

# Lobbying for a Fairer Funding Deal for Lincolnshire

## Introduction

Lincolnshire County Council has experienced consistently low relative levels of central government financial support over a long period of time. This has been exasperated during the current decade with central government's desire to repay the national deficit.

The County Council wish to address both the level of funding coming to local government and the methodology by which this funding is allocated within the sector.

## Background

Lincolnshire County Council has seen sustained and significant reductions in government funding since the beginning of the decade. This, along with 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 has placed a significant pressure on the Council delivering services within budget.

The Council has invested significant amounts of time and effort into developing robust financial plans which match levels of spending with the funding available to the authority. During the period from the beginning of the decade the Council has undertaken a number of far-reaching service delivery and spending reviews to reduce spending and redirect monies to priority service areas.

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's 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.

No service has been exempted from helping the Council to deliver its savings target but spending has focused on these areas while we have disinvested in other areas and taken spending down to what is determined as a statutory minimum in other areas (such as trading standards and planning).

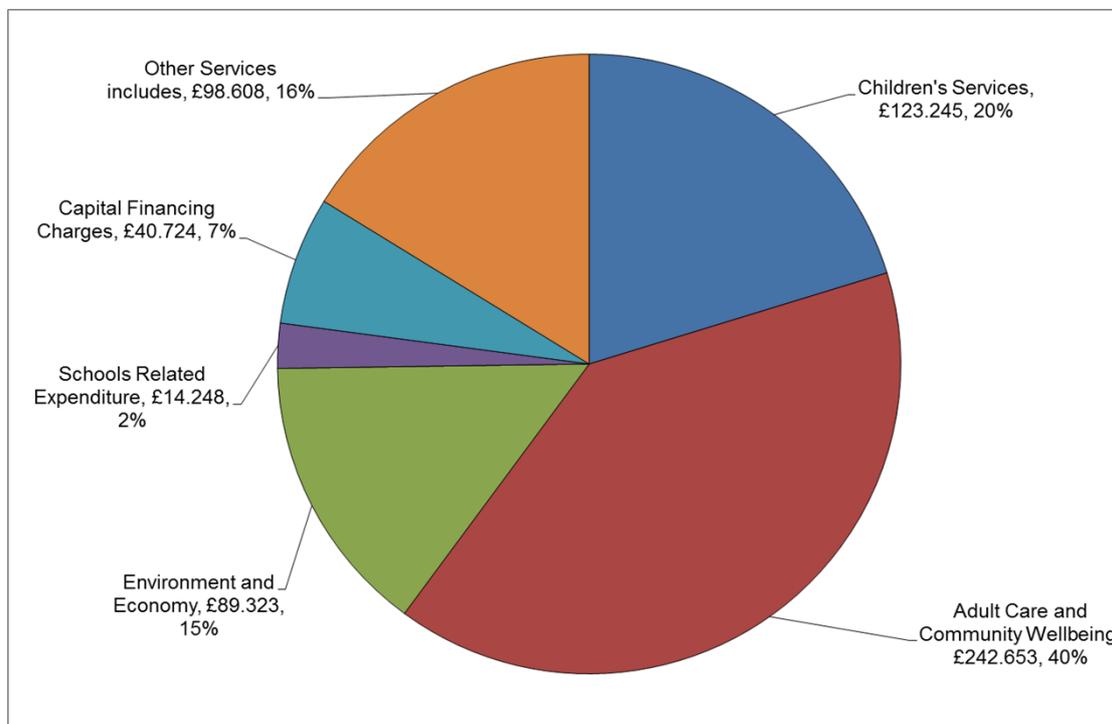
## The Lincolnshire Context – some facts, figures and challenges

- Lincolnshire is the fourth largest county geographically, with nearly 9,000 kilometres of road to maintain, but no motorways and few dual carriageways. We have a limited public transport network.
- Six main population centres, with other market towns or small, evenly spread, rural communities. This poses challenges in terms of the costs of service access and delivery and in recruiting key staff in less accessible parts of the county. Our home to school transport costs are £24m per annum alone.
- Lincolnshire has a fast growing elderly population, with the 75+ age group expected to increase by more than 45% over the next 10 years, with the inevitable increased pressures on adult social care and other services.
- The County has the 4<sup>th</sup> most popular tourist resort, 550km<sup>2</sup> of area classed as being of outstanding beauty and attracts 17 million visitors per year. These people bring demands on services provided by the County Council.
- Lincolnshire is the largest arable and horticultural producer, producing a quarter of the country's vegetables, and contains a quarter of England's Grade 1 agricultural land.
- As well as the County Council, we have 7 District Councils, nearly 500 Town / Parish Councils, a single Police organisation, a single Lincolnshire Enterprise Partnership and within the Health system we have 4 CCGs and 3 principal Providers.
- Approximately a third of Lincolnshire is below sea level with the associated challenges of flood prevention and emergency management.

## What we spend and the services we provide

The pie chart below shows the Council's gross expenditure of over £0.6 billion per annum (this excludes money which is passed directly onto schools).

### **Gross Expenditure on Services £608.8m (excluding Schools)**



As well as supporting schools Children's Services also includes services such as children's centres, child protection, fostering and adoption.

The Council's Adult Care and Community Wellbeing services cover older people support, including that for people with physical disability and learning disabilities. Wellbeing includes public health treatment and prevention programmes.

Environment and Economy includes public transport (including concessionary fares), highways asset improvement and maintenance and waste disposal and management.

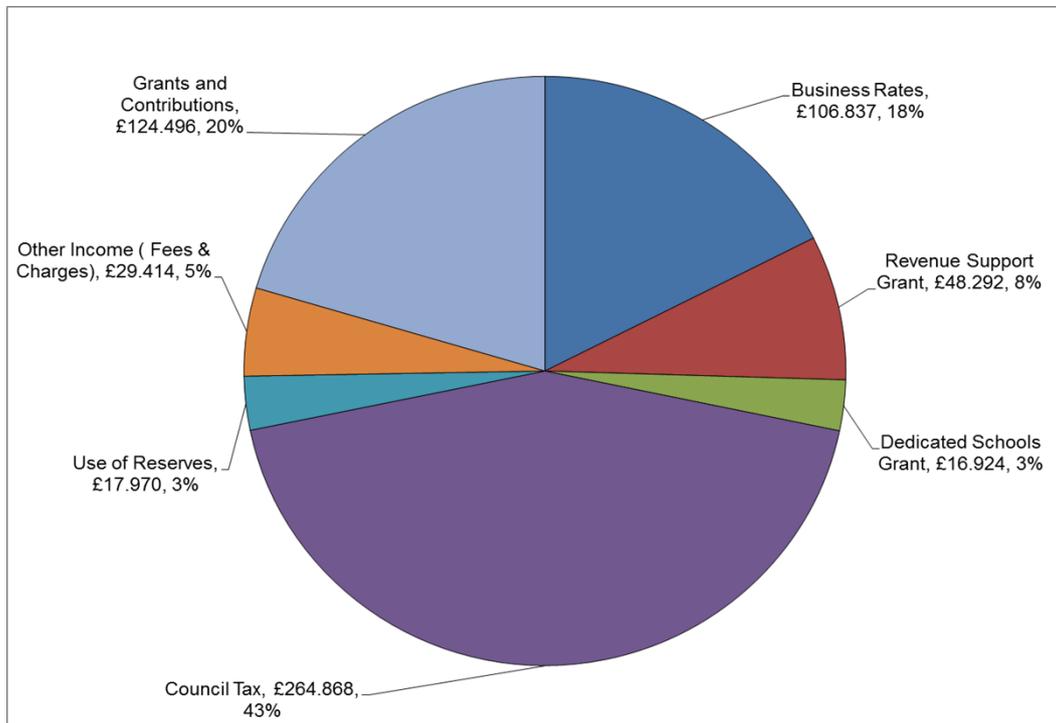
Other Services includes a wide range of services such as fire and rescue, registration and coroners service, community safety partnerships and back office services to the whole Council and most schools.

Capital financing charges represents the repayment of longer term loans to cover major capital projects or assets – roads, buildings, equipment, etc.

## Where does our money come from?

The pie chart below shows all our sources of income.

### Sources of Funding £608.8m (excluding Schools)



In 2017/18 nearly half of our non-schools spend is funded by council tax. The council tax in Lincolnshire is set so it is in the lowest quartile and it is currently the third lowest of all counties. The amount the Council can increase council tax by annually to limited by government to a maximum of 2.0% per annum without a local referendum. Government has provided further allowances for local authorities with Adult Care responsibilities to further increase their council tax but these monies need to be directed into Adult Social Care services only.

Since the introduction of Business Rates Localisation regime in 2013/14 the Council has seen significant reductions in funding from government. The Settlement Funding Assessment is made up of Revenue Support Grant (RSG) and Business Rates. From 2013/14 to the end of the decade government funding in the form of RSG has decreased from £146m in 2013/14 to an estimated £20m by 2019/20 (or by 86.3%). The other element of funding business rates has only shown modest amounts of growth of between £2-3m per year from £97m in 2013/14.

There are also national prescriptions on increases for many direct charges for services.

These reductions in funding plus the caps placed on us increasing Council Tax and fees and charges leaves little flexibility and scope for increasing income. Therefore this has forced significant reductions to spending and services in recent years and will continue until the end of the decade if things do not change.

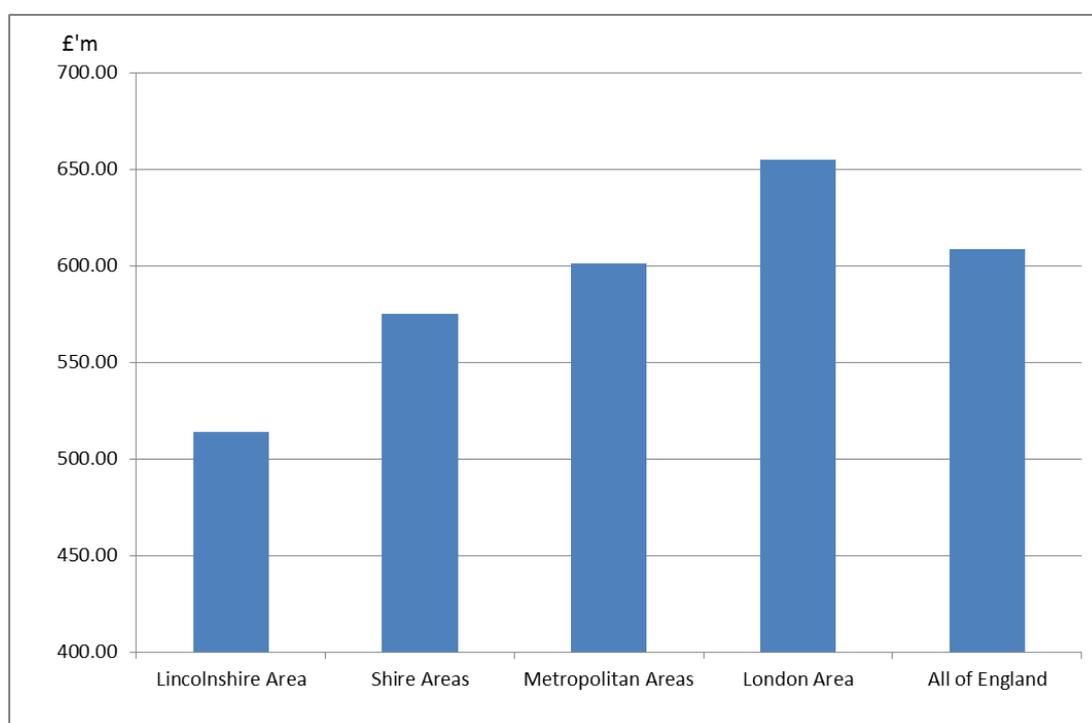
## How does our funding compare with other authorities?

'Core Spending Power' measures the **total** revenue resources available to a council – revenue support grants, business rates, council tax and some specific grants (including the improvement Better Care Fund, New Homes Bonus and Rural Services Delivery Grant).

Revenue core spending power for Lincolnshire County Council in 2017/18 is: £1,272 per dwelling in the county. The average for shire counties with fire responsibilities shows an average of £1,407 per dwelling. Out of the 10 counties with fire, Lincolnshire is the lowest funded. If we were funded at the average level this would mean an additional £45m coming to the County Council.

The table below shows the total funding for the county of Lincolnshire (upper tier, lower tier and fire responsibilities) compared to the level of funding we would receive if we were funded at the average level for each of authority.

### Core Spending Power based on the number of Dwellings in Lincolnshire



Based on our current number of dwellings, if Lincolnshire was funded at the average core spending power for each of the different classes of authorities we would receive additional funding of:

- Shire Areas – an additional £57m per annum
- Metropolitan areas – an additional £87m per annum
- London Areas – an additional £141m per annum

## Managing the Financial and Service Challenges

The Council has **already** found savings of £288m in its base budget up until the current year. These include all the significant areas of efficiency savings that can be achieved from within the Council and considerable savings from commissioning and contracting services externally. However we have also had to make reductions to the level of service provided in some areas and removed some services altogether.

Only 26% of our non-school budget relates to direct staffing costs – a low proportion for counties, from 2011/12 we have reduced significantly our management and other costs. Those contracted services include major strategic partnerships for roads improvement / maintenance and a range of back office services. All these have driven out significant efficiency savings. We have also driven down contract rates so we pay some of the lowest in certain sectors but this may not be sustainable in the future – for example in adult social care provision, particularly in rural areas.

We also provide or combine with other councils for services such as legal, procurement and pension's administration and we will continue to explore further opportunities with other public sector bodies such as police (through the blue light property collaboration) and health.

The Council in making savings has also redirected a significant amount of this towards unavoidable additional expenditure, including meeting the challenges of increasing numbers of older people in the County, raising numbers in children's social care, increased costs from price inflation, the cost of disposal of waste and the requirement to pay the national living wage to Council employees and some contractors.

In recent years the Council has also adopted the strategy of using balances in reserves (namely the financial volatility reserve) to bridge the gap between funding levels and current expenditure. This, however, is not a permanent solution and will need to be replaced by further savings or income in the future.

The table below summaries our recent financial history:

Year	Net Revenue Budget	Main General Gov't Funding		Savings Actioned	Cost Pressures Funded	Council Tax Increases	Use of Reserves to Balance Budget
		RSG	Business Rates				
2011/12	£463m	£211m		£57m	£52m	0.00%	£0m
2012/13	£449m	£195m		£51m	£23m	0.00%	£0m
2013/14	£460m	£146m	£97m	£28m	£61m	0.00%	£15m
2014/15	£469m	£125m	£100m	£40m	£22m	0.00%	£8m
2015/16	£454m	£95m	£102m	£31m	£31m	1.90%	£22m
2016/17	£445m	£70m	£104m	£42m	£31m	3.95%	£21m
2017/18	£437m	£48m	£107m	£39m	£26m	3.95%	£18m

In 2017/18 the Council only set a one year budget. Looking forward we estimate that the budget shortfall in 2018/19 and 2019/20 will require a further £30m of savings to be made or additional income generated.

## Savings already made

Savings from the beginning of the decade have come from:

- Two senior management restructurings removing around 35% of the posts paid around £50k and above.
- Removal of all essential and casual user mileage allowances rates and move to the HMRC approved AMAP rates.
- Agreed long term rate stabilisation mechanism with the pension fund actuary to limit annual increases in the employer's rate.
- Significant reductions in sick pay and other locally negotiated allowances.
- Major property rationalisations moving from leasehold to freehold premises and cutting numbers of sites.
- Minimisation of external borrowing by use of 'internal borrowing' utilising own cash flow.
- Substantial revisions to minimum revenue provision to free up revenue budget contribution to capital financing charges.
- Re-provision of all central support service provision from a single collective contract to a series of new contracts, in-sourcing and partnership/collaboration arrangements designed to minimise cost and maximise resilience.
- Only allocating inflation for pay. Prices inflation to be managed by services within existing budgets.
- Reviewing levels of contingency budgets and reserves, including reviewing balances held in reserves to release monies.
- Managing national living wage pressures centrally and only allocating monies after pressures have been incurred (hence encouraging services to manage pressures internally before being allocated additional funding)

## The Challenge from Adult Social Care

The biggest single source of budget pressure for this Council is around adult care services.

The challenges in this area include:

- Demographic pressures. The table below demonstrates the projected increase in the older population over the next 10 years, and in particular the increase of the aged 75+ population. These increasing numbers will lead to an increase in demand for our services.

Age group	Lincolnshire			
	2016	2026	Change	% change
65 to 74	96,036	98,058	2,022	2.10%
75 to 84	53,795	78,157	24,362	45.30%
85 or over	22,302	32,685	10,383	46.60%
<b>All ages</b>	<b>738,418</b>	<b>788,930</b>	<b>788,930</b>	<b>6.80%</b>

*2014-based Subnational Population Projections*

- Increasing levels of people presenting themselves for support with multiple long term conditions resulting in a significant growth in the number of cases requiring complex support solution.
- The vulnerability of the provider market and our legal obligation as a result of the Care Act 2014 to facilitate and shape the market for adult care and support as a whole including securing supply in the market and assuring its quality.
- Additional cost we continue to incur as a direct impact of the Deprivation of Liberties judgement expected to add up to £2.2m per annum to costs.
- The continuing burden resulting from increases in the minimum living wage.
- The importance of extending the Better Care Fund (BCF) for integrating services with Health and recognising that an ongoing and significant element of this needs to be directed at ASC to support critical community based services.
- The BCF continues to be seen as a means of supporting areas of growth within Adult Care, however an increasing proportion of funding required to support system pressures and market stabilisation will result in the majority of the fund (£40.3m) supporting ongoing base costs in 2019/20 with little indication of how funding will continue beyond this point.

The Government needs to recognise the financial impact of these changes to adult social care and **fully fund** them as well as providing clarity on future funding proposals.

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