

**Open Report on behalf of Executive Director of Finance & Public Protection**

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>31 January 2019</b>
Subject:	<b>Service Budget Proposals 2019/20</b>

**Summary:**

The report describes the budget proposals for the next financial year 2019/20, based on the four year funding deal announced by Government as part of the 2016/17 Local Government Finance Settlement. This report specifically looks at the budget implications for the following commissioning strategies:-

- How We Do Our Business
- Enablers & Support to the Council's Outcomes

The budget proposals are now open to consultation. Members of this committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 5 February 2019 when it will make its final budget proposals for 2019/20.

**Actions Required:**

The Overview and Scrutiny Management Board is asked to consider this report and members of the committee are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 5 February 2019.

## **1. Background**

1.1 The Executive is currently consulting on a single year financial plan for revenue and capital budgets to take the Council to the end of the four year funding deal from government. The Council continues to face 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 some contractors the National Living Wage. Uncertainty around government funding beyond the four year funding deal (which runs from 2016/17 to 2019/20) means the Council does not consider it practicable to develop sustainable long term financial plans into the next decade. Work on this has started and will continue next year as information starts to emerge about the future funding framework.

1.2 The budget process carried out a year ago considered budgets for both 2018/19 and 2019/20. This year, the 2019/20 budgets have been reviewed in light of the latest available information to arrive at the proposals set out in this report. 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.

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. In the provisional Local Government Finance Settlement, the Secretary of State announced that the referendum threshold for general council tax would be 3.00% for 2019/20. Together with a 2% council tax increase for Adult Social Care allowed for a final year in 2019/20, this means that Lincolnshire County Council may increase council tax in 2019/20 by up to 5%.

1.5 At its meeting on 18 December 2018 the Executive agreed proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation and made the decision to consult on a proposed council tax increase of 4.95% for 2019/20. The full budget proposals considered by the Executive on the 18<sup>th</sup> December 2018 are the subject of a separate report to this meeting.

1.6 The budget proposals for these commissioning strategies have allowed for a pay inflation increase of 2% for 2019/20.

### How We Do Our Business

1.7 Table A shows the total proposed revenue budget for the commissioning strategy 'How We Do Our Business'.

TABLE A

HOW WE DO OUR BUSINESS	Original budget	Pay Inflation	Cost Pressures	Savings	Other Changes	Proposed Budget 2019/20	% Change
	£000	£000	£000	£000	£000	£000	
1 Budget and Policy Framework - Finance & Audit	4,850	97	211	0	0	5,158	6.35%
2 Corporate Standards and Culture, Chief Executive	459	5	68	0	0	531	15.80%
3 Decision Making including Democratic Processes - Elections	9	0	0	0	0	9	0.00%
4 Decision Making including Democratic Processes	2,145	38	0	0	0	2,183	1.79%
<b>Total</b>	<b>7,463</b>	<b>140</b>	<b>279</b>	<b>0</b>	<b>0</b>	<b>7,882</b>	<b>5.62%</b>

1.8 The How We Do Our Business strategy is proposing cost pressures of £0.279m for 2019/20.

1.9 Whilst the notice to withdraw remains, it is proposed to reinstate the budget for the Local Government Association (LGA) subscription (£0.067m).

1.10 The Finance and Audit teams have recognised the need to establish training posts within the staff structure, to support the succession planning and resilience concerns that have been identified. It is proposed to start this with introducing apprenticeship posts within the Finance Team (£0.080m) and the Audit, Insurance & Risk Teams (£0.105m) with the aim that these training posts will become part of the core establishment in 3-4 years' time.

1.11 A cost pressure of £0.026m is necessary to continue to deliver the Council's Counter Fraud Partnership. This is a joint initiative with the District Councils and the Police and Crime Commissioner (PCC) and is generating significant savings for the Council.

### Enablers & Support to the Council's Outcomes

1.12 Table B shows the total proposed revenue budget for the commissioning strategy Enablers & Support to the Council's Outcomes.

TABLE B

ENABLERS AND SUPPORT TO THE COUNCIL'S OUTCOMES	Original budget	Pay Inflation	Cost Pressures	Savings	Other Changes	Proposed Budget 2019/20	% Change
	£000	£000	£000	£000		£000	
1 ICT Strategy and Support	15,611	37	0	0	0	15,648	0.24%
2 Property Strategy and Support - County Farms	-1,245	0	-278	0	0	-1,523	22.33%
3 Property Strategy and Support - other	9,929	24	571	-15	0	10,509	5.84%
4 People Strategy and Support	3,408	14	0	0	0	3,421	0.40%
5 Legal	-425	66	0	0	0	-360	-15.41%
6 Commissioning	3,530	66	0	0	0	3,596	1.86%
7 Business Support	9,680	252	0	0	0	9,932	2.60%
8 Strategic Communications	894	13	0	0	0	907	1.46%
<b>Total</b>	<b>41,381</b>	<b>471</b>	<b>293</b>	<b>-15</b>	<b>0</b>	<b>42,130</b>	<b>2%</b>

1.13 The Enablers and Support to Council's Outcomes strategy is proposing to make savings of £0.015m in 2019/20. Within this strategy there are also proposed cost pressures of £0.293m in 2019/20.

1.14 Property Strategy & Support are proposing a saving in 2019/20 (£0.015m) to support the capital programme. The remaining saving in this area relates to the removal of a one off pressure for concluding archaeological costs of West Deeping minerals site (£0.278m).

1.15 An element of the cost pressures for Property Strategy and Support relates to an increase in contract costs, which have a direct relationship to national living wage levels. There are proposed cost pressures of £0.391m in 2019/20 to meet

the Council's obligation to pay staff and some contractors the central government set national living wage. There are also cost pressures relating to increasing property rates and utility costs (£0.181m).

### County Council Capital Programme

1.16 The proposed capital programme covers the remainder of the current year and 2019/20, as well as major schemes which stretch into future years. Schemes comprise: a number of major highways schemes; the rolling programme of renewal and replacement of fire fleet vehicles, gritters fleet and vehicles at the Waste Transfer Stations; improvements and review of property portfolio; information technology (IT) developments and rephasing of existing schemes.

1.17 The gross programme is set at £381.315m from 2019/20 onwards, with grants and contributions of £110.308m giving a net programme of £271.007m to be funded by the County Council.

1.18 Table C shows the proposed net capital programme for Enablers & Support to the Council's Outcomes.

Table C

<b>Capital Programme</b>	Net Programme 2018/19 £000's	<b>Net Programme 2019/20 £000's</b>	Total Net Programme Including Future Years £000's
Enablers and Support to the Council's Outcomes	14,687	<b>21,643</b>	52,497

1.19 The following additions have been made to the net capital programme as part of the budget setting process:

- Development of Cloud Navigator and support ICT innovation - £5.000m in 2019/20 and £9.000m in future years. The Cloud Navigator will enable the digital transformation of services to citizens.
- Property Improvement Programme - £0.250m in 2019/20 and £0.250m in future years. This funding will enable further opportunities for property rationalisation to release inefficient office accommodation and realise associated revenue savings; to continue to maximise the use of existing office space by implementing the 'next office' concept, which supports rationalisation; and to target specific improvements to the office estate where facilities have been identified as poor, e.g. sub-standard toilet and kitchen facilities.
- Improvement to County Farms – £0.259m in 2019/20 and £0.367m in future years to include works on sewage treatment, private roads and grain stores.

This funding will ensure that the 17 dwellings on the County Farms Estate affected by new regulations implemented in January 2020 will have a new sewage treatment plan which will comply with legislation (General binding rules: small sewage discharge to a surface water). Non-compliance will be enforced by the Environment Agency.

Secondly, the funding will improve the condition of the private roads on the County Farms estate by undertaking resurfacing works.

Lastly, the funding will allow investment in modern agricultural buildings suitable for modern machinery and crop storage to Farm Assurance standards. This will increase the capital value of the holdings and improve the efficiency of farming operations in order to increase the rental value. The new buildings may make existing yards surplus, thereby creating potential capital receipts.

- Schools Mobile Classroom Replacement Programme - £0.300m in 2019/20 and £0.300m in future years to support the provision of schools places programme.
- Property Area Reviews - £0.550m in 2019/20. This will support the relocation of staff as a result of property leases coming to an end.
- Modernisation of the County Emergency Centre - £0.500m in 2019/20 to ensure the facility supports the Lincolnshire Resilience Forum (LRF) and all Emergency Planning requirements. The project will include upgraded information technology (IT) and resilience.
- To support the current priority condition works required over the next few years on Children's Homes - £0.250m in 2019/20 and £0.250m in future years. This will ensure lower disturbance and a comprehensive plan will be implemented to ensure that value for money is achieved for the works.

### Further consultation

1.20 A consultation meeting with local business representatives, trade unions and other partners will take place on 25 January 2019.

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

1.22 All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 5 February 2019.

## 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 2019/20 by 2.95%. The Adult Social Care "Precept" is proposed to increase by 2.00% in 2019/20 and this will give a total council tax increase of 4.95%.

2.2 A thorough review of Council's services was carried out during last year's budget process, which covered both the 2018/19 and 2019/20 financial years. This year further unavoidable cost pressures as well as some savings have been identified, and the capital programme has been reviewed – the 2019/20 budget has therefore been refined this year. The budget proposals therefore aim to reflect the Council's priorities whilst operating with the resources available to it.

## 3. Consultation

### a) Have Risks and Impact Analysis been carried out?

No

### b) Risks and Impact Analysis

An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 5 February 2019.

Further risk and impact assessments will need to be undertaken on a service by service basis.

## 4. Background Papers

Document title	Where the document can be viewed
Council Budget 2019/20 - Executive Report 18 December 2018	Democratic Services, County Offices , Newland, Lincoln <a href="http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=4975&amp;Ver=4">http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=4975&amp;Ver=4</a>

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