

## EXECUTIVE

20 DECEMBER 2016

---

### FINANCIAL STANDING OF THE COUNTY COUNCIL IN ADVANCE OF THE 2017/18 BUDGET CYCLE

On 24 November 2016, the Overview and Scrutiny Management Committee considered a report by David Forbes (County Finance Officer), which provided an estimate of the budget shortfall being faced by the County Council over the next three financial years, following the acceptance of the four year funding deal from Government.

The report also provided the foundations for the forthcoming budget cycle and it had recently been provided to all councillors in preparation for the Scrutiny Committee budget workshops.

It was highlighted that the main budget pressures for 2017/18 for the County Council currently comprised the following: -

- Adult Care demography and minimum wage increase - £8.5 million;
- Increase in the number of Looked After Children - £1.8 million;
- Waste Disposal (volume and price impact) - £1.0 million;
- Microsoft licences - £1.4 million; and
- County Council Elections (one year only) - £1.1 million.

The Overview and Scrutiny has requested that the following comments or points of clarification be passed to the Executive:

- The total of the County Council's long term debt was approximately £480 million, with a total interest rate of 4%. A large proportion of the long term debt was historic. Further to this, it was noted that any new borrowing would be at a rate of approximately 2-3%, as it was currently a favourable time to borrow. It was also noted that the County Council's long term debt was average, compared to other local authorities.
- A Councillor commented that the County Council should be using its capital to encourage business growth, rather than it predominantly being spent on housing developments.
- The Government had introduced a new three year concession, which had provided upper tier local authorities with more flexibility in the way of which they could use capital receipts. This meant that the County Council could fund certain revenue costs for transformation change (for example, redundancy costs) by using capital receipts and thereby freeing up the revenue budget allocation in those three years. It was noted that upper tier authorities were lobbying Government to make this concession permanent, similar to combined authorities.
- A Councillor suggested that the County Council explored the possibility of replacing Microsoft with alternatives, such as Open-source software.

- It was recognised that £1 million of the County Council's income was generated by the Energy from Waste plant.
- It was also recognised that the Rural Services Delivery Grant contributed to the Council's budget by 8%.
- It was assumed that the increase in the number of Looked After Children had included the 50 additional unaccompanied asylum seeking children, which the Council had accepted into its care through the Government scheme.
- A concern was raised regarding the contributions of £15.9 million from Health into the Lincolnshire Better Care Fund, and whether this would be realistic going forward considering the budget pressures clinical commissioning groups were currently facing.
- It was confirmed that where grants and contributions from Government and other bodies had been allocated for specific purposes, if they were not used for those purposes, the grants and contributions had to be returned. However, it was not anticipated that all grant funding would be spent on its specified purpose.
- Members raised significant concerns with the Government's Autumn Statement and stressed its inadequacy to address the pressures facing Adult Care authorities. Further to this, it was suggested that the Executive be requested to respond to Government outlining the Council's concerns in relation to the underfunding of Adult Care pressures.
- There was no provision for price inflation within the budget, with the exception of pay inflation which was limited to 1%, other than the use of the revenue contingency budget. However, it was noted that in the first instance directorates would try to fund the price inflation within their budgets. It was agreed that the Executive be requested to encourage directors to fund any price inflations through the revenue contingency budget, as it was deemed unfair that they should fund it within their allocated budgets;
- A Councillor suggested that the County Council should continue to lobby government on the funding shortfall for rural authorities.