visit each victim to do a safeguarding check.	On going	Work nationally and locally to protect potential victims. List is a back log reflecting newly recognised risk that will hopefully decrease in total numbers.	50,000

Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
8	Protecting the Public - Safer Communities	Bid to support the Youth Offending Service Early Intervention and Preventative Strategy Work, which aims to keep young people out of the criminal justice system. This work has been reduced to ensure no overspends would occur, (£0.200m underspend this year as a result). YOS has experienced an increase in YP coming into criminal justice this year, the first rise in the last five years. This impacts significantly on the community and service and creates increased cost as a consequence.	One-Off (this work will cease when the funding stops)	N/A	90,000
9	Budget and Policy Framework - Finance and Audit	Balance of 1%. It is proposed to set this aside for emerging pressures during the financial year.	One-Off	N/A	72,496
		TOTAL			513,496

Directorate

Information and Commissioning

Up to 1% Carry Forward	140,583
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Rank (please rank in order of priority)	Service Area	Planned use of Carry Forward (please provide a short explanation)	Required for one off scheme/pressure, on-going pressure.	For on-going budget pressures how does the service plan on resolving these beyond this funding?	Amount (£)
1					
2					
		TOTAL			-

Appendix B – Prudential Indicators 2015/16

PRUDENTIAL INDICATORS ACTUAL COMPARED TO ESTIMATED 2015/2016			
	2015/16		2015/16
Original Estimate	£000	Actuals	£000
Capital Expenditure Net	80,362	Actual Capital Expenditure (Excl Sch RCCO & Leasing)	28,768
Capital Financing Requirement 31/3/2016	630,292	Actual Capital Financing Requirement 31/3/2016	559,558
Capital Financing Requirement Estimate at 31/3/2018	665,617	Capital Financing Requirement Estimate 31/3/2018	594,942
Gross External Borrowing	513,440	Actual Gross External Borrowing	481,747
Borrowing in Advance of Need Limit	8,831	Actual Borrowing in Advance of Need Taken	0
Incremental Impact of Borrowing Plans on Council Tax	£8.36	Actual Incremental Impact of Borrowing Plans on	-£5.10
'-Band D		'Council Tax -Band D	
MRP & Interest Repayments not to exceed 10% of Net Revenue Stream		MRP & Interest Repayments not to exceed 10% of Net Revenue Stream	
Estimate	6.24%	Actual	5.75%
Ratio of Financing Costs To Net Revenue Stream	6.14%	Actual Ratio of Financing Costs To Net Revenue Stream	5.68%
External Debt:			
<u>Authorised limit for external debt -</u>		Actual external debt at 31/3/16	
borrowing	592,052	Borrowing	481,747
other long term liabilities	15,083	Other long term liabilities(Credit Arrangements)	12,193
TOTAL	607,135	TOTAL	493,940
<u>Operational boundary -</u>			
borrowing	568,052		
other long term liabilities	13,083		
TOTAL	581,135		
Treasury Management:			
<u>Upper limit for fixed interest rate exposure</u>		Actual exposure fixed interest	
Net principal re fixed rate borrowing less investments	665,617	Net Principal	311,933
<u>Upper limit for variable rate exposure</u>		Actual exposure variable interest	
Net principal re variable rate borrowing less investments	199,685	Net Principal	-46,204
<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 2015/16	upper limit	Actual maturity structure as at 31 March 2016	
under 12 months	25%	under 12 months	3.20%
12 months and within 24 months	25%	12 months and within 24 months	3.20%
24 months and within 5 years	50%	24 months and within 5 years	15.50%
5 years and within 10 years	75%	5 years and within 10 years	9.30%
10 years and above	100%	10 years and above	68.70%