

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

Report to:	County Council
Date:	22 February 2019
Subject:	Council Budget 2019/20

Summary:

Council Budget 2019/20

The appended Budget Book - "Council Budget 2019/20" describes the budget and council tax proposals recommended to the full Council by the Executive.

Recommendation(s):

It is recommended that the Council:

1. has due regard to the responses to the consultation on the Council's budget proposals as contained in the appended Budget Book (**Appendix D** - Budget Consultation Feedback);

2. has due regard to the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of Reserves as set out in the appended Budget Book (Section 11 - Section 151 Officer's Statement on the Robustness of the Budget and Adequacy of Reserves);

3. has due regard to the Impact Analysis relating to increasing the Council Tax by 4.95% in 2019/20 set out in the appended 'Budget Book' (**Appendix C** – Impact Analysis relating to increasing the Council Tax by 4.95% in 2019/20);

4. approves:

4.1 the service revenue budgets for 2019/20 contained in the appended Budget Book, (Table 3 - Net Service Revenue Budget 2019/20);

4.2 the capital programme and its funding contained in the appended Budget Book (Section 8 - Capital Programme) and (**Appendix O** - Capital Programme);

4.3 the County Council element of the council tax for a Band D property at £1,292.40 for 2019/20 contained in the appended Budget Book (**Appendix B** - County Precept 2019/20);

as together being the Council's Budget.

5. approves the Council's Financial Strategy contained in the appended Budget Book (**Appendix E** – Financial Strategy);

6. approves the Council's Capital Strategy 2019/20 contained in the appended Budget Book (**Appendix N** – Capital Strategy 2019/20);

7. approves the Council's Flexible Use of Capital Receipts Strategy contained in the appended Budget Book (**Appendix G** - Flexible Use of Capital Receipts Strategy);

8. approves the prudential targets for capital finance and notes the prudential indicators contained in the appended Budget Book (**Appendix M** - Prudential Indicators);

9. approves that the minimum revenue provision (MRP) be based on the asset life method, charged on an annuity basis for major infrastructure projects and in equal instalments for all other assets, over the estimated life of the assets acquired through borrowing as set out in the appended Budget Book (Section 10 - Minimum Revenue Provision).

10. approves the establishment of a Business Rates Volatility earmarked reserve for the County Council's share of the 2019/20 collective surplus of the Business Rates Collection Funds operated by the District Councils in Lincolnshire.

1. Background

1.1 The final Local Government Finance Settlement, issued on Tuesday 29 January 2019, provided the Council with confirmed levels of funding for 2019/20.

1.2 The recommended budget which is set out in detail in the Budget Book at Appendix A is for a one year financial plan for revenue and capital budgets, taking the Council to the end of the four year funding deal which started in 2016/17. 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.

1.3 The Government is currently consulting on two proposals, which together will change the way funding is distributed to all types of local authorities across the country with effect from April 2020. In addition, the Government is about to carry out a Comprehensive Spending Review to determine how much funding will be provided to each Government department from April 2020, and this will set the total available for local authorities. The impacts of these changes on each Council are unlikely to be known until late autumn of this year so there is still significant uncertainty over future funding levels after 2019/20. For this reason, a one year

budget is proposed for 2019/20, and a detailed exercise to prepare budgets for a range of funding scenarios from April 2020 is starting now.

1.4 The Council is recommended to set a Council Tax increase of 4.95% for 2019/20.

1.5 Each of the District Councils in Lincolnshire is a "collecting authority" for Business Rates, and each operates a Business Rates Collection Fund where differences between assumed amounts of Business Rates to be collected and actual amounts collected are accumulated as surpluses and deficits. The Council bears a share of each District Council's Collection Fund, which may carry a surplus or a deficit in total. This year, the District Councils have re-evaluated their provisions set aside for Business Rates appeals, as the number of appeals arising from the 2017 Business Rates revaluation is significantly lower than had previously been estimated following a national change to the appeals process. The reduction in the provisions has caused the Business Rates Collection Funds to be in surplus for 2019/20 – the Council's share of the collective surplus position is £6,156,613. This is a one-off gain based on a reassessment of an accounting estimate. Of this sum, £250,000 has been used to fully offset the deficit which had been assumed in the budget. There is still the potential for further successful appeals and it would be prudent to set aside the remainder of this gain in a reserve earmarked specifically for Business Rates Volatility, which could then be used to offset Business Rates Collection Fund deficits in future years or for other purposes approved by the Council.

Consultation

1.6 The Executive put forward a budget for consultation at its meeting on 18 December 2018. Since that time comments have been received from all Scrutiny Committees and the Overview and Scrutiny Management Board, Businesses, Public Organisations, Trade Unions and members of the public.

1.7 A summary of these comments is included within **APPENDIX D** of the appended 'Budget Book' and have been taken into account whilst finalising the budget proposals.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- * Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- * Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- * Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- * Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- * 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
- * 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

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

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

Compliance with the duties in section 149 may involve treating some persons more favourably than others

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process

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.

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.

In the meantime consideration has been given as to whether there is any element of the current budget proposals that should be the subject of an equality impact analysis at this stage and as a result an assessment (included in the appended

Budget Book as **APPENDIX C**) has been carried out on the proposal to increase Council Tax. That assessment identifies the potential for the proposal to impact on people with low income and therefore disproportionately on certain people with a protected characteristics including older and younger people, people with a disability and women with children. Overall, however, the increase is modest and each District Council operates a Council Tax Support Scheme which has been designed following consultation and individual impact analyses to mitigate the effects of Council Tax levels on vulnerable people and people with low incomes. 2.00% of the increase is specifically to fund adult social care services that support people with protected characteristics such as age or disability.

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 including the public sector equality duty.

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 £42.993m after use to balance the 2019/20 budget and may be higher than this if the 2018/19 revenue budget underspends as is currently forecast), as well as up to £15.000m of Adult Social Care reserves available to support the budget. There is also an annual Contingency budget of £3.000m for 2019/20, for when additional funding cannot be found by way of virement from other service areas.

Joint Strategic Needs Analysis (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision

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 including the Joint Strategic Needs Assessment and Joint Health and Well-being Strategy.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those

functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area

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 including the duty under section 17 of the Crime and Disorder Act 1988.

3. Conclusion

3.1 The budget proposals aim to reflect the Council's priorities whilst operating within reduced resources and include funding essential cost pressures of £25.543m and making savings of £15.927m in 2019/20. They are based on a use of the Financial Volatility Reserve of £3.087m and a 4.95% increase in Council Tax.

4. Legal Comments:

Council Budget 2019/20

Robust decision making requires that the results of the Council's budget consultation as well as the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of the Reserves and the Impact Analysis on the 4.95% increase in Council Tax are taken into account by the County Council in coming to its decision. Compliance with recommendations 1, 2 and 3 ensures that this is done.

Case law has established that generally it is 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. Consideration has been given to whether there are any specific proposals within the budget that would require such consideration prior to the budget being set and apart from the proposed Council Tax increase which is dealt with in the Report there are not considered to be any such proposals

With regard to recommendation 4 under the law and the Constitution it is for the County Council to approve the Budget.

With regard to recommendation 5 approval of the Financial Strategy is within the remit of the Council.

With regard to recommendation 6, the Prudential Code for Capital Finance in Local Authorities (2017 edition) sets out that the setting and revising of a Capital Strategy will be done by the same body that takes decisions on the Budget i.e. usually the full Council. The Council is required to have regard to the Prudential Code when carrying out its duties under Part 1 of the Local Government Act 2003.

With regard to recommendation 7, Statutory Guidance on the Flexible Use of Capital Receipts (updated) issued by the Department of Communities and Local Government in March 2016 states that the Council's Flexible Use of Capital Receipts Strategy should be approved by full Council.

With regard to recommendation 8, Section 3 of the Local Government Act 2003 requires a local authority to determine and keep under review how much money it can afford to borrow. The determination must be made by County Council. The prudential targets include the Council's borrowing limit and must therefore be approved by the County Council.

Regarding recommendation 9, the requirement to make a minimum revenue provision that is prudent is a requirement of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and the statutory guidance that accompanies the regulations. Minimum revenue provision is relevant to the control of the Council's capital expenditure and must be referred to the County Council for approval.

The legal position in relation to the recommended level of Council Tax is set out in paragraph 3.12 of the Budget Book.

5. Resource Comments:

Council Budget 2019/20

The budget proposals are consistent with the Council's Financial Strategy.

The robustness of the budget proposals and the adequacy of the reserves held by the Council are considered in Section 10 of the appended Budget Book. This concludes that the budget is realistic and that the level of reserves is adequate.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

These are set out in the appended Budget Book (**APPENDIX D** - Budget Consultation Feedback)

d) Have Risks and Impact Analysis been carried out?

Yes

e) Risks and Impact Analysis

An Impact Analysis relating to the proposed increase in Council Tax has been carried out and is contained in the appended Budget Book at **APPENDIX C**.

Proposed service changes to give effect to the budget will be subject to their own policy proofing considerations.

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Attached as a separate booklet with the agenda pack - "Council Budget 2019/20" - the Budget Book

8. Background Papers

Document title	Where the document can be viewed
Report to the Executive 18 December 2018 "Council Budget 2019/20" & Report to the Executive 5 February 2019 "Council Budget 2019/20"	18 December 2018: http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=4975&Ver=4 5 February 2019: http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=5279&Ver=4

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