

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

Report to:	<b>Executive</b>
Date:	<b>20 December 2016</b>
Subject:	<b>Council Budget 2017/18</b>
Decision Reference:	<b>I012504</b>
Key decision?	<b>Yes</b>

**Summary:**

This report describes the Council's budget proposals based on the four year funding deal announced by Government as part of the 2016/17 Local Government Financial Settlement. Details of the Provisional Local Government Finance Settlement for 2017/18 have not yet been issued, but it is anticipated these will follow the previously announced funding levels.

The Executive are asked to make proposals for the Council's budget for 2017/18 as a basis for internal and external consultation.

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

The Executive are also asked to delegate authority to the Leader to decide whether to go ahead with the proposed business rate pooling arrangement for 2017/18.

**Recommendation(s):**

That the Executive:

1. agree the budget proposals described in this report as its preferred option for the purposes of further consultation; and
2. delegate authority to the Leader to review the Council's participation in a business rates pooling arrangement with six of the Lincolnshire District Council's (Boston Borough, City of Lincoln, East Lindsey, North Kesteven, South Kesteven and West Lindsey) in light of the Provisional Local Government Settlement and notify the Government four weeks after the notification of the Provisional Local Government Finance Settlement.

**Alternatives Considered:**

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

**Reasons for Recommendation:**

The recommended option reduces the Council's spending to reflect reducing government grant income to the Council. It also allows for an increase in council tax of 3.95% (1.95% plus a further 2.00% for the social care 'precept').

The Council has in place a memorandum of understanding with six of the Lincolnshire District Council's relating to pooling business rates for 2017/18. Following receipt of the Provisional Local Government Finance Settlement, the Council may withdraw from this arrangement on condition they notify Government 28 days after the Settlement date.

**1. Background**

1.1 This report sets out a one year financial plan for revenue and capital budgets. For the third year running the Council is only able to set a one year budget. This is due to the continued significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay staff and contractors the National Living Wage. These pressures mean the Council doesn't consider it practicable, at present, to develop sustainable long term financial plans beyond the next twelve months.

1.2 In developing its financial plan the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding (including use of reserves and capital receipts) to set a balanced budget.

1.3 All areas of service expenditure have been reviewed to identify cost pressures which must be funded and savings which can be made, through efficiencies and by reducing the level of service provided. The Council remains aware of its high priority areas, but no service has been exempted from helping the Council to deliver its savings target. These high priority areas are:

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

1.4 On an annual basis the Council has the opportunity to review the level of Council Tax. Central government sets thresholds above which a local authority would be required to hold a referendum for Council Tax increases. For 2017/18 it is anticipated that this threshold would be 2.00%, plus a further 2.00% for authorities with Adult Social Care responsibilities to deal with pressures in this area including demographic pressures and the impact of the national living wage. A council tax increase of 3.95% (1.95% plus a further 2.00% for the social care 'precept') is proposed.

1.5 The budget proposals set out in this paper take a mixed approach to meeting the current challenges of reduced levels of local government funding. Savings identified from service and corporate budgets, as set out in the paper below, plus a proposed increase in Council Tax, the use of reserves and the use capital receipts to fund the cost of transformation will be used to set a balanced budget for 2017/18. During the next twelve months the Council will need to explore further opportunities to bridge the gap between the funding available and levels of expenditure.

### **Provisional Local Government Settlement and Multi Year Settlement Funding**

1.6 The Provisional Local Government Settlement for 2017/18 has not yet been received from central government. Any information received in advance of this meeting will be analysed and tabled at the meeting. This paper has been prepared based on the four year funding deal announced as part of the Provisional Settlement for 2016/17.

1.7 The Provisional Local Government Settlement for 2016/17 and letter dated 10 March 2016 from the Secretary of State for Communities and Local Government offered local authorities the opportunity to sign up for greater flexibility in use of capital receipts for revenue transformation and greater confidence in future funding by way of a four year budget settlement. In order to accept this offer, local authorities were required to notify the Secretary of State, not later than 14 October 2016, of their wish to accept the offer and provide a published Efficiency Plan.

1.8 At its meeting on 16 September 2016 the County Council approved an Efficiency Plan, flexible use of capital receipts (and the effect on Prudential Indicators) and acceptance of the four year funding deal. On 16 November the Secretary of State for Communities and Local Government confirmed that the Council were formally on this Multi Year Settlement.

1.9 The Multi Year Funding Settlement will provide the Council with confirmed minimum funding for Revenue Support Grant, Transitional Grant and Rural Services Delivery Grant from 2016/17 to 2019/20 (**TABLE 1**). This level of funding for 2017/18 has been built into the Council's budget proposals set out below.

TABLE 1: Multi Year Settlement Funding Levels

<b>Funding Summary</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Revenue Support Grant	70.351	48.292	33.964	20.139
Transitional Grant	0.011	0.009	0.000	0.000
Rural Services Delivery Grant	6.892	5.565	4.281	5.565
<b>TOTAL</b>	<b>77.254</b>	<b>53.866</b>	<b>38.245</b>	<b>25.704</b>

1.10 When comparing the level of Revenue Support Grant (RSG) received for 2016/17 to 2017/18, the Council has seen a reduction of £22.059m or 31.36% in funding between the two financial years. Taking this forward based on the four year funding deal the following reductions in RSG would be seen:

- 2017/18 to 2018/19: £14.328m or 29.67%
- 2018/19 to 2019/20: £13.825m or 40.70%

1.11 Rural Services Delivery Grant of £5.565m has been awarded as part of the multi-year settlement for 2017/18. This is in recognition of the higher costs of providing services in rural areas. Transitional grant of £0.009m has been awarded for 2017/18. This is for those Council's with the sharpest reductions in Revenue Support Grant.

### Other Revenue Government Grants

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

- New Homes Bonus Grant of £4.555m is estimated for 2017/18 (an increase of £1.327m from 2016/17) relating to the increase in the number of new properties built in Lincolnshire;
- Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs of £0.128m. It is assumed that this grant will continue at the same rate as in 2016/17;
- Extended Rights to Free Travel from the Department for Education of £0.632m. It is assumed that this grant will continue at the same rate as in 2016/17;
- Education Services Grant (ESG). The Government announced the removal of £600m from the ESG general rate from September 2017. Local Authorities are to receive transition ESG funding that covers maintained schools from April 2017 to August 2017 only. The Council has received guidance from Government that the rate per pupil for 2017/18 will decrease from £77 per pupil in 2016/17 to £55 per pupil. Estimated income from ESG

for 2017/18 is £0.836m based on the Council's estimate of pupil numbers in maintained schools and applying the grant rate of £55 per pupil.

The retained duties element of the ESG will be added to the Dedicated Schools Grant schools block for 2017/18. This budget is estimated to be £1.557m. Local Authorities are awaiting further detail of the duties to be included under this arrangement, which will be included in the forthcoming consultation on changes to the School and Early Years Finance Regulations; and

- Lead Local Flood authority grant of £0.111m for 2017/18 has been confirmed.

1.13 The Public Health Grant will continue as a separate ring-fenced grant in 2017/18. Indicative allocations were announced in February 2016 along with the grant for 2016/17. The estimated grant for 2017/18 is £33.524m, a reduction of £0.526m from the 2016/17 award of £34.050m.

### **Council Tax**

1.14 It is proposed that Council Tax will be increased by 3.95% for 2017/18. It is anticipated that the Secretary of State will announce that the Government's referendum threshold for 2017/18 will remain at 2.00% with a number of exceptions, notably that authorities with Adult Care responsibilities will be able to increase Council Tax up to 2.00% above the 2.00% threshold. It is estimated that an increase of 3.95% will generate additional income of £9.804m.

1.15 The final figures on the council tax base and any surpluses or deficits on the council tax element of the collection fund will not be received from Lincolnshire District Councils until 31 January 2017. This information will be reported to the Executive at its meeting on 7 February 2017, together with the funding this will generate for the County Council.

1.16 An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported back to the Executive at its meeting on 7 February 2017.

### **Business Rates**

1.17 The multi-year settlement deal estimated the business rates receivable to be £104.921m; comprising £20.874m actually collected by the seven District Councils in Lincolnshire and a top up grant of £84.047m from Central Government as the total business rates collected in Lincolnshire are not sufficient to cover local authority spending in the area.

1.18 Comparing business rates funding received for 2016/17 to 2017/18, the Council has seen an increase of £2.006m or 1.95% in Business Rates funding between the two financial years.

1.19 Any surpluses or deficits on the business rates element of the collection fund will not be received from the Lincolnshire District Councils until 31 January 2017. These will be reported to the Executive at its meeting on 7 February 2017. It is worth noting that only 10% of the business rates collected locally is passed to Lincolnshire County Council and any share of surpluses or deficits will also be on this basis.

1.20 The Autumn Statement announced the continuation of the small business rate relief and a further extension to include a rural rate relief. It is therefore anticipated that Government will continue to compensate local authorities in full for the extension of small business rate relief and new rural rate relief. At the time of preparing this paper the Council is awaiting announcement of the value of this grant (the value of this grant in 2016/17 was £2.418m). This will be built into the budget assumptions reported to the Executive at its meeting on 7 February 2017.

### Business Rates Pooling 2017/18

1.21 The Local Retention of Business Rates Scheme allows the County Council to consider the option of pooling our business rates with other local authorities. It is assumed that arrangements will be similar to last year where local authorities had 28 days beginning on the date on which the draft Local Government Finance Report is published to consider if they wish to be designated in a pool.

1.22 The proposed pooling arrangement for 2017/18 includes the County Council plus six of the Lincolnshire Districts Council's (Boston Borough, City of Lincoln, East Lindsey, North Kesteven, South Kesteven and West Lindsey). Initial calculations show the County Council could benefit by some £1.103m from being in the pool. In previous years the Council has budgeted for this additional income, however, due to the timing and size of appeals received by the District Councils, these amounts have been volatile and have not all been delivered. It is therefore, proposed not to budget for the estimated additional income. Any income generated from pooling during 2017/18, when received, will be used to reduce the amount planned to be used from reserves in 2017/18.

## The Council's Overall Revenue Budget

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

TABLE 2: Summary Revenue Budget

<b>SUMMARY REVENUE BUDGET</b>	<b>2017/18 £m</b>
<b>EXPENDITURE:</b>	
Base Budget	<b>465.860</b>
Cost Pressures ( <i>including inflation</i> )	26.075
Savings	-39.172
<b>Total Expenditure</b>	<b>452.763</b>
Use of Reserves	-27.614
<b>Budget Requirement</b>	<b>425.149</b>
<b>INCOME:</b>	
Local Retention of Business Rates	104.921
Revenue Support Grant	48.291
Other Grants	13.941
County Precept	257.996
<b>Total Income</b>	<b>425.149</b>

1.24 The Council proposes to allocate an additional £1.453m of resources in 2017/18 to fund pay inflation. Details on all other cost pressures and savings included within the Council's budget for 2017/18 are set out in the Commissioning Strategy narratives below.

1.25 The Council proposes to use reserves of £27.614m to balance the Council's budget and keep the Council's general reserves at 3.5% of the Council's total budget. These are one off contributions to the Council's budget shortfall and are planned to smooth the effect of reductions in funding on implementing service changes and reductions.

## Revenue Budgets

1.26 Revenue budgets for 2017/18 are shown in **TABLE 3** below together with the change over the previous year. The Council now delivers services to a Commissioning Model and as such the budgets are presented on this basis. **Appendix A** to this report provides further details of the services undertaken in each Commissioning Strategy.

1.27 The budget proposals assume inflation increases of 1.0% for pay for the next financial year. There is also a reduction in the employers pension contribution rate from 19.8% to 16.4%. This has removed £2.883m from service budgets. The reduction in rate has been offset by an increase in the lump sum payment made annually by the Council to the Pension fund. Details on this change are set out in paragraph 1.86 below.

**TABLE 3: Net Service Revenue Budget 2017/18 and change over previous year**

<b>Commissioning Strategy Revenue Budgets</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>
Readiness for School	5.376	4.732
Learn & Achieve	33.017	31.397
Readiness for Adult Life	4.946	4.292
Children are Safe & Healthy	61.774	63.831
Adult Safeguarding	1.795	1.777
Adult Frailty, Long Term Conditions & Physical Disability	99.065	98.440
Carers	1.889	1.889
Adult Specialities	50.908	52.976
Community Resilience & Assets	11.113	9.847
Wellbeing	31.044	27.748
Sustaining & Developing Prosperity Through Infrastructure	44.824	40.037
Protecting & Sustaining the Environment	23.309	24.954
Sustaining & Growing Business & the Economy	1.265	1.242
Protecting the Public	23.409	22.441
How We Do Our Business	8.116	9.042
Enablers & Support to Council Outcomes	35.764	35.109
Public Health Grant Income	-34.050	-33.524
Other Budgets	67.341	59.236
Delegated Schools Budget	465.994	465.994
Dedicated Schools Grant	-501.365	-502.922
Schools Related Expenditure	30.325	34.225
<b>Total Net Expenditure</b>	<b>465.859</b>	<b>452.763</b>
Transfer to/from Earmarked Reserves	-20.165	-27.914
Transfer to/from General Reserves	-0.800	0.300
<b>Budget Requirement</b>	<b>444.894</b>	<b>425.149</b>

**Please see Appendix A to this report for descriptions of the services included in each Commissioning Strategy.**

### **Children's Services**

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

1.29 **Readiness for School** strategy is proposing to make savings of £0.611m (or 8.06% of the 2016/17 budget) in 2017/18. The reduction is proposed through a



new model of delivery based on commissioning a single Early Year's service. This model will combine elements of the current Locality Services and Early Years activities in Children's Centre Communities.

1.30 **Learn and Achieve** strategy is proposing to make savings of £1.283m (or 3.88% of the 2016/17 budget) in 2017/18. Within the area of Special Educational Needs and Disabilities base budget reductions of £0.640m and £0.145m are proposed from identifying funding available from other government funding source to sustain the current level of permanent provision. A reduction of £0.417m is planned for the School Improvement Service (full year effect of the 2016/17 budget decision) following the implementation of a sector-led approach to school improvement. This reduction coincides with the government's reduction in the Education Support Grant which the school improvement service is funded from.

1.31 In addition, a saving of £0.081m (full year effect) will be realised in 2017/18 from the 2016/17 budget decision to end the additional transport provision provided for the University Technology College (from September 2016), and to provide the same offering as all other non-selective schools in Lincolnshire in line with current policy. A cost pressure of £0.190m is proposed for the additional school transport costs associated with the closure of the Mablethorpe school site for Monks Dyke Technology College.

1.32 The Home to School/College Transport is a challenging and volatile budget with unfavourable economic conditions (e.g. living wage, legislation changes etc.) including the impact of school reorganisations, therefore remains a financial risk to the Council.

1.33 **Readiness for Adult Life** strategy is proposing to make savings of £0.605m (or 12.30% of the 2016/17 budget) in 2017/18. The proposed reduction of £0.605m provides the full year effect of the cost savings from the 2016/17 budget decision to decommission part of the service whilst retaining some capacity for tracking young people to fulfil the Local Authority's duty to track 16-17 year olds. The schools traded services of supporting attendance and careers guidance has ended.

1.34 **Children are Safe and Healthy** strategy is proposing to make savings of £0.568m (or 0.96% of the 2016/17 budget) in 2017/18 following a review of its service delivery model and commissioning intentions. Planned reductions of £0.218m (full year effect of the 2016/17 budget decision) relate to the integration of family support capacity implemented in 2016/17 (early help offer). The insourced family action contract and integration of the troubled families programme has created greater synergies within the service. A further reduction of £0.350m relates to the proposed decommissioning of the Family Nurse Partnership service.

1.35 A number of cost pressures exist within children's social care where the Local Authority has a statutory duty to protect children and take action when thresholds are met. Financial shortfalls have been identified for the current and future year based on the growth trends on the number of looked after children placements and special guardianships orders. Nationally demand levels are increasing too. The permanent cost pressure proposed for 2017/18 is £1.882m.

1.36 Additional social care staffing is required to respond to the increase in the number of referrals (5% or 190 rise in the last year) in children in need and in care. In addition, cases coming into social care are become even more complex. The social care staffing cost pressure proposed for 2017/18 is £0.581m.

1.37 A further cost pressure of £0.600m is proposed for the Local Authority's legal duty to provide supported accommodation for homeless 16-17 year olds and care leavers. The complexity of individuals needs and an increase in demand has contributed to this. The Local Authority is exploring options of meeting these growing demands more cost effectively.

## **Adult Care**

1.38 Adult Care is responsible for four of the County Council's seventeen Commissioning Strategies: Adult Frailty and Long Term Conditions, Specialist Adult Services, Carers and Safeguarding Adults.

1.39 The Adult Care budget is set in the context of increasing demographic pressure and cost pressures related to service provider fee increases in order to accommodate the increasing cost of employment as a result of the National Living Wage. This results in a proposed cost pressure of £6.670m in 2017/18.

1.40 Savings in 2017/18 of £4.083m are proposed, covering two of the four Commissioning Strategies.

1.41 **Adult Frailty and Long Term Conditions** propose a £3.648m saving in 2017/18 (or 3.68% of the 2016/17 original budget). It is proposed that this would include: an increase in user contributions to services via growth in the number of people being supported and the additional full year effect of the change in the policy introduced in April 2016 (£1.663m); efficiencies made through joint commissioning with partners and pooled funding arrangements (£1.685m); and reshaping management and commissioning processes following the implementation of the Mosaic Care Management System (£0.300m).

1.42 **Specialist Adult Services** propose a £0.435m saving in 2017/18 (or 0.85% of the 2016/17 original budget). It is proposed that this will deliver by an increase in user contributions to services as described above and by further efficiencies in micro-commissioning.

1.43 The Better Care Fund (BCF) continues to have a profound effect on Adult Care in Lincolnshire. £53.538m (£48.654m revenue and £4.884m capital) was earmarked for the Lincolnshire health and care economy in 2016/17. Spend against this allocation was agreed with the four Clinical Commissioning Groups (CCGs) and £16.825m was allocated to the County Council in 2016/17. Discussions regarding the 2017/18 allocation of the BCF are ongoing and are likely to be agreed early in 2017. A new additional BCF funding regime will also be put in place for 2017/18 with additional funding (suggested to be in the region of £2.106m) paid direct to upper-tier councils to be added into the pooled fund.

## Community Wellbeing and Public Health

### Community Resilience and Assets

1.44 The **Advice, Information and support from Community and Volunteer Sector** have proposed savings of £0.172m in 2017/18 (or 23.24% of the 2016/17 original budget). This saving is mainly the full year effect of the recommissioning of the Volunteer Infrastructure Support commissioned by the Council (£0.141m) and from the cessation of the Service Level Agreement (SLA) with Just Lincolnshire which was required to secure Big Lottery funding (£0.031m).

1.45 **Library and Information Services** have proposed savings of £0.400m for 2017/18 (or 6.91% of the 2016/17 original Budget). These savings are part of the planned operating model of the library service contract and do not require any changes to the contracted service provision.

1.46 **Financial Inclusion** has a proposed saving of £0.684m in 2017/18 (or 100.00% of the 2016/17 original budget). This budget currently funds the activities commissioned with the Citizens Advice Bureau. Whilst this budget proposal will remove 100% of the base budget for this activity, the activity will continue to be supported for at least two years with the use of reserves, whilst fully reviewing the impact of this budget change.

### Wellbeing

1.47 **Health Improvement, Prevention and Self-Management** has a proposed saving of £1.339m (or 32.74% of the 2016/17 original budget). This proposed saving is the full year effect of the significant reduction in Health Improvement activities implemented during 2016/17. This ceased our commissioning of activities such as adult weight management, health trainer programme, sports co-ordination, food and health programmes, walking programmes, master gardener, health support for offenders and reduced support for the smoking cessation programme.

1.48 **Housing Related Support (HRS)** has a proposed saving of £0.994m for 2017/18 (or 24.94% of the 2016/17 original budget), these savings are planned to be realised through reviewing the budget required to deliver the existing Housing Related Support contracts and the Wellbeing Service in 2017/18 and making efficiencies across these services.

1.49 **Prevention and Treatment of Substance Misuse** has a proposed saving of £0.944m (or 14.19% of the 2015/16 original budget). This proposed saving is the full year effect of the 25% reduction implemented during 2016/17. The service has been through a re-procurement of its substance misuse contracts to achieve this saving, moving to a single provider, reducing the number of people who can be treated by the service, and focusing on those for whom the most impact can be achieved in terms of outcomes.

## Environment and Economy

### Sustaining and Developing Prosperity Through Infrastructure

1.50 **Transportation and Concessionary Fares** has a proposed budget reduction of £0.363m in 2017/18 (or 2.59% of the 2016/17 original budget of £14.011m, half of which is concessionary fares). This proposed saving is the full year effect of the staff reductions which will be implemented as part of the Transportation Service staff restructure.

1.51 **Highway Asset Maintenance** has a proposed budget reduction of £2.617m in 2017/18 (or 13.29% of the 2016/17 original budget). This proposed saving is the full year effect of changes implemented during 2016/17 completing a 25% reduction of this activity. The changes have included:

- Reducing Road Maintenance;
- Reducing highway grass and verge maintenance;
- Reducing Public Rights of Way maintenance;
- Reducing Parish Amenity Grass Cutting;
- Reducing Street Lighting and investing in new LED technology to reduce street lighting costs; and
- Reducing other inspections and safety maintenance.

1.52 **Highway Network Management** has a proposed budget reduction of £0.759m in 2017/18 (or 8.77% of the original 2016/17 budget). This saving will be met from the Winter Maintenance budget and will be realised by improved efficiencies through route based forecasting and treatment. There is no planned change from the current treatment routes policy. We will need to draw from the adverse weather reserve and contingency if savings are not realised in any year due to adverse weather conditions.

1.53 **Heritage Operation and Development** has proposed savings of £0.802m in 2017/18 (or 45.70% of the 2016/17 original budget). The Executive have approved the review of the model of delivery of this service, which will ultimately reduce significantly the council budget required for supporting these facilities maximising the income generation opportunities available.

### Protecting and Sustaining the Environment

1.54 The Protecting and Sustaining the Environment commissioning strategy currently delivers waste management services, sustainable planning, flood and water risk management, the natural and built environment and reducing carbon emissions.

1.55 The savings proposed from this strategy are £0.353m for 2017/18 (or 1.51% of the 2016/17 original budget). These savings are proposed to be delivered by reducing the work supporting reduction in carbon emissions (£0.053m); reducing the spend on minor flood risk management schemes (£0.089m); reducing the funding for protecting and enhancing the natural and built environment

partnerships e.g. the Wolds and GNLP (£0.067m); and reductions in the staff structure of the Sustainable Planning team.

1.56 Whilst savings had already been implemented during 2016/17 to meet the rising demand of waste disposal costs, it is proposed to fund an on-going cost pressure around Waste Disposal (£1.568m); supplementary services (£0.064m) and a short term pressure of responding to household waste facility requirements in Boston (£0.300m).

### Sustaining and Growing Business and the Economy

1.57 There are no proposed budget savings in Sustaining and Growing Business and the Economy.

## **Finance and Public Protection**

### Protecting the Public

1.58 **Fire and Rescue** have a proposed budget saving of £1.005m in 2017/18 (or by 5.17% of the 2016/17 original budget). The 2016/17 original budget for this service is £19.444m. An element of these savings is the full year effect of changes already implemented during 2016/17 primarily around changes to the crewing arrangements at Lincoln North Fire Station. Savings will also be delivered following implementation of the changes highlighted in the Integrated Risk Management Planning consultation 2016/17. This will include changes to the duty systems on all whole time fire stations, a further reduction in management posts and changes in a number of operational support activities.

1.59 The service is currently receiving funding from the Better Care Fund (£0.150m) towards the costs of Co-Responding, there will be a financial risk to the service if this funding cannot be secured for future years.

1.60 The **Registration, Celebratory and Coroners Service** has a proposed budget saving of £0.060m in 2017/18 (or 4.52% of the 2016/17 original budget). This saving is proposed from opportunities for the Registrars Service to generate additional income. We now have agreement to move forward with the new model of delivery for the Coroners Service, however, until this model is fully in place there is a cost pressure of £0.100m proposed to be funded.

1.61 **Community Safety** has a proposed budget reduction of £0.037m in 2017/18 (or by 9.00% of the 2016/17 original budget), this is the full year effect of reductions in Community Safety Initiatives.

1.62 **Road Safety** has a proposed budget reduction of £0.047m in 2017/18 (or by 13.58% of the 2016/17 original budget) which would be met by the Lincolnshire Road Safety Partnership becoming part self-funding. There are no planned reductions to school crossing patrol budgets.

## How we do our Business

1.63 The How We Do Our Business strategy and the budgets that support it provide 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.

1.64 In **Budget and Policy Framework – Finance and Audit** a saving of £0.010m is proposed in 2017/18 (or 0.21% of the 2016/17 budget). This is the second year of savings generated from the finance element of the SERCO contract.

1.65 In **Decision Making, including Democratic Processes** a saving of £0.100m is proposed in 2017/18 (or 4.48% of the 2016/17 budget). These savings reflect the Boundary Commission recommendations to reduce the size of the Council from 77 councillors to 70 from May 2017.

1.66 A cost pressure of £1.100m is proposed to fund the cost of running the County Council elections in May 2017. This is a one off cost pressure that occurs once every four years.

## Enablers and Support to Council's Outcomes

1.67 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.

1.68 In **Information Management and Technology Strategy and Support** it is proposed to fund cost pressures totalling £1.614m in 2017/18 (or an increase of 17.02% of the 2016/17 budget). £1.400m is proposed for the annual licence costs for the Microsoft Enterprise Agreement.

1.69 It is proposed that costs in this area will be driven down by the support services contract through improved contract management, information governance and the new consumption based charging approach, which will allow operations to be scaled. Continuing to move systems into the cloud should also leverage the best value for the Council, as should rationalisation of IT systems. The delay in delivering some of these proposed changes has caused the savings thought to be achievable to be pushed back into future years. This has caused a cost pressure of £0.214m in 2017/18 due to the timing of the savings delivery.

1.70 In **Property Strategy and Support** a saving of £0.216m is proposed in 2017/18 (or 2.62% of the 2016/17 budget). £0.141m of these savings would be delivered through continued rationalisation of the Council's property portfolio, a reduction in the general maintenance budget for Council owned travellers sites, removal of the exit costs budget for facilities management and a reduction to the

Council's dilapidations budget. £0.075m is proposed to come from additional rental income generated by the County Farms Estate.

1.71 **People Management** activity is proposing to make savings of £0.133m (or 3.44% of the 2016/17 budget) in 2017/18. The proposed budget reductions relate to the 2016/17 budget decisions to end the 2 year graduate programme for new entrants (savings have been profiled), and the full year effect of savings from ceasing of the leadership management development programme. A permanent cost pressure of £0.032m has been identified for the provision of asbestos medicals for Fire-fighters.

1.72 In **Commissioning** a saving of £0.161m is proposed in 2017/18 (or 4.80% of the 2016/17 budget). Proposed savings in this area will be achieved by removal of the budget for a fixed term post which ends in March 2017.

1.73 In **Business Support** a saving of £1.233m is proposed in 2017/18 (or by 11.58% of the 2016/17 budget). The budget for business support is predominately a staffing budget, with the exception of a small number of corporate budgets, such as, postage and off site storage. As a support service the reshaping of this service will follow changes to other areas of the Council. The size and shape of this service will be matched to the needs and demands placed on it by other parts of the Council and will deliver its savings from this process.

1.74 In **Strategic Communications** a saving of £0.202m is proposed in 2017/18 (or by 19.77% of the 2016/17 budget). The saving is proposed to be delivered by the removal of vacant posts from the Strategic Communications team and a reduction to three editions a year of County News which will reduce publishing and delivery costs.

## **Schools**

1.75 The Schools Budget is funded via the Dedicated Schools Grant (DSG). The Government's school funding reforms categorise the DSG into the Schools block, the Early Year's block and the High Needs block.

1.76 Lincolnshire's DSG indicative allocation for 2017/18 is £502.922m, and will be used to support all schools in Lincolnshire including local authority schools and academies. Over half of Lincolnshire pupils attend academy schools; therefore the DSG figure for the Schools block will be revised down for the academy schools budget share allocations. The DSG is a ring-fenced grant and the actual split between academies and local authority schools has no financial risk to the Council from the DSG schools delegated budget perspective.

1.77 For 2017/18, the government has confirmed that no local authority will see a reduction from their 2016/17 DSG funding, therefore being protected in cash terms. Protection arrangements for individual schools will continue to be put in place through application of the government's minimum funding guarantee (i.e. individual schools budgets will be protected on a per pupil basis, i.e. at 98.5% of the previous year's funding level).

1.78 The government will launch the second stage of the fairer funding consultation for schools and high needs funding, to apply for 2018/19 (a year later than planned). The government still plan to implement funding changes in 2017/18 for early years funding to providers and schools delivering early years entitlement.

1.79 Lincolnshire's pupil premium indicative allocation for 2017/18 is £28.264m. Pupil premium funding nationally is at £2.412 billion, and will grow for increases in pupils meeting the eligibility criteria. Similarly to the DSG, the pupil premium allocation for Lincolnshire covers both the allocations for local authority schools and academy schools. The Education Funding Agency allocate pupil premium for academy schools, so the grant will be reduced accordingly. However, this has no financial risk to the Council. Publication of 2017/18 allocations will be released in year.

## **Other Budgets**

1.80 **Capital Financing Charges**, within other budgets have been set at a level to reflect the revenue implications of the revised capital programme set out below (paragraphs 1.92 to 1.97). The revenue implications of the capital programme are estimated to cost the Council £39.239m in 2017/18. The overall affordability of the capital programme has been reviewed to ensure the impact on the revenue budget remain affordable.

1.81 During 2016/17 the Council has reviewed it's Minimum Revenue Provision Policy (MRP). MRP is a charge to the Council's revenue account to make provision for the repayment of the Council's outstanding capital debt liabilities. The Council is required by law to set aside an amount for this provision which it considers to be prudent. Statutory Guidance which accompanies Regulations provides options for the calculation of MRP and gives Council's significant discretion in determining the level of MRP.

1.82 The Guidance states that 'the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant'.

1.83 It is estimated that the changes to the policy will save £9.184m in 2017/18.

1.84 The Council is also budgeting for £1.000m of receipts from investment of cash balances in 2017/18.

1.85 The Council also proposes the following savings from other budgets:

- A reduction of £2.500m to the Council's redundancy budget to £2.000m. This budget funds any redundancies arising from the Council reshaping services;



- A reduction of £1.000m to the Council's contingency budget to £3.000m. This budget is used to fund any emerging financial issues which arise during the financial year; and
- A saving of £0.200m from the removal of the Council Tax Support Funding Budget. This was created when the Council Tax Schemes administered by the district council's changed to cover any additional administration costs. This has not been required and it is proposed that this will be removed from 2017/18.

1.86 The following cost pressures are proposed within other budgets:

- An additional £4.922m has been budgeted in 2017/18 for the Council's obligation to pay all employees and some specific contractors a National Living Wage taking this to £9.712m for the increases in rates seen for 2016/17 and 2017/18. These amounts cover all service area obligations across the whole Council. Further amounts of a similar magnitude are expected to be incurred annually to 2019/20;
- A net increase of £3.513m for the Council's monetary contribution to the Local Government Pension Fund. The triennial review of the fund has taken place and applies from April 2017. The effect of the review has been to reduce the percentage employers' contribution to the fund from 19.8% to 16.4% this has reduced spending on pension costs in service budgets by £2.883m. However the review has increased in the monetary contribution by £6.396m to £7.557m in 2017/18; and
- Creation of a budget of £0.600m to fund the Apprenticeship Levy which comes into the force in April 2017.

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

1.88 It is currently proposed that an amount of £8.000m will be used from income generated from capital receipts to fund these types of schemes in 2017/18. Details of the schemes to be funded and the Council's updated Efficiency Plan will be presented to Executive at its meeting on 7 February 2017.

## **Reserves**

1.89 The Council's current financial strategy is to maintain general reserves within a range of 2.5% to 3.5% of the Council's total budget, at 31 March 2016 the balance stood at £15.600m. General reserves, at 31 March 2017, are estimated to be £14.900m which is 3.5%. To maintain the Council's general fund balance at

3.5% at 31 March 2018 requires a balance of £15.200m. In 2017/18, this will require an additional £0.300m from the general fund to fund other Council services.

1.90 During 2016/17 the Council has reviewed all balances in reserves. This has identified a number of reserves which are no longer required for the original purpose and where balances, which are held to manage risk, can be reduced. The proposed total value of reserves to be given up is £6.217m. It is proposed that these balances are transferred into the Financial Volatility Reserve.

1.91 At the 31 March 2016, the Council set aside £43.830m in the Financial Volatility Reserve help smooth the effect of funding reductions in 2017/18 and future financial periods. It is estimated that the balance in this reserve will be £49.634m at the end of 2017/18. It is planned to use £27.914m from the Financial Volatility Reserve to balance the budget in 2017/18.

### **Capital Programme**

1.92 The proposed capital programme matches the revenue budget and runs until 2017/18, plus major schemes which stretch into future years (including: a number of highways schemes and the rolling programme of renewal and replacement of fire fleet vehicles). The gross programme is set at £332.816m from 2017/18 onwards, with grants and contributions of £181.313m giving a net programme of £151.503m to be funded by the County Council.

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

**TABLE 4: Summary Capital Programme 2016/17 plus future year's commitments.**

	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Future Years £m</b>
Gross Capital Programme	149.977	142.032	190.784
Less: Grants and Contributions	-86.054	-70.588	-110.725
<b>Net Programme Funded by LCC</b>	<b>63.923</b>	<b>71.444</b>	<b>80.059</b>
Funded By:			
Revenue Funding	4.994	0.600	0.000
Borrowing	58.929	70.844	80.059
<b>Total Funding by LCC</b>	<b>63.923</b>	<b>71.444</b>	<b>80.059</b>

1.94 The following amendments have been made to the net capital programme in 2017/18 as part of the budget setting process:

- The addition of maintenance block budgets for:
  - The replacement of short life equipment assets for Fire and Rescue £0.527m in 2017/18;
  - The maintenance of existing property assets and essential property works linked to Asbestos, work place regulations and disabled access: £3.200m in 2017/18; and
  - The ICT infrastructure and IT refresh programme: £0.600m in 2017/18.
- New Developments Capital Contingency budgets of: £7.500m in 2017/18, to fund any emerging schemes identified in these financial years; and
- Further budget for Grantham Southern Relief Road of £11.500m in future years to reflect the total cost of the project and provide further underwriting of developer's contributions.

1.95 The Council receives government grant funding to support large parts of the capital programme, including schools and roads maintenance. The following grants have been announced and incorporated into the capital programme in 2017/18 and future years:

- An award for Highways Asset Protection Maintenance Block of £27.570m and £2.482m Pot Holes Funding in 2017/18. Further indicative awards have been made up to 2020/21 when the grant is estimated to be £24.954m each year;
- The final year of a three year award for Integrated Transport Grant of £3.312m per annum from 2015/16 to 2017/18, plus three further indicative years of £3.312m per annum to 2020/21; and
- A two year award for Provision of Schools Place Basic Need Grant £8.914m in 2017/18 and £11.026m in 2018/19. This will allow the Council to plan strategically for the places needed in schools.

1.96 At the time of preparing this paper the Council is awaiting announcements on Devolved Schools Capital, Schools Modernisation, Adult Care and Fire Capital Grants for 2017/18.

1.97 The Council funds the net capital programme primarily through borrowing £70.844m in 2017/18, with smaller elements coming from revenue contributions of £0.600m.

## **Legal Issues**

1.98 There are a number of issues that the Executive must have regard to in determining its budget proposals to include:

- The need for consultation
- The Public Sector Equality Duty under section 149 of the Equality Act 2010
- The Joint Strategic Needs Assessment
- The Joint Health and Wellbeing Strategy
- The Duty under section 17 of the Crime and Disorder Act 1998

1.99 In terms of consultation, the purpose of the main decision contained within this Report is to identify a proposed budget on which the Council will then consult. The results of that consultation will then be reported to the Executive when they determine the budget they will recommend to the full Council in February.

1.100 In addition to this budget consultation, certain service changes that may be necessary to meet budget savings targets may themselves require consultation. This will be kept under review on a case by case basis and where consultation is required by law, that consultation will be conducted before changes are carried out.

1.101 The Executive will 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).

1.102 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;

- 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.

1.103 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.

1.104 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.

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

1.106 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.

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

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

1.109 Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered as set out in paragraph 1.98 including the public sector equality duty and where required consultation.

1.110 As part of its decision-making the Executive will need to consider whether any alternative approaches could alleviate or at least mitigate the impact of the decision such as making reductions in other areas which do not have the same impacts, including particularly equality impacts. The result could be to require additional resources to be used in certain areas than has been budgeted for. In

this event the usual budget management processes such as virement would be followed and approval sought at the appropriate levels in accordance with Financial Regulations including full Council where necessary. In particular a contingency has been built into the budget proposals in the form of the Financial Volatility Reserve (the balance is estimated to be £22.131m after use to balance the 2017/18 budget) and the annual Contingency budget of £3.000m for 2017/18, for when additional funding cannot be found by way of virement from other service areas.

## **2. Conclusion**

2.1 These budget proposals reflect the level of government funding available to the Council and the proposal to increase Council Tax in 2017/18 by 1.95%, and Adult Care Premium of 2.00%. They are based on a thorough and comprehensive review of the Council's services. The budget proposals therefore aim to reflect the Council's priorities whilst operating with the resources available to it.

### **3. Legal Comments:**

The Executive is responsible for publishing initial budget proposals for the budget in accordance with the Budget and Policy Framework Procedure Rules.

When publishing its budget proposals the Executive must be mindful of its obligation to have due regard to a number of matters including under the Equality Act 2010.

Case law has established that it is sensible and lawful for a Council first to decide its budget and then to consider the question of consultation and the specific impact of proposed policies and service changes at the time they are developed and decisions are taken on them.

The way in which it is proposed to deal with such matters is set out in full in the body of the report.

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

The proposed delegation in recommendation 2 is lawful.

#### **4. Resource Comments:**

These budget proposals incorporate the level of funding available to the Council from Central Government plus an increase in council tax of 3.95% (1.95% plus a further 2.00% for the social care 'precept'). The Council's Financial Strategy includes one off use of reserves of £27.204m, plus a £0.300m addition to the General Fund balance, to produce a balanced budget.

To achieve a sustainable budget in 2018/19 and onwards, a further review of budgets will be required.

#### **5. Consultation**

##### **a) Has Local Member Been Consulted?**

n/a

##### **b) Has Executive Councillor Been Consulted?**

Yes

##### **c) Scrutiny Comments**

###### Overview and Scrutiny Workshops

During November and December 2016 a number of workshops were held with the Council's Scrutiny Committees. Comments from these meetings are set out at **Appendix B** to this report.

###### Further Scrutiny and Consultation

A consultation meeting with local business representatives, trade unions and other partners will take place on 27 January 2017.

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

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

Consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 7 February 2017.

##### **d) Policy Proofing Actions Required**

An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported back to the Executive at its meeting on 7 February 2016.

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

## 6. Appendices

These are listed below and attached at the back of the report	
Appendix A	Commissioning Strategies Glossary
Appendix B	Scrutiny Committee Comments from the Financial Challenges Workshops held on November/December 2016

## 7. 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
Provisional Local Government Finance Settlement announcements	Executive Director of Resources and Public Protection
Council Budget 2016/17	Executive Director of Resources and Public Protection

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