Council Budget 2019/20

Lincolnshire COUNTY COUNCIL

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1. BUDGET RECOMMENDATIONS

It is recommended that the Council:

1. has due regard to the responses to consultation on the Council's budget proposals as contained in **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 **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 as set out **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 **Table 3** – Net Service Revenue Budget 2019/20 and change over previous year;

4.2 the capital programme and its funding contained in **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 **APPENDIX B** – County Precept 2019/20;

as together being the Council's Budget.

5. approves the Council's Financial Strategy contained in **APPENDIX E** – Financial Strategy;

6. approves the Council's Capital Strategy 2019/20 contained in **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 **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 **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.

Councillor M Hill OBE
Leader of the Council

P Moore BA, FCPFA
Executive Director Finance
and Public Protection

2. THE FINANCIAL BACKGROUND

2.1 This report sets out a one 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.

2.2 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 the results of this exercise 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.

2.3 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.

2.4 All areas of service expenditure have been reviewed to identify cost pressures which must be funded and savings which can be made through efficiencies. A wide range of services are supported by the financial plan and within these are the high priority areas identified by the Council and shown below:

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

2.5 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 2019/20 the threshold has been set at a 3.00% increase for general council tax, 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 4.95% (2.95% for general council tax, plus a further 2.00% for the social care ‘precept’) is proposed for the 2019/20 financial year.

<u>The Outlook Beyond 2019/20</u>

2.6 As stated in paragraph 2.2 the Government is currently consulting on two proposals. The first is: "A Review of Local Authorities' Relative Needs and Resources" which considers how to assess local authorities' requirements to spend on delivering services as well as their ability to raise funding themselves e.g. from council tax. This consultation is the latest stage in the Government's Fair Funding Review. The second is: "Business Rates Retention Reform" which looks at a new model for Business Rates, allowing 75% of income collected to be retained by local authorities, as well as how best to share the risks and rewards associated with Business Rates and manage the volatility of income. Both consultations close on 21 February 2019 and the Council will be responding to each one. At this stage, it is

not possible to assess how the Council's future funding streams might be affected by the proposals as there is still a lot of missing detail.

2.7 The new funding regime will address how resources are distributed across local authorities but, as stated in paragraph 2.2, the total amount of funding to be distributed will not be known until after the Government's Comprehensive Spending Review 2019 has completed later this year.

2.8 In July 2017 this Council launched a campaign to lobby government to increase the funding coming to the sector and specifically requesting Government look at the distribution of funding to this County Council with a view to addressing past inequalities between authorities, and to address the relative allocations to reflect the needs of this area. It is hoped that this lobbying will have achieved the desired outcome.

3. THE COUNCIL'S REVENUE FUNDING

Local Government Finance Settlement

3.1 The Local Government Finance Settlement for 2019/20 announced levels of funding for the County Council for the final year of the four year funding deal and the outcome of business rate pilot bids. The County Council was unsuccessful in achieving a pilot bid for 2019/20 along with the seven Lincolnshire District Councils and North Lincolnshire Council, and will revert to being in a Business Rates Pool for 2019/20. The anticipated impact of reverting to Pool status has been incorporated into the Council's budgets for 2019/20.

TABLE 1: Final Local Government Settlement Funding

	2018/19 £m	2019/20 £m
Business Rates Retention	77.456	21.058
Business Rates Top Up	70.663	89.838
Revenue Support Grant	0.000	20.139
Baseline Funding Level	**148.119**	**131.036**
Rural Services Delivery Grant (*1)	6.935	6.935
Revenue Support Grant (*1)	33.964	20.139

*(*1) Revenue Support Grant and Rural Services Delivery grant were incorporated into Baseline Funding in 2018/19 for the Business Rates Pilot.*

3.2 Although Revenue Support Grant (RSG) was incorporated into the baseline funding for 2018/19 trends in this funding continue to reduce. Over the period of the four year funding deal there will have been a reduction to RSG of 71.37%.

3.3 The final settlement increased the Rural Services Delivery Grant award for 2019/20 to £6.935m compared to the amount of £5.565m as notified in the multi-year settlement. This funding is given in recognition of the higher costs of providing services in rural areas.

3.4 The final settlement also announced £5.754m Social Care Grant for 2019/20 to support both Adults' and Childrens' social care. This is a grant for one year only.

3.5 In addition, the Council will receive £1.683m in 2019/20 as a share of a surplus in the national Business Rates Levy Account. This is also a one-off grant.

Other Revenue Government Grants

3.6 The government has also announced the following non-specific grants in addition to those forming part of the multi-year settlement:

- New Homes Bonus Grant of £2.144m for 2019/20 (£2.342m in 2018/19). The grant is now limited so Councils only receive money from the scheme for homes built above the 0.4% national housing growth baseline;

- Lead Local Flood authority grant has been confirmed at £0.125m for 2019/20 (£0.118m in 2018/19);

- Special Education Needs and Disability (SEND) grant award is unchanged from the previous year i.e. £0.259m for 2019/20;

- Extended Rights to Free Travel from the Department for Education of £0.639m for 2019/20, which is also unchanged from 2018/19;

- Independent Living Fund has reduced to £1.594m in 2019/20 (£1.644m in 2018/19); and; and

- It is assumed that the Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs will continue at £0.128m for 2019/20.

3.7 The Public Health Grant will continue as a separate ring-fenced grant for the next financial year and it is estimated that the grant will be £31.800m for 2019/20 (£32.662m for 2018/19).

3.8 Better Care Fund comes to the County Council in three streams. An element from the Lincolnshire Clinical Commissioning Groups (CCGs) and two grants coming directly to the Council from central government known as Improved Better Care Fund and the (Supplementary) Improved Better Care Fund. These funding streams combined will provide the Council with £46.343m in 2019/20 (£40.044m in 2018/19) to fund Adult Care Services. Further details on its utilisation are set out below in the Adult Care and Community Wellbeing comments (paragraph 5.16 to 5.34).

Council Tax

3.9 The Secretary of State in the "Council Tax referendum principles report 2019/20" confirmed that the referendum threshold for the general Council Tax element would remain at 3.00%. The regulations regarding the Adult Care Precept remain unchanged from the 2017/18 settlement and the Council's budget proposals include a 2.00% increase in this element of the Council Tax in 2019/20, which follows a 2.00% increase in each of the years 2017/18 and 2018/19, bringing the total amount charged to the maximum permissible of 6.00% over three years.

3.10 The Government's rationale for setting the general Council tax referendum threshold at 3.00% was to give local authorities more flexibility in deciding how best to meet a range of local needs whilst protecting households from excessive increases in Council Tax.

3.11 It is proposed that Council Tax will be increased by 4.95% (2.95% for general council tax and 2.00% for the social care precept) in 2019/20. The Council Tax increase of 4.95% will generate additional income of £13.762m in 2019/20.

3.12 Under section 52ZB of the Local Government Finance Act 1992 the Council as a major precepting authority must, in setting its precept, determine whether its relevant basic amount of council tax for the financial year under consideration is excessive. That question must be determined by the Council in accordance with any principles determined by the Secretary of State and approved by a resolution of the House of Commons. The principles for 2019/20 have been approved and published and provide for a 2.00% increase in council tax for expenditure on adult social care and a 3.00% increase in council tax for other expenditure. Applying those principles the Executive can determine that this recommended council tax increase is not excessive.

3.13 An Impact Analysis has been completed for this increase in Council Tax and is attached at **APPENDIX C**.

Council Tax Base and Council Tax Collection Fund Surplus

3.14 Figures received from the Lincolnshire District Council's show an increase in the tax base and hence the tax yield of 3,717.25 band D equivalent properties or 1.6%. This will provide the Council with additional Council Tax income of £4.804m per annum at the current council tax level.

3.15 All seven of the District Councils have declared the position on the council tax elements of their Collection Funds. There is a net surplus attributable to the County Council of £2.670m. This is a one off addition to income for 2019/20.

Business Rates Pilot

3.16 The Council was part of a Business Rates Pilot in 2018/19, along with the seven Lincolnshire District Councils and North Lincolnshire Council. This Pilot status allowed for 100% of any Business Rates growth to be retained within Lincolnshire, and for the gains to be spent in the year. Councils were invited to apply for Pilot status again in 2019/20 and a further bid was submitted by the same Lincolnshire authorities, however this time the application was not approved. The non-approval, whilst disappointing, was in line with expectations given the success in getting a bid approved for 2018/19. This Council will revert to a business rates pooling arrangement with the District Councils for the year ahead.

Business Rates Collection Fund and Section 31 Grant

3.17 The Government confirmed that it will compensate local authorities in full for the continuation of the business rates cap, small business rate relief and rural rate relief would continue through a section 31 grant, as in previous years.

3.18 The value of the section 31 compensation grant is calculated to be £6.313m (£10.825m in 2018/19 although this is not comparable between years due to the Business Rates Pilot).

3.19 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 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.

3.20 The Council Budget for 2019/20 had previously assumed a £0.250m deficit on the Business Rates Collection Fund. This deficit has now been eliminated in the Budget, using £0.250m of the collective surplus position.

4. THE COUNCIL'S OVERALL REVENUE BUDGET

4.1 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

SUMMARY REVENUE BUDGET	2019/20 £m
EXPENDITURE:	
Base Budget	**457.104**
Cost Pressures *(including inflation)*	25.543
Savings	-15.927
Other Movements (PH Grant & BCF Grant)	-5.437
Total Expenditure	**461.283**
Use of Reserves	-3.087
Transfer to/from General Reserve	0.200
Budget Requirement	**458.396**
INCOME:	
Business Rates Local Retention	121.291
Revenue Support Grant	20.139
Other Grants	17.578
County Precept	299.388
Total Income	**458.396**

4.2 The Council proposes to allocate £2.977m of resources in 2019/20 to fund pay inflation. This provides an allowance of 2.0% for all groups of employees. Details of all other cost pressures and savings included within the Council's budget for 2019/20 are set out in the Commissioning Strategy narratives below.

4.3 The Council's current budget proposals include use of reserves of £3.087m in 2019/20 to balance the 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.

4.4 To maintain the General Fund balance at 3.5% £0.200m will be added to the reserve in 2019/20.

4.5 A more detailed analysis of the movement in budget for 2019/20 is shown at **APPENDIX K**.

5. REVENUE BUDGETS

5.1 Revenue budgets for 2019/20 are shown in **TABLE 3** below together with the comparison for 2018/19. The Council services are delivered on the Commissioning Model and as such the budgets are presented on this basis. **APPENDIX S** provides further details of the services undertaken in each Commissioning Strategy.

TABLE 3: Net Service Revenue Budget 2019/20

Commissioning Strategy Revenue Budgets	2018/19 £m	2019/20 £m
Readiness for School	4.822	4.848
Learn & Achieve	34.370	34.580
Readiness for Adult Life	5.964	5.757
Children are Safe & Healthy	65.911	67.567
Adult Safeguarding	4.187	4.229
Adult Frailty, Long Term Conditions & Physical Disability	120.733	120.804
Carers	2.464	2.389
Adult Specialities	65.594	71.637
Wellbeing	27.174	27.279
Community Resilience & Assets	10.097	10.498
Sustaining & Developing Prosperity Through Infrastructure	43.057	41.654
Protecting & Sustaining the Environment	24.879	25.180
Sustaining & Growing Business & the Economy	1.166	1.199
Protecting the Public	22.835	23.596
How We Do Our Business	7.463	7.882
Enablers & Support to Council Outcomes	41.381	42.130
Public Health Grant Income	-32.662	-31.800
Better Care Funding	-40.044	-46.343
Other Budgets	50.387	50.872
Schools Block	410.616	428.021
High Needs Block	81.133	84.419
Central School Services Block	3.929	4.257
Early Years Block	40.503	40.708
Dedicated Schools Grant	-538.857	-560.080
Total Net Expenditure	**457.102**	**461.283**
Transfer to/from Earmarked Reserves	-5.076	-3.087
Transfer to/from General Reserves	-0.800	0.200
Budget Requirement	**451.226**	**458.396**

Children's Services

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

5.3 **Readiness for School** strategy is proposing no savings or cost pressures for 2019/20.

5.4 **Learn and Achieve** strategy is proposing to make a saving of £0.259m in 2019/20. Within this strategy there is also a proposed cost pressure of £0.306m in 2019/20.

5.5 The proposed savings reduction of £0.259m relates to the removal of the funding from the government for the Special Education Needs & Disability (SEND) Reform Grant. The grant funding was to recognise the programmes of change in the area of SEND to streamline the system of SEN assessment, support and provision for children and young people 0-25, bringing together the provisions of a variety of Acts covering education, health and care as well as introducing new provisions, statutory implementation of associated duties, regulations and a new SEND Code of Practice. These changes have had a significant impact on the service with a 38% (or 1,260) increase in young people with an Education Health Care plan compared to the year before implementation (2013/14). Local Authorities continue to make representation at a national level of the increasing demands on the administration, assessment, co-ordination and monitoring of SEND services.

5.6 Within this strategy there is also a proposed cost pressure for Home to School / College Transport of £0.306m in 2019/20. The government's desire to deliver living wage rises to £9 per hour by 2020 has increased the hourly rate from £7.83 to £8.21 from April 2019. A large proportion of the individuals delivering transport services are paid on the national living wage causing this proposed cost pressure.

5.7 The Home to School / College Transport is a challenging and volatile budget with unfavourable economic conditions, and changing legislation (incorporation new guidelines relating to safety, Disability Discrimination Act passenger access and ERO6 emissions standards by 2020), the impact of school reorganisations, growth in special school numbers, added with the challenges of Lincolnshire being a rural county. The budget therefore remains a financial risk to the Council, although the service is taking every step to achieve efficiencies to manage such pressures where possible.

5.8 **Readiness for Adult Life** strategy is proposing to make a saving of £0.300m in 2019/20. There is no cost pressure proposed for 2019/20.

5.9 The proposed saving of £0.300m relates to the Local Authority's legal duty (defined under Section 17 of the Children Act 1989) to safeguard and promote the welfare of all young people by providing supported accommodation for those young people of 16 and 17 years at risk of homelessness (due in part to case law referred to as the Southwark judgement, and the complex needs of this age group where parents are refusing to continue to provide care for them), and all looked after children and care leavers up to the age of 21 years.

5.10 Transformational work has resulted in a new accommodation pathway for young people who require support or who are experiencing homelessness (and where family and wider network is not a suitable option) by providing suitable and more cost effective accommodation. A pilot involving in-house provision as a pathway into other accommodation is delivering value for money and improved individual outcomes, which the service is planning to roll this out further across the county, as properties become available.

5.11 **Children are Safe and Healthy** strategy is proposing to make a saving of £0.250m in 2019/20. Within this strategy there are also proposed cost pressures of £1.194m in 2019/20.

5.12 The proposed saving relates to Children's Services insourcing of the 0-19 health services in October 2017. This decision has allowed a more effective and integrated support for families as part of the overall delivery of Children's Services with teams working closely together to give quick, effective and joint support where it is needed. Savings have been delivered by having a lower cost base infrastructure and through utilisation of existing Children's Services sites, and a realisation of new ways of delivery.

5.13 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 supporting looked after children and Special Guardianships Orders.

5.14 The national increase in looked after children is currently considered by the sector to be at 5% due to a number of reasons: case law, the impact of austerity, and the increasing complex nature of family life as a result of substance use, mental health and domestic abuse. The cost pressure in Lincolnshire relates more to the increasing complexity, costs rises and demand-led nature of providing specialist services for looked after children. This cost pressure of £0.948m will support the costs in fostering, kinship care, and residential home arrangements.

5.15 Special Guardianship Orders (SGOs) are increasingly being seen by the Courts as an important option for permanency for children who need to be removed from their birth parents which is endorsed by officers. The Local Authority is however required to fund SGOs (subject to means testing) so whereas we would once have seen children adopted, we are seeing increased SGO's which must be funded until the child reaches the age of 18 years. The expected increases are based on average numbers of SGO's being granted per month, which has identified a proposed budget pressure of £0.246m in 2019/20.

Adult Care and Community Wellbeing

5.16 There are 5 Commissioning Strategies led by Adult Care and Community Wellbeing, these are: Adult Frailty and Long Term Conditions, Specialist Adult Services, Carers, Safeguarding Adults and Wellbeing.

5.17 The Adult Care budget is set in the context of an ongoing savings requirement, increasing demographic and cost pressures related to service provider fee increases in order to accommodate the additional cost of employment as a result of the National Living Wage.

5.18 The budget also includes funding for schemes that form a part of the Lincolnshire Better Care Fund (BCF). The current plan which ends in March 2019 totals £232.123m of which £56.165m was the national allocation, this includes Disabled Facilities Grant payments to Districts.

5.19 Lincolnshire's fund is one of the largest in the country and includes pooled budgets for Learning Disabilities, CAMHS and Community Equipment plus 'aligned' Mental Health funds from the County Council and the four CCGs.

5.20 In addition to the continuation of existing pooled funds, there are a number of additional funding streams. These increases result from:

- BCF funding via Lincolnshire Clinical Commissioning Groups (CCG's) for the Protection of Adult Care Services.

- Improved BCF funding that was announced in the Chancellor's November 2015 budget. Lincolnshire received £14.249m in 18/19 and will receive £25.771m in 19/20.
- Supplementary iBCF funding that was announced in the Chancellor's March 2017 budget. Lincolnshire received £9.607m in 18/19 and will receive £4.111m in 19/20.

5.21 Agreement for the 2019/20 Lincolnshire BCF plan is subject to the conditions yet to be set out by the Department of Health and Social Care, including the value of the national allocation, however indications suggest the 2019/20 plan will be an extension of the existing arrangements with an opportunity to review schemes.

5.22 The 2019/20 iBCF allocation will also include an additional £3.368m for winter pressures which was announced by the Chancellor in the October Budget Statement.

5.23 The total value of the 2019/20 Lincolnshire BCF is expected to be £242.285m (including winter pressures), on the basis that the national allocation is estimated to total £57.561m, as such these values are subject to change.

5.24 **The Adult Safeguarding** strategy is proposing to make savings of £1.000m related to Deprivation of Liberty Safeguards (DoLs). Within this strategy there are also proposed cost pressures of £1.006m in 2019/20, the majority also linked to DoLs.

5.25 The recent increase in investment within this strategy is as a direct result of the Cheshire West ruling in March 2014 with regards to DoLs. The assumption has always been that secondary legislation that is currently going through parliament will be passed at the end of this financial year and will mitigate the increase in demand brought about by the ruling. However current indications suggest that the new legislation will not have the desired impact on current levels of activity until much later and as such funding is still required.

5.26 **The Adult Frailty and Long Term Conditions** strategy is proposing to make savings of £6.015m in 2019/20.

5.27 Of the total savings identified in 19/20 £4.635m reflect the removal of non-recurrent schemes funded via the BCF in 2018/19. The remaining £1.380m is a result of increased income derived from increases in service user contributions.

5.28 Pressures funded in 19/20 (£5.768m) relate to increased demographic growth and additional pressure on provider unit costs brought about by increases in the National Living Wage, largely impacting upon residential and community based services.

5.29 **The Carers** strategy is proposing to make savings £0.075m in 2019/20. Within this strategy there are no proposed cost pressures for 2019/20.

Savings occur as a result of the withdrawal of non-recurrent BCF funds.

5.30 **Adult Specialities** strategy is proposing to make savings of £2.891m in 2019/20. Within this strategy there are also proposed cost pressures of £8.833m in 2019/20.

5.31 Of the total savings identified in 2019/20 £0.669m is a result of increases in service user contributions and £2.222m due the removal of one off BCF funds.

5.32 Pressures funded in 2019/20 relate to increased demographic growth and additional pressure on provider unit costs brought about by an increase in the National Living Wage for residential and community based services for those with a learning disability (£6.471m). £1.000m replaces the additional cost of increases to "Sleep-in" and "Waking Night" costs that have increased as a result of a HRMC ruling; these were previously funded via the BCF. £0.600m is to fund the additional cost borne by Lincolnshire Partnership Healthcare Trust for the delivery of community mental health services on behalf of the Council.

5.33 **The Wellbeing** strategy is proposing to make savings of £0.181m in 2019/20, with a cost pressure of £0.242m

5.34 Savings identified in 2019/20 are based on assumed savings following a proposed redesign and procurement of Housing related support services, with the cost pressures relating to a gap in the budget for the delivery of community equipment services against the contract value.

Environment and Economy

5.35 Environment and Economy commissioning strategies include: Community Resilience and Assets, Sustaining and Developing Prosperity Through Infrastructure, Protecting and Sustaining the Environment and Sustaining and Growing Business and the Economy.

5.36 **Community Resilience and Assets** within this strategy there are proposed cost pressures of £0.371m in 2019/20. These relate to committed inflationary increases in the Library service contract (£0.042m); support to Lincolnshire Association of Local Councils (LALC) (£0.005m); and a new cost pressure to replace temporary funding for a Prevent Officer to meet the responsibility of the Council under the Counter Terrorism and Security Act 2015 (£0.046m).

5.37 The budget to support the Citizens Advice Bureaux (CAB) in Lincolnshire was removed in February 2017 by the Council, and the service has received support by use of reserves during the last two years. The proposal is to re-instate a budget to support the core services of CAB (£0.278m).

5.38 **Sustaining and Developing Prosperity Through Infrastructure** - within this strategy there are proposed savings of £4.319m and cost pressures of £1.562m in 2019/20.

5.39 Due to the Department for Transport re-designation of Lincoln as a 'PTE like' area, there was an expected increase in the cost of concessionary fares of £0.145m. £0.100m was added to the base budget for this during 2018/19, with the remaining £0.045m proposed in 2019/20 to give a full year effect.

5.40 An element of the cost pressures for this strategy (mainly within the Transport activity) relates to an increase in contract costs, which have a direct relationship to national living wage levels. There are proposed cost pressures of £0.267m in 2019/20 to meet the Council's obligation to pay staff and some contractors the central government set national living wage.

5.41 The Highways Asset protection budget has a number of cost pressures proposed, which reflect the impact on Lincolnshire Highways of previous service reductions. These changes include; returning to two full cycles for weed spraying (£0.150m); reinstating three rounds of safety grass cutting (£0.300m) and returning to a full cycle of gulley cleansing (£0.370m). There is also a need have available additional Mobile Maintenance Teams

(MMT's) to manage the peak in demand for pot hole repairs over the autumn and winter period (£0.220m). The current arrangement the Council has for the Highways Asset Management 'CONFIRM' software is coming to an end. New licence costs and a move to an on-demand system has created a cost pressure of £0.210m.

5.42 The saving in this budget reflects the removal of the additional 'one-off' budget provided to Highways Asset Maintenance in 2018/19 (£3.300m).

5.43 **Protecting and Sustaining the Environment** within this strategy there are proposed savings of £0.041m and cost pressures of £0.272m 2019/20.

5.44 The JCB's used in the waste transfer stations have been supplied under a lease arrangement. As these leases expire there is a proposal to move to a capital purchase to replace them. This has generated savings in 2018/19 (£0.123m), and further savings will be generated 2019/20 (£0.041m).

5.45 Within this strategy there are cost pressures of £0.272m in 2019/20. These pressures relate wholly to waste disposal costs in the increase in volumes of waste being collected for disposal and the inflationary increases of the waste management contract.

5.46 **Sustaining and Growing Business and the Economy** there are no savings or cost pressures for 2019/20.

Finance and Public Protection

5.47 Finance and Public Protection commissioning strategies include: Protecting the Public, How We Do Our Business and Enablers and Support to Council's Outcomes.

5.48 **Protecting the Public** strategy is proposing to make savings £0.100m in 2019/20 and has proposed cost pressures of £0.449m.

5.49 The Fire & Rescue Service have total cost pressures of £0.331m. These pressures relate to increased rates costs of fire stations (£0.023m); Emergency Services Network costs (Airwave replacement) (£0.029m); increased software costs for recording operational training records (£0.022m) and operational mobilising technology enhancement (move to Vision 4) (£0.057m) . Changes in legislation have increased the number of Retained Duty System (RDS) Firefighters opting into the pension scheme, creating a cost pressure for the service (£0.120m). In order to meet the service's risk based inspection programme for fire prevention a capacity issue has been highlighted by HMICFRS, a cost pressure of £0.080m has been identified to recruit to Fire Protection posts to meet these requirements.

5.50 There are cost pressures in 2019/20 within Trading Standards relating to the increased costs of product safety testing (£0.020m) and safeguarding checks required for scams on vulnerable victims (£0.040m).

5.51 There are also cost pressures identified within the Coroners Service (£0.058m) and savings (£0.100m) which relate to the new model of service delivery for the Coroners Service within Lincolnshire.

5.52 **How we do our Business** strategy is proposing cost pressures of £0.279m for 2019/20.

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

5.54 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. A cost pressure of £0.026m is necessary to continue to deliver the Councils Counter Fraud Partnership. This is a joint initiative with the District Councils and the PCC and is generating significant savings for the Council.

5.55 **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.

5.56 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).

5.57 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).

Other Budgets

5.58 Other Budgets includes: Capital Financing Charges, Other Budgets and Contingency budgets.

5.59 **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 1.102 to 1.111). The revenue implications of the capital programme are estimated to cost the Council £41.662m in 2019/20. The overall affordability of the capital programme has been reviewed to ensure that the impact on the revenue budget remains affordable. The Council is also budgeting for £2.000m of receipts from investment of cash balances in 2019/20.

5.60 There are cost pressures within **other budgets,** as follows:

- As reported last year, as advised by the actuary, Hymans Robertson, the employers' pensions secondary payment to the pension fund will be increased by £1.007m to £6.510m in 2019/20; and

- Two small increases to the Apprentice Levy Budget £0.006m and to Eastern Inshore Fisheries and Conservation Association (EIFCA) precept budget £0.059m.

5.61 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. This flexibility has been extended up to 01 April 2020. Under previous regulations these were required to be utilised to fund capital expenditure, or repay 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 that the expenditure will generate ongoing revenue savings to the authority.

5.62 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 2019/20. Details of the schemes to be funded and the Council's updated Efficiency Plan are shown in **APPENDIX G**.

5.63 The Council's **contingency budget** for 2019/20 will remain at £3.000m. This budget is available to fund any pressures which arise during the financial year.

Schools

5.64 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2019/20, the DSG will continue to comprise of four blocks: schools, central school services, high needs, and early years block. Each of the four blocks of the DSG is determined by a separate national funding formula.

5.65 Lincolnshire's indicative DSG allocation for 2019/20 is £560.080m, 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.

5.66 The government implemented a new national funding formula in 2018/19 to ensure a fairer settlement for each school. The Council agreed to replicate the funding formula factors and monetary values along with the government's agreed floors and ceiling approach to enable incremental steps to move to the 'hard' formula. The introduction of the new national funding formula increased overall Lincolnshire mainstream school funding levels by c.3.7% in 2018/19, and is planned to grow by a further 2.9% in 2019/20.

5.67 The Local Authority will continue to be responsible for setting the mainstream school funding formula for all Lincolnshire schools including academies in 2019/20. The Local Authority's decision agreed to the direction of travel of replicating the government's national funding formula to ensure schools' allocations are on a sensible trajectory towards the move to the 'hard' formula. The Local Authority remains committed to continue replicating the national funding formula in 2019/20 with the protection arrangements (floors and ceiling) in place.

5.68 In 2019/20, the Schools block that is used for the purposes of funding all mainstream schools budget shares will be determined by aggregating the schools' notional allocations under the national funding formula determined by the government. The government will ensure all schools notional allocations will receive at least 0.5% per pupil increase in 2019/20 in respect of all mainstream schools compared to their 2018/19 baselines, and gains of up to 3% per-pupil in 2019/20 depending on each schools' circumstance.

5.69 The government is also moving to a basis for distributing funding to Local Authorities for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending. Local Authorities will be protected under the formula by seeing a minimum increase of 0.5% per head in 2019/20 compared to their 2018/19 High Need block. Lincolnshire's indicative protection is planned to be £41 per pupil (£5.776m) in 2019/20. The Secretary of State announced in December 2018 an additional funding allocation of £125m nationally into the High Needs block for 2019/20 to meet growing demands, which for Lincolnshire is £1.533m.

5.70 Lincolnshire's indicative pupil premium allocation for 2019/20 is £30.490m. 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 and Skills Funding Agency will continue to allocate pupil premium for academy schools, so the grant will be reduced accordingly. However, this has no financial risk to the Council. The final publication of 2019/20 allocations will be released in year.

6. RESERVES

6.1 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 2018 the balance stood at £15.200m. General reserves, at 31 March 2019, are estimated to be £15.850m which is 3.5% of the budget requirement for 2019/20.

6.2 The Overview Scrutiny and Management Board considered a report on Financial Risk in October 2018 and recommended to the Executive Councillor with responsibility for finance that the general reserves should be maintained at 3.5% of the budget requirement for the forthcoming financial year. To continue to maintain the general fund balance at 3.5% at 31 March 2020 a balance of £16.050m is needed, which will require £0.200m to be added to general reserves in 2019/20.

7. FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

7.1 In September 2016 County Council approved the Council's Efficiency Plan and flexible use of capital receipts to fund transformation for the three year period from 2016/17 to 2018/19. This plan allowed the Council to sign up the four year funding deal offered by government for the period 2016/17 to 2019/20. The Efficiency Plan included the Council's Flexible Use of Capital Receipts Strategy. Under a Direction issued pursuant to sections 16 and 20 of the Local Government Act 2003 the Council is directed to treat as capital, expenditure that is designed to generate ongoing revenue savings or transform services to reduce costs and is properly incurred for the financial years commencing on 1 April 2016, 2017 and 2018.

7.2 In December 2017, the government set out further measures to support Councils to deliver services. One of these measures was an extension to the use of capital receipts to help meet the revenue costs of transformation for a further 3 years to April 2022.

7.3 The Council is required to have regard to Guidance issued by the Secretary of State which states that Councils should prepare at least one Flexible Use of Capital Receipts Strategy for each of the above financial years. The proposed Flexible Use of Capital Receipts Strategy for 2019/20 is attached at **APPENDIX G** and sets out how the Council plans to use capital receipts flexibility for transformation and the impact this has on the Council's Prudential Indicators. This Strategy complies with the Guidance.

8. CAPITAL PROGRAMME

8.1 The proposed capital programme includes an updated programme for 2018/19, as well as schemes for 2019/20. Some of these are major schemes which stretch into future years. Schemes include: a number of major highways schemes, the rolling programme of renewal and replacement of fire fleet vehicles and fire equipment, the development of broadband as well as a major upgrade to information technology infrastructure. The gross programme is

set at £375.316m from 2019/20 onwards, with grants and contributions of £110.309m giving a net programme of £265.008m to be funded by the County Council.

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

TABLE 4 – Capital Programme

Capital Programme	2018/19 £m	2019/20 £m	Future Years £m
Gross Capital Programme	188.308	178.500	196.816
Less: Grants and Contribution	-99.044	-59.547	-50.761
Net Programme Funded by LCC	**89.264**	**118.953**	**146.055**
Funded by:			
Revenue Funding	6.705	0.600	0.000
Borrowing	70.080	118.353	146.055
Use of Capital Grants Unapplied	13.362	0.000	0.000
Use of Reserves	-0.883	0.000	0.000
Total Funding by LCC	**89.264**	**118.953**	**146.055**

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

8.4 **Environment and Economy**

- Additional budget for Grantham Southern Relief Road £20.130m in future years as a result of increased costs of construction, archaeology, and additional scheme requirements.

- Additional budget for Lincoln Eastern Bypass £11.700m in 2019/20 and £14.578m in future years. This is due to an increase in archaeology costs and the need to re-let the main contract following the demise of Carillion.

- Additional budget for Spalding West Relief Road scheme section 5 - £3.291m in future years to complete this major scheme development. Advance design work is continuing for section 1 of the Spalding West Relief Road, but any future capital support for this scheme will be reliant on an agreed level of developer contribution.

- Major scheme development of Corringham Road in partnership with West Lindsey District Council (WLDC) – budget of £1.500m in 2019/20 and receipt of £1.000m contribution during 2020/21.

- Budget of £1.100m in 2019/20 for the A46 Dunholme/ Welton Roundabout, the scheme has been partly funded by £2.000m National Productivity Improvement Fund awarded in 2018/19 and £1.839m of Integrated Transport Grant.

- Improvement of Holdingham Roundabout £0.435m in 2019/20 and £2.115m in future years.

- To support the programme of local flood improvement schemes in relation to the Council's responsibility as Lead Local Flood Authority to undertake improvement measures - £0.650m in 2019/20 and £1.950m in future years.

- Budget for the development of Business Units to safeguard employment - £2.000m in 2019/20. Independent research shows that there is demand for these centres, and income would be received from renting the facilities to tenants.

- The Executive has approved the development of a business case for a North Hykeham Relief Road to enable bids for 70% of grant funding to be made. Future budgets for this scheme will be considered based on the outcome of this bid.

8.5 **Finance and Public Protection**

- Firefighters' personal protective equipment (PPE) and breathing apparatus and maintenance of fire safety programme - £0.325m in 2019/20 and £2.953m in future years. This is to replace damaged items, to provide PPE to new recruits, a full refresh of PPE, to support fitting of smoke detectors in the private homes of vulnerable members of the community, and ensure adequate water provision for firefighting across the county.

- Replacement of fire mobilising system for fire and rescue £0.875m in 2019/20. The mobilising system provides the mechanism for the Council's Fire Control function to alert and inform fire crews of an emergency incident on station.

  The system provides remote alerting to the Lincolnshire Fire and Rescue 'On Call' staff, who have an Alerter (pager). The funding includes the replacement of Alerters, which are coming to the end of their life.

- 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 Local 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.

8.6 **Other Programmes**

- Development Capital Contingency £37.500m in future years (i.e. £7.5m per annum over the next 5 years) to fund emerging schemes identified at the time.

The Council receives government grant funding to support large parts of the capital programme, including schools and roads maintenance. The following grants have been incorporated into the capital programme for 2019/20 and future years:

8.7 **Environment and Economy**

- An indicative award of £24.995m per annum for 2019/20 and future years, for the Highways Asset Protection Maintenance Block;

- An indicative award for Integrated Transport Grant of £3.312m per annum 2019/20 and future years; and

- Successful bids from the Safer Roads Fund to improve some of the most dangerous stretches of 'A' roads were announced by Department of Transport.

  Under this scheme the Council will receive £1.245m in 2019/20 for A1084 Brigg to Caistor; £0.645m in 2019/20 towards A1084 Middle Rasen to Bishops Bridge; and £2.725m in future years for A631 Louth to Middle Rasen;

8.8 **Children's Services**

- An allocation for Provision of Schools Place Basic Need Grant is £22.971m in 2019/20, and £12.351m is planned for 2020/21. This will allow the Council to plan strategically to fulfil its statutory duty to provide sufficient school places for the children of Lincolnshire;

- An indicative grant award for the Schools Condition Allocation is £4.511m for 2019/20. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2019;

- An indicative allocation for Devolved Formula Capital is £1.136m for 2019/20. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2019, and

- The award of the Special Provision Fund allocations of £0.771m per annum in both 2019/20 and 2020/21. Two further funding announcements in 2018 have been made relating to an additional £50m and £100m nationally for the Special Provision fund. Lincolnshire is to receive £1.615m of this funding in 2019/20. The Special Provision Fund will support the implementation of the Building Communities of Specialist Provision Strategy, which is to make significant improvements to SEND provision, so pupils can access an integrated school system which meets All Needs, in the right place, at the right time as close to home as possible.

8.9 The Council funds the net capital programme primarily from borrowing £118.353m in 2019/20, £146.055m in future years, and revenue contributions of £0.006m in 2019/20.

9. PRUDENTIAL INDICATORS

9.1 The Council is required to agree targets for specified prudential indicators in relation to capital financing and other treasury management matters. The Council also sets its own targets in addition to the statutory ones. The main purpose of these targets is to ensure that the Council's capital financing, in particular its long term borrowing, is prudent, affordable and sustainable. The proposed targets are set out in **APPENDIX M**.

9.2 One of the key targets in the Council's Financial Strategy, is that "the repayment of external debt including interest will be less than 10% of annual income from general government grants, Dedicated Schools Grant and council tax." This is projected to increase to 6.92% by 2021/22 from 5.03% in 2018/19.

10. MINIMUM REVENUE PROVISION

10.1 The Council has a duty to set a minimum revenue provision (MRP) which "it considers prudent". The aim is to ensure that debt is repaid over a period reasonably commensurate with the period over which the capital expenditure funded by borrowing provides benefits.

10.2 The Council's current policy is to apply the asset life method for calculating MRP. For pre 2008 debt this is based on a standard asset life of 50 years equating to a 2% flat charge. For 2009/10 debt onwards, asset life of differing categories of assets is estimated and a charge based on an annuity method is used for major infrastructure projects, where the benefit of these assets are expected to increase in later years. A charge based on Equal Instalments of Principal is used for all other categories of assets. The Council will not charge MRP until assets become operational. This is a prudent approach which is consistent with the Council's Financial Strategy and will apply from 2016/17 onwards.

11. SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF RESERVES

11.1 The Local Government Act 2003 includes a statutory duty for the Council's Section 151 Officer to report to the Council when it is calculating the council tax on "the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves." The Council has a statutory duty to "have regard to the report when making decisions about the calculations."

11.2 The Financial Strategy requirement in relation to reserves is based on a full assessment of the Council's potential financial risks last undertaken in October 2018, informed by estimates of future Government funding for the Council included within the final year of four year funding deal and the savings identification work undertaken by the CMB and Executive during the autumn of 2018. A key aspect of that Strategy is that Council will maintain its general reserves within a range of 2.5% to 3.5% of its annual budget requirement.

11.3 Currently the Council's projected year end general reserve stands at £15.850m or 3.5% of the budget requirement (ie. towards the top of the target range). There is no proposal to materially change the general reserves as part of the 2019/20 budget. There are proposals to apply a modest portion of earmarked reserves in 2019/20 (£3.087m) to deliver a balanced budget in preparation for ongoing government funding restraint in the final year of the period covered by the four year funding deal (ie. up to the end of 2019/20).

11.4 The new business rate funding regime for local authorities commenced in April 2013 as did revised arrangements for funding local welfare benefits related to the Council Tax. These measures have introduced an element of volatility into the income base of the Council which, acting prudently, has required the establishment of an earmarked reserve to assist with the management of funding risk. That reserve, known as the Financial Volatility Reserve, is presently estimated to be £46.080m at 31st March 2019.

11.5 The October 2018 risk assessment encompassed a full assessment of the potential financial risks facing the Council including the following:

The realism of budget estimates for –

- Pay awards
- Price increases
- Income, including higher risk areas such as capital receipts
- Savings
- Provision for demand led services including: children's services, waste disposal, adult care, certain aspects of public health, home to school transport, concessionary fares, adverse weather, support for the council tax, etc

Financial management arrangements including –

- The recent history of financial management performance

Potential Losses including –

- Claims against the Council
- Bad debts or failure to collect income
- Major emergencies or disasters
- Failure to deliver budget savings
- Default on loans made by the Council for cash management purposes

11.6 An assessment was also made of the provision against these financial risks including:

- A provision in the form of a contingency budget to deal with pressures related to real or potential legislative change or other unforeseen impacts upon the Council. The need for such a contingency reflects that no general level of price inflation has been provided for within the service budgets. The contingency budget has underspent for the last three years and on that basis its level was reduced by £1m to £3m for 2017/18. The £3m level of the contingency budget is retained for 2019/20.
- Specific provisions in the accounts and earmarked reserves.
- Provision for the funding of capital which provides modest additional financial flexibility.
- The potential for slippage and underspending of the capital programme.
- The level of the Council's general reserves.

11.7 The conclusion from the financial risk assessment is that the Council has retained an adequate level of general reserve in light of an assessment of the risks faced and the range of funding sources available to deal with those risks. That conclusion was supported by the Overview & Scrutiny Management Board at their meeting on 25th October 2018.

11.8 The four year funding deal from government continues to place significant additional funding pressures on the County Council when compared to recent years – revenue support grant reduces by £13.8m (41%) between the current and next year. The grant continues to fall materially over the following year to be at £20m by 2019/20.

11.9 The scale of revenue support grant reductions in tandem with escalating cost pressures from such issues as demographic growth in adult and children's care clients and the new national minimum living wage have presented an unprecedented and ongoing challenge to the Council in balancing its finances. Savings next year are now predominately in the form of the full year effect of service reductions agreed last year as part of the earlier budgets or relate to the removal of temporary funding for specific matters. Such an approach increases the risk of service failure despite such risks being factored into the decision making process that derived the reduction in the first place. The need to make further base budget savings from April 2020 onwards only adds to that risk. The magnitude of such savings is presently unknown and will be critically dependent on the outcome of the Government's Fairer Funding Review of local authority finances coupled with the 2019 Comprehensive Spending Review both of which are presently underway.

11.10 As in previous years, close monitoring of the delivery of savings will be undertaken and, if necessary, corrective action will be initiated to examine alternative options should this be necessary. The delivery of the planned savings will be monitored and reported regularly to senior management teams and to Executive councillors as part of the formal, published reports.

11.11 Financial management remains an important consideration. The introduction of the new Agresso accounting system in April 2015 presented a number of significant challenges to the Council. A significant upgrade to the system was undertaken prior to April 2018 and provides the platform to facilitate a range of improvement initiatives on the functionality and usability of the system going forward. That work is now underway. The system is no longer a constraint on effective financial management.

11.12 Spending pressures continue to arise in Adult Care relating to a range of factors such a demographic growth of the client base. That pressure, in tandem with the annual increase in the National Living Wage, adds a pressure of £12.2m over all adult care services for next

year. Adult Care pressures have, however, been substantially funded by a combination of the adult care precept element of council tax and the Better Care Fund in its various forms. Children's Services remains an ongoing and escalating funding pressure area as a consequence of demand and legislative issues. In combination close to £1.2m has been added to the budget for next year in that regard.

11.13 Budget pressures have emerged broadly as expected during 2018/19. An underspend on the revenue budget for the current year has been predicted by monitoring activity undertaken during the year. Consequently there is no anticipated need to apply the available general reserve this year nor is it presently likely that there will be the need to draw down funding from the Financial Volatility Reserve.

11.14 In relation to the 2019/20 budget, Service Areas have provided brief notes on the realism of their proposed budgets and their ability to manage within these budgets. In that context the following points are relevant:

- Savings targets for next year are very modest compared to those in recent years and therefore represent a lower risk to the financial stability of the Council arising from a failure to deliver those proposals. All Service Areas have affirmed their commitment to achieving the targets set with appropriate caveats as necessary.

- Funding pressures will continue to exist in a number of service areas. The key pressure areas are as follows:

  (i) Adult Care – ongoing issues, listed below, continue to place pressure on the service.

  Increasing demographic 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.

  In addition, the cost of adult care services will rise materially over the next year in line with the new national minimum living wage. The service is now substantially reliant on income from the Health Service by means of the locally negotiated Better Care Fund (BCF) allocation. All BCF funding has to be agreed with the 4 Clinical Commissioning Groups and the Health and Wellbeing Board. At present the various strands of the BCF funding cease in March 2020. It is anticipated that the Adult Care Green Paper expected in the spring of 2019 will establish the basis for future adult care funding.

  (ii) Council Tax Support Schemes – local schemes were established by all the District Councils from April 2013. The County Council is, in effect, responsible for around 75% of the financial liability arising from these schemes. Whilst a great deal of work has been undertaken with the Districts to establish financially robust arrangements there remain financial risks to the County Council from their operation. These comprise a general demand risk for local support should we enter a recessionary environment and a risk that the combined impact of above inflation increases in council tax along with reduced entitlement to State funded welfare benefits may result in more people meeting the eligibility criteria. Experience in 2018/19 has been that demand for this support has remained static in some areas and reduced modestly in others as a result of general improvements in the economic environment offset by council tax rises at, or above, inflation. However, above inflation increases in council tax are inevitable

going forward and the present Government plan to reduce spending on welfare benefits. These will result in an increased entitlement to this benefit going forward.

(iii) Business Rates – Since April 2013 the Council has had a financial reliance on business rate income both from Central Government and directly from a share of local rate income collected by the Lincolnshire District Councils. This income has the potential to be volatile should major business ratepayers relocate into or out of the county area. The Council has operated a business rates pool with a number of Lincolnshire District Council's since April 2013. However, for 2018/19 only the County Council, North Lincs Council and the seven Lincolnshire District Councils successfully applied to be a pilot area for 100% localisation of business rates. An analogous bid for pilot status in 2019/20 has not been successful. The Government have predominately assigned such status to areas not successful in the 2018/19 exercise. This Council and the seven local Districts will therefore revert to operating a business rate pool arrangement in 2019/20.

(vi) Children's Services – there remain significant pressures in children's social care in relation to a rise in the number of children looked after with numbers of children rising by around 5% again over the next year. This service area is also impacted by a cost pressure relating to the National Living Wage which impacts on the cost of the home to school transport service and will continue to do so as long as nationally set increases apply to this wage level. Additional resources have been made available to deal with these pressures. Nationally pressures are arising with containing spend within the high needs block of the dedicated schools grant. This issue has so far not emerged within Lincolnshire but will require careful and prudent management going forward to contain that situation.

11.15 The capital programme has been reviewed as part of the current budget cycle and only modest changes are envisaged to the programme for 2019/20. Revenue budget pressures mean there is little additional scope for adding to future capital schemes above those already committed in the existing programme. Significant commitments, relating in particular to major infrastructure schemes, already exist in the period beyond next financial year. A £7.5m capital contingency has been established, the use of which will be the subject of business case bids from service areas. The fund can be used as a source of matched funding in respect of external bids for capital funding.

11.16 Two major ongoing highway projects require additional funding to be allocated next year and this has been provided for in the budget. In tandem with the introduction of the new capital strategy requirement, future proposals to add to the capital programme will be the subject of more rigorous assessment at the outset with particular reference to future affordability. The capital programme does not allocate any capital funding to commercial type investment activity designed purely to supplement revenue income in future years.

11.17 The S151 Officer is fully conversant with the recent high profile work undertaken by CIPFA in developing a resilience index to assess the financial health of English local authorities. The outcome of that work is not yet in the public domain but it is the current belief that this authority is in a sound financial position and has a good track record in both developing and delivering balanced budgets. Full transparency will be afforded to the resilience index in future budgets.

11.18 Taking into account all these factors the Section 151 officer is satisfied that the budget is realistic and that the level of reserves is adequate but notes that the assessment relies heavily on:

- Achievement of a modest level of savings next year. The increased risk of challenge with respect to savings initiatives has the potential to result in implementation delays.

- Given that a significant medium term funding shortfall still exists as indicated by the ongoing use of reserves, further work is essential in terms of deriving a sustainable revenue budget and capital programme to be in place for 2020/21 onwards.

12. CONSULTATION

12.1 Individual Scrutiny Committees have received a report and presentation on their respective budget and have had chance to comment on its appropriateness. The Overview and Scrutiny Management Board also considered the budget proposals as a whole. These comments were collated and presented to the Executive when it considered the Council's final budget.

12.2 Businesses, Trade Unions and other public organisations were consulted at a meeting on 25 January 2019. Comments made at this meeting were collated and presented to the Executive when it considered the Council's final budget.

12.4 The Council also invited the public to comment (via the Council's Website) on the Council's budget proposals outlined in the 18 December 2018 Executive report.

12.5 A summary of all comments received via the consultation process can be found at **APPENDIX D.**

APPENDIX A

REVENUE EXPENDITURE

LINE REF	2018/19 BUDGET £	REVENUE EXPENDITURE REVENUE BUDGETS	2019/20 BUDGET CHANGES £	2019/20 ORIGINAL ESTIMATE £
		COMMISSIONING STRATEGIES		
1	4,821,802	Readiness for School	25,777	4,847,579
2	34,370,414	Learn & Achieve	209,711	34,580,125
3	5,963,901	Readiness for Adult Life	-206,486	5,757,415
4	65,911,133	Children are Safe & Healthy	1,656,222	67,567,355
5	4,187,150	Adult Safeguarding	41,378	4,228,528
6	120,733,278	Adult Frailty, Long Term Conditions and Physical Disability	70,848	120,804,126
7	2,464,492	Carers	-75,000	2,389,492
8	65,594,396	Adult Specialities	6,042,543	71,636,939
9	27,174,150	Wellbeing	104,866	27,279,016
10	10,097,065	Community Resilience & Assets	400,920	10,497,985
11	43,056,837	Sustaining & Developing Prosperity Through Infrastructure	-1,402,985	41,653,852
12	24,879,447	Protecting & Sustaining the Environment	300,945	25,180,392
13	1,165,887	Sustaining & Growing Business & the Economy	33,076	1,198,963
14	22,834,646	Protecting the Public	761,663	23,596,309
15	7,462,687	How We Do Our Business	419,164	7,881,851
16	41,381,346	Enablers & Support to Council Outcomes	749,046	42,130,392
17	-32,662,000	Public Health Grant Income	862,000	-31,800,000
18	-40,043,817	Better Care Funding	-6,299,061	-46,342,878
19	**409,392,814**	**TOTAL COMMISSIONING STRATEGIES**	**3,694,627**	**413,087,441**
		SCHOOLS BUDGETS		
20	410,615,904	Schools Block	17,405,553	428,021,457
21	81,133,311	High Needs Block	3,284,447	84,417,758
22	3,929,345	Central School Services Block	327,883	4,257,228
23	40,502,961	Early Years Block	205,009	40,707,970
24	-538,857,436	Dedicated Schools Grant	-21,222,892	-560,080,328
25	**-2,675,915**	**TOTAL SCHOOLS BUDGETS**	**0**	**-2,675,915**
		OTHER BUDGETS		
26	2,507,669	Contingency	492,331	3,000,000
27	40,625,515	Capital Financing Charges	-963,530	39,661,985
28	7,253,504	Other	956,367	8,209,871
29	**50,386,688**	**TOTAL OTHER BUDGETS**	**485,168**	**50,871,856**
30	**457,103,587**	**TOTAL NET EXPENDITURE**	**4,179,795**	**461,283,382**
31	-5,075,540	Transfer to/from Earmarked Reserves	1,988,597	-3,086,943
32	-800,000	Transfer to/from General Reserves	1,000,000	200,000
33	**451,228,047**	**BUDGET REQUIREMENT**	**7,168,392**	**458,396,439**
		MET FROM:		
34	163,200,407	Business Rates Retention Pilot	-163,200,407	0
35	0	Business Rates Local Retention	121,292,696	121,292,696
36	0	Revenue Support Grant	20,138,594	20,138,594
37	7,234,493	Other Non Specific Grants	10,342,313	17,576,806
38	280,793,147	County Precept	18,595,196	299,388,343
39	**451,228,047**	**TOTAL MET FROM**	**7,168,392**	**458,396,439**

APPENDIX B

COUNTY PRECEPT 2019/20

Council Tax Requirement		**£**
Total Budget Requirement		458,396,438.54
less	Government Support	159,008,095.29
County Precept		299,388,343.25
less	Net Surplus on Council Tax element of District Council Collection Funds	2,669,833.05
Council Tax Requirement		296,718,510.20

Precepts to be levied on District Councils	Number of Band D Equivalent Properties	Council Tax Requirement £	Council Tax Collection Fund +Surplus/ -Deficit £	County Precept £
City of Lincoln	24,299.78	31,405,035.67	192,160.00	31,597,195.67
Boston	19,133.90	24,728,652.36	150,690.00	24,879,342.36
East Lindsey	44,264.00	57,206,793.60	606,419.00	57,813,212.60
West Lindsey	29,532.83	38,168,229.49	995,000.00	39,163,229.49
North Kesteven	37,300.00	48,206,520.00	-341,286.95	47,865,233.05
South Kesteven	47,125.70	60,905,254.68	473,099.00	61,378,353.68
South Holland	27,931.00	36,098,024.40	593,752.00	36,691,776.40
Total	**229,587.21**	**296,718,510.20**	**2,669,833.05**	**299,388,343.25**

County Council Element of Council Tax by Property Band

Property Band	Proportion of Band D	Council Tax per Property £
Band A	6 / 9	861.60
Band B	7 / 9	1,005.20
Band C	8 / 9	1,148.80
Band D	9 / 9	1,292.40
Band E	11 / 9	1,579.60
Band F	13 / 9	1,866.80
Band G	15 / 9	2,154.00
Band H	18 / 9	2,584.80

Equality Impact Analysis to enable informed decisions

The purpose of this document is to:-

I. help decision makers fulfil their duties under the Equality Act 2010 and
II. for you to evidence the positive and adverse impacts of the proposed change on people with protected characteristics and ways to mitigate or eliminate any adverse impacts.

Using this form

This form must be updated and reviewed as your evidence on a proposal for a project/service change/policy/commissioning of a service or decommissioning of a service evolves taking into account any consultation feedback, significant changes to the proposals and data to support impacts of proposed changes. The key findings of the most up to date version of the Equality Impact Analysis must be explained in the report to the decision maker and the Equality Impact Analysis must be attached to the decision making report.

****Please make sure you read the information below so that you understand what is required under the Equality Act 2010****

Equality Act 2010

The Equality Act 2010 applies to both our workforce and our customers. Under the Equality Act 2010, decision makers are under a personal duty, to have due (that is proportionate) regard to the need to protect and promote the interests of persons with protected characteristics.

Protected characteristics

The protected characteristics under the Act are: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

Section 149 of the Equality Act 2010

Section 149 requires a public authority to 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 relevant protected characteristics and persons who do not share those characteristics
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The purpose of Section 149 is to get decision makers to consider the impact their decisions may or will have on those with protected characteristics and by evidencing the impacts on people with protected characteristics decision makers should be able to demonstrate 'due regard'.

Decision makers duty under the Act
Having had careful regard to the Equality Impact Analysis, and also the consultation responses, decision makers are under a personal duty to have due regard to the need to protect and promote the interests of persons with protected characteristics (see above) and to:-

(i) consider and analyse how the decision is likely to affect those with protected characteristics, in practical terms,
(ii) remove any unlawful discrimination, harassment, victimisation and other prohibited conduct,
(iii) consider whether practical steps should be taken to mitigate or avoid any adverse consequences that the decision is likely to have, for persons with protected characteristics and, indeed, to consider whether the decision should not be taken at all, in the interests of persons with protected characteristics,
(iv) consider whether steps should be taken to advance equality, foster good relations and generally promote the interests of persons with protected characteristics, either by varying the recommended decision or by taking some other decision.

Conducting an Impact Analysis

The Equality Impact Analysis is a process to identify the impact or likely impact a project, proposed service change, commissioning, decommissioning or policy will have on people with protected characteristics listed above. It should be considered at the beginning of the decision making process.

The Lead Officer responsibility
This is the person writing the report for the decision maker. It is the responsibility of the Lead Officer to make sure that the Equality Impact Analysis is robust and proportionate to the decision being taken.

Summary of findings
You must provide a clear and concise summary of the key findings of this Equality Impact Analysis in the decision making report and attach this Equality Impact Analysis to the report.

Impact – definition

An impact is an intentional or unintentional lasting consequence or significant change to people's lives brought about by an action or series of actions.

How much detail to include?
The Equality Impact Analysis should be proportionate to the impact of proposed change. In deciding this asking simple questions “Who might be affected by this decision?” "Which protected characteristics might be affected?" and “How might they be affected?” will help you consider the extent to which you already have evidence, information and data, and where there are gaps that you will need to explore. Ensure the source and date of any existing data is referenced.
You must consider both obvious and any less obvious impacts. Engaging with people with the protected characteristics will help you to identify less obvious impacts as these groups share their perspectives with you.

A given proposal may have a positive impact on one or more protected characteristics and have an adverse impact on others. You must capture these differences in this form to help decision makers to arrive at a view as to where the balance of advantage or disadvantage lies. If an adverse impact is unavoidable then it must be clearly justified and recorded as such, with an explanation as to why no steps can be taken to avoid the impact. Consequences must be included.

Proposals for more than one option If more than one option is being proposed you must ensure that the Equality Impact Analysis covers all options. Depending on the circumstances, it may be more appropriate to complete an Equality Impact Analysis for each option.

The information you provide in this form must be sufficient to allow the decision maker to fulfil their role as above. You must include the latest version of the Equality Impact Analysis with the report to the decision maker. Please be aware that the information in this form must be able to stand up to legal challenge.

Background Information

Title of the policy / project / service being considered	Increase in the council tax for financial year 2019/20	**Person / people completing analysis**	David C Forbes – County Finance Officer
Service Area	All Council Services	**Lead Officer**	Pete Moore – Director of Finance & Public Protection
Who is the decision maker?	Full Council	**How was the Equality Impact Analysis undertaken?**	Desktop Exercise
Date of meeting when decision will be made	22/02/2019	**Version control**	1.0
Is this proposed change to an existing policy/service/project or is it new?	Existing policy/service/project	**LCC directly delivered, commissioned, re-commissioned or de-commissioned?**	Directly delivered
Describe the proposed change	Each February the County Council sets a budget for the forthcoming financial year, part of which includes a decision on the amount of Council Tax to be levied in that year. For 4 of the past 8 years the decision taken has been to freeze the level of Council tax and to accept a time-limited grant from Government for so doing. However, the level of that grant has now fallen and it is to cease by the end of the decade. Increasing service pressures and costs means the Council needs to establish a more robust and sustainable income base going forward. The council tax system requires each billing authority (i.e. district council) to establish and maintain a local council tax support scheme which is a means tested system to allow those on low income to gain financial support to meet their council tax bill either in part or in full. Schemes vary within the county but some schemes positively favour certain classes of council tax payers with protected characteristics (e.g. disability). These schemes are themselves the subject of equality impact assessments undertaken by the individual district council concerned. The County Council is consulted each autumn by the Districts on any changes to their council tax support schemes. Over the past 8 years the local council tax has increased by just under 14.8% whereas general price inflation has been close to 25.5%.		

Evidencing the impacts

In this section you will explain the difference that proposed changes are likely to make on people with protected characteristics.
To help you do this first consider the impacts the proposed changes may have on people without protected characteristics before then considering the impacts the proposed changes may have on people with protected characteristics.

You must evidence here who will benefit and how they will benefit. If there are no benefits that you can identify please state 'No perceived benefit' under the relevant protected characteristic. You can add sub categories under the protected characteristics to make clear the impacts. For example under Age you may have considered the impact on 0-5 year olds or people aged 65 and over, under Race you may have considered Eastern European migrants, under Sex you may have considered specific impacts on men.

Data to support impacts of proposed changes

When considering the equality impact of a decision it is important to know who the people are that will be affected by any change.

Population data and the Joint Strategic Needs Assessment

The Lincolnshire Research Observatory (LRO) holds a range of population data by the protected characteristics. This can help put a decision into context. Visit the LRO website and its population theme page by following this link: http://www.research-lincs.org.uk If you cannot find what you are looking for, or need more information, please contact the LRO team. You will also find information about the Joint Strategic Needs Assessment on the LRO website.

Workforce profiles

You can obtain information by many of the protected characteristics for the Council's workforce and comparisons with the labour market on the Council's website. As of 1st April 2015, managers can obtain workforce profile data by the protected characteristics for their specific areas using Agresso.

Positive impacts
The proposed change may have the following positive impacts on persons with protected characteristics – If no positive impact, please state *'no positive impact'.*

Age	Increasing the council tax adds a permanent and sustainable income stream to the funding of the Council. In so doing it thereby assists in limiting what would otherwise be more significant cuts in service provision over the wide range of services provided by the Council. Many of those services provided key support to those with protected characteristics.
Disability	As for Age above.
Gender reassignment	As for Age above.
Marriage and civil partnership	As for Age above.
Pregnancy and maternity	As for Age above.
Race	As for Age above
Religion or belief	As for Age above.
Sex	As for Age above.
Sexual orientation	As for Age above.

If you have identified positive impacts for other groups not specifically covered by the protected characteristics in the Equality Act 2010 you can include them here if it will help the decision maker to make an informed decision.

The benefits outlined above in terms of limiting wider service reductions apply to all those who use Council services and not just to those with protected characteristics.

Adverse/negative impacts
You must evidence how people with protected characteristics will be adversely impacted and any proposed mitigation to reduce or eliminate adverse impacts. An adverse impact causes disadvantage or exclusion. If such an impact is identified please state how, as far as possible, it is justified; eliminated; minimised or counter balanced by other measures.
If there are no adverse impacts that you can identify please state 'No perceived adverse impact' under the relevant protected characteristic.

Negative impacts of the proposed change and practical steps to mitigate or avoid any adverse consequences on people with protected characteristics are detailed below. If you have not identified any mitigating action to reduce an adverse impact please state *'No mitigating action identified'*.

Age	The proposed increase in the council tax of 4.95% will impact on all council tax payers who are responsible for the council tax levied on their property. The level of income of the council tax payer and their ability to afford the increase in the annual charge will be the key issue. To the extent to which those with a protected characteristic are council tax payers then they will be potentially impacted by this change. The existence of a protected characteristic is really a secondary rather than a primary consideration in this case. Clearly if the protected characteristic in question has a direct impact on income generating capacity this will have a more direct effect. As mentioned earlier financial support is available from schemes operated by district councils to assist in meeting council tax bills for low income individuals.
Disability	As for Age above.
Gender reassignment	As for Age above
Marriage and civil partnership	As for Age above
Pregnancy and maternity	As for Age above
Race	As for Age above
Religion or belief	As for Age above
Sex	As for Age above
Sexual orientation	As for Age above

If you have identified negative impacts for other groups not specifically covered by the protected characteristics under the Equality Act 2010 you can include them here if it will help the decision maker to make an informed decision.
The ability to afford the proposed council tax increase applies to all individuals who are responsible for paying a council tax bill.

Stakeholders

Stake holders are people or groups who may be directly affected (primary stakeholders) and indirectly affected (secondary stakeholders)

You must evidence here who you involved in gathering your evidence about benefits, adverse impacts and practical steps to mitigate or avoid any adverse consequences. You must be confident that any engagement was meaningful. The Community engagement team can help you to do this and you can contact them at consultation@lincolnshire.gov.uk

State clearly what (if any) consultation or engagement activity took place by stating who you involved when compiling this EIA under the protected characteristics. Include organisations you invited and organisations who attended, the date(s) they were involved and method of involvement i.e. Equality Impact Analysis workshop/email/telephone conversation/meeting/consultation. State clearly the objectives of the EIA consultation and findings from the EIA consultation under each of the protected characteristics. If you have not covered any of the protected characteristics please state the reasons why they were not consulted/engaged.

Objective(s) of the EIA consultation/engagement activity
The proposed council tax increase is simply one, but an important proposal in a set of measures to enable the Council to set a balanced budget for 2019/20. The other key aspects are a range of across the board savings totalling £16m and the use of reserves of £3.1m to avoid further service reductions. The Council has undertaken a public engagement/consultation exercise on the budget proposals. There will also be more formal consultation with the Scrutiny Committees of the Council and with key stakeholders such as business, public sector partners and trade unions.

Who was involved in the EIA consultation/engagement activity? Detail any findings identified by the protected characteristic

Age	The details of public and wider consultation/engagement are described above. This is undertaken at the level of the whole suite of budget proposals rather than specific concentration on one aspect such as the proposed council tax increase. The nature of this proposal combined with the mitigation available through local council tax support schemes means there is no particularly differential impact between those exhibiting different protected characteristics.
Disability	As for Age above
Gender reassignment	As for Age above
Marriage and civil partnership	As for Age above
Pregnancy and maternity	As for Age above
Race	As for Age above
Religion or belief	As for Age above
Sex	As for Age above
Sexual orientation	As for Age above
Are you confident that everyone who should have been involved in producing this version of the Equality Impact Analysis has been involved in a meaningful way? The purpose is to make sure you have got the perspective of all the protected characteristics.	Yes The proposal has received extensive publicity and has been undertaken to invite feedback from all key stakeholders. The main mitigation of the impact of the proposal rests in the Council Tax Support Schemes operated by District Councils. These scheme themselves are the subject of equality impact assessments undertaken by the District concerned.
Once the changes have been implemented how will you undertake evaluation of the benefits and how effective the actions to reduce adverse impacts have been?	Feedback is received periodically from the Districts on the take up of the County Tax Support Schemes not least because the County Council funds around 75% of the cost of such schemes.

Further Details

Are you handling personal data?	No If yes, please give details.

Actions required Include any actions identified in this analysis for on-going monitoring of impacts.	**Action**	**Lead officer**	**Timescale**
	NONE		
Signed off by	David C Forbes	**Date**	31/01/2019

APPENDIX D

BUDGET CONSULTATION FEEDBACK

This appendix sets out the feedback from a range of budget consultation events occurring during January 2019. These include:

- Reports and presentations to Scrutiny Committees;
- Public Consultation on budget proposals via the Council's website; and
- Meeting with businesses, trade unions and other public bodies.

These comments will be considered by the Executive in recommending the budget for approval by County Council.

An update on the budget consultation feedback will be tabled / reported verbally at the meeting for feedback received after the deadline for this report.

Budget Comments from Scrutiny Committees

Adults and Community Wellbeing Scrutiny Committee – 16 January 2019

The Adults and Community Wellbeing Scrutiny Committee agreed to support the budget proposals for Adult Care and Community Wellbeing for the 2019/20 year.

The Committee focused on the funding for future years, in effect from 2020/21 onwards, as the Better Care Fund was due to cease in its current form at the end of 2019/20. Since 2016/17, the Council had received the following Better Care Fund support:

Expenditure	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Better Care Fund (BCF)	16,825,000	15,900,000	16,186,200	16,461,365
Improved BCF	-	2,105,730	14,249,038	25,770,902
Supplementary Improved BCF	-	15,265,596	9,608,578	4,110,611
2019/20 Winter Pressures	-	-	-	3,368,000
Total	**16,825,000**	**33,271,326**	**40,043,816**	**49,710,879**

It was confirmed to the Committee that there was an expected overall Council shortfall of funding of £46 million in 2020/21 and £55 million in 2021/22, based on existing assumptions. *(Please refer to note [1] below)* Such shortfalls would clearly lead to a focus on the Council's discretionary services, although certain discretionary services could reduce demand on mandatory services.

There was an expectation that an equivalent to the Better Care Fund would be put in place for the year 2020/21 and future years, but this has not been confirmed. The arrangements for the future funding of adult social care are dependent on the publication by the Government of its *Green Paper on Care and Support for Older People* and the subsequent implementation of any proposals. As a complication, on 7 January 2019 the NHS published its *Long Term Plan*, in which there is an emphasis on community services, integration between health and adult social care, and prevention.

[1] *After the Committee's meeting, advice was received that work had begun to look at ways to meet the funding shortfall and it was expected that the Council's overall shortfall of £18.6 million initially identified for 2019/20 would reduce. The projected £55 million shortfall in 2021/22 was a worst case scenario, with the shortfall likely to be closer to £40 million for this year.*

The Adults and Community Wellbeing Scrutiny Committee plans to include the *Green Paper* and the *NHS Long Term Plan* in its future work programme, at the appropriate times. The Committee is also offering to support the Executive in any review of services or service changes within its remit in the coming year, as a result of national requirements, and any consequential impacts on the County Council's budget.

Children and Young People Scrutiny Committee – 18 January 2019

The Children and Young People Scrutiny Committee agreed to support the proposed council tax increase of 4.95% for the 2019/20 year. The Committee also agreed to support the proposed budget for 2019/20 for Children's Services, including the rationale for the cost pressures identified in two of the commissioning strategy areas:

- Learn and Achieve Commissioning Strategy (£306,000); and
- Children are Safe and Healthy Commissioning Strategy (£1.194 million)

The Committee also referred to impact of the Government's comprehensive spending review, and the Council's *Fairer Funding* campaign, the outcomes of which are currently unknown. Given these uncertainties, the Committee's support for the council tax increase, which was above the rate of inflation, was difficult, but the pressures on the Council, including Children's Services, were genuine. It was also acknowledged that the County Council would continue to rely on reserves for the coming years.

Environment and Economy Scrutiny Committee – 15 January 2019

The Environment and Economy Scrutiny Committee considered budget implications for the commissioning strategies 'Protecting & Sustaining the Environment', 'Sustaining and Growing Business and the Economy' and 'Economic Infrastructure and Regeneration'.

The Committee endorsed the overall proposed revenue and capital budget proposals for 2019/20 and the proposed 4.95% increase in Council Tax.

The Committee highlighted support for the proposed (£2.000m) capital investment for the development of Business Units to safeguard employment, and endorsed officers working up detailed proposals to measure demand and supply across the County.

The Committee highlighted three key areas of future concern within this area to the Executive.

- The need for the County Council to take a leadership role in ensuring the vitality and viability of local High Streets, due to the rapid changes within this area and the possible impact on the wider economy,
- The potential impact on grants and funding delays from exiting the European Union and;
- The importance of the skills agenda in getting more adults into learning that will enhance careers as an important way to increase productivity.

Highways and Transport Scrutiny Committee – 21 January 2019

The Highways and Transport Scrutiny Committee considered budget implications for the commissioning strategy 'Sustaining and Developing Prosperity Through Infrastructure'.

The Committee highlighted support for returning to two full cycles for weed spraying (£0.150m); reinstating three rounds of safety grass cutting (£0.300m) and returning to a full

cycle of gulley cleansing (£0.370m) as positive developments given the input of the Committee in these areas. The Committee also supported the funding for greater availability of additional Mobile Maintenance Teams (MMT's) to manage the peak in demand for pothole repairs over the autumn and winter period (£0.220m).

The Committee endorsed the proposed 2019/20 revenue and capital budget proposals for Highways and Transport; and the proposed 4.95% increase in Council Tax given the identified on-going budget pressures. The Committee also endorsed the proposed capital programme, as well as major schemes which stretch into future years.

Public Protection and Communities Scrutiny Committee – 22 January 2019

The Public Protection and Communities Scrutiny Committee considered the budget implications for the commissioning strategies Community Resilience & Assets, Protecting the Public and Sustaining & Developing Prosperity through Infrastructure (Heritage Services). The Committee endorsed the proposed 2019/20 revenue and capital budget and supported the funding of the known cost pressures identified within the proposals.

The Committee welcomed the proposals to re-instate a budget to support the core services of the Citizens Advice Bureaux (CAB) (£0.278m), after the service received support by use of reserves during the last two years.

The Committee acknowledged the limited options available to continue to effectively fund services going forward. The Committee supported the proposed 4.95% increase in Council Tax and welcomed comments from officers that Lincolnshire would remain in the lowest quartile for Council Tax in the Country.

Overview and Scrutiny Management Board – 31 January 2019

The Overview and Scrutiny Management Board considered the following two commissioning strategies which fall under its remit:

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

The Board highlighted that across both commissioning strategies, the biggest budget was in relation to ICT Strategy and Support, which amounted to £15.648m. The Board requested a breakdown of this budget in a report to a future meeting.

In relation to the Capital Programme, concern was raised about the additional budget for 'Development of Cloud Navigator and support ICT innovation' and what exactly it would be used for. The Board questioned the leap from £5m in 2019/20 to £9m in future years and what the justification was for such a large leap in one year.

The Board heard that the IMT Strategy had been delayed which made it difficult to ascertain the costs to fix and transform IT services, and as a result the additional budget was based on estimates.

The Board sought assurances on the accuracy of the figures in light of the £3m underspend in revenue budget in the current year. The Board was told that once the IMT Strategy was developed, the Board would receive further information on the breakdown of the figures. The Board heard that the IT Board was due to meet shortly and that the arrival of the new Executive Director for Commercial should help.

The Board was told that there would be detailed business cases brought forward once the IMT Strategy was in place, and these would be brought to the Board for scrutiny prior to any Executive decisions.

At the same meeting the Overview and Scrutiny Management Board also considered the Executive's Budget proposals as set out in the report to the Executive on 18 December 2018 and further updates to Members to take account of the following subsequent events:

- The decisions taken by the Executive on 18 December 2018.
- The Final Local Government Finance Settlement published 29 January 2019.
- Confirmation from District Councils of Council Taxbases.
- Confirmation from District Councils of Council Tax Collection Fund surpluses.
- Confirmation from District Councils of Business Rates Collection Fund surpluses.
- Confirmation from District Councils of Business Rates Section 31 grant funding.

The Board supported the Budget proposals put forward by the Executive for 2019/20.

The Board also supported the proposal to set up a Business Rate Volatility Reserve with the £6m received back from the Business Rates Collection Fund due to the surplus arising from monies set aside for appeals.

The Board acknowledged that due to the Final Local Government Finance Settlement not being published until 29 January 2019 and the deadline of 31 January 2019 for receiving information regarding Business Rates from District Councils it was difficult to receive all the information that affected the Budget in one report. The Board was assured that all the information would be presented to the Executive on 5 February 2019 and this would all be contained in one report to the Council at its meeting on 22 February 2019.

Concerns were raised about the impact on the Council's budget in future with the loss of the Better Care Fund after 2019/20 which would have a huge impact on Adult Social Care.

The Board questioned whether the proposed budget would have been different if the additional £19m income received since the 18th December Executive paper was prepared had been known to the Executive when it proposed the Budget in December 2018. The Board was assured by the Leader of the Council that the proposed budget would not have changed. The Leader of the Council highlighted that there were a number of uncertainties next year, including the loss of the Better Care Fund, and as a result the Council had to be prudent this year. The Council was still using £5m of reserves to balance the Budget for 2019/20.

Public Consultation – Comments received from Members of the Public

a) There has been one response from a member of the public via email, who generally commented that the level of service received from the Council did not reflect the amount of council tax paid. Specific examples of services which he felt ought to be improved were pothole repairs and the timing of road closures. A further comment was made about the increasing cost of road schemes and he suggested that the Council should work with the City Council to regenerate lower Lincoln High Street. He also questioned whether it would be more prudent to make savings sooner so as not to drain reserves.

b) A letter has been received via email from the Chairman of a Parish meeting. This is replicated below in its entirety:

Treasury and Finance Strategy
Lincolnshire County Council
Newland
Lincoln LN1 1YL

Communications and Consultation
South Kesteven District Council
St Peter's Hill
Grantham
NG31 6PZ
2nd February 2019
Dear Lincolnshire County and South Kesteven District Councillors
As Chairman of Lenton with Keisby, Osgodby and Hanby Parish Meeting in deeply rural South Lincolnshire, I am writing in connection with the respective Council Tax proposals being sought from residents in the South Kesteven District. I would like to add that, for over 12 years, I have been Chairman of this widespread parish comprising just 68 properties in total and that I am passionate about all rural parishes and the recognition and consideration that should be afforded to them.
After a lengthy conversation with Deborah Wyles (SKDC) on 22nd January, when I voiced my concerns regarding yet another highly likely outcome of an increase in our 2019 Council Tax, I feel it is time to put my concerns into writing and ask that the position of rural parishes be considered in greater depth. Initially I was intending to confine this letter to SKDC alone, but in view of LCC's finance Executive Meeting on 5th February, I feel it is appropriate to address both Councils. Currently, I believe that there is a 'value for money' disparity between the rural and urban communities and it is time to look very real considerations and fairness squarely in the eyes.
Before continuing with my concerns, I would like to make it clear that I understand the multi-layered way in which Lincolnshire residents' Council Tax is calculated. However, I must ask you to consider the other side of that particular coin, being the way residents are approached with regard to prospective charge increases, because in my opinion they are skewed. Currently, District, County, the Police and, to an extent, the Social Care proposals come to residents at different times and via different methods, if at all. For example, it is only by trawling the internet that I discovered that LCC is having its Finance Executive Meeting on 5th February, in order to decide on the 2019/20 Council Tax increase proposals. I have been unable to find the proposed increases on behalf of the Police, so there is currently *still* no clear picture being given to households. This is unfair. The SKDC Consultation Survey was only received on 22nd January, with a closing date of 3rd February. As a Parish Meeting, we have no Clerk; we just have a Chairman and Treasurer, so by emailing the request for views to the Clerk (Chairman), SKDC appears to devolve the responsibility for getting the survey information out to all residents to the parish. It may come as a surprise, but residents in rural parishes don't see each other frequently, so the notion that parish is in the best position to represent views is not accurate unless steps are taken specifically to ascertain them – and that takes a lot longer than 13 days! Please also note that we have no newspaper deliveries out here; the nearest shop is 4 miles away and we only have one 'public' building – our church! If the Consultation is promulgated in a local newspaper, that is not a guarantee that everyone is going to see it. By the same token, not everybody, especially with the GDPR concerns, wants their details to be on our parish database, so the only other way of either getting the Consultation to them or canvassing them myself so I can represent their views, if they

are to stand any chance of having their say during the process, is to print and take flyers or hold an Extraordinary Meeting. A month is not unreasonable a period to request should be made available for views to be sought and returned, so the fact that I received only 13 days emphasises that there is little understanding of how rural communities operate.

Regarding Council Tax rises for 2019, it is only when savvy people weld themselves to their calculators and add the different proposed increases together that the real picture emerges and the *annual* 'hit' becomes clear. Whilst each element of our Council Tax responsibility has but one portion of the proverbial pot to consider, the very real situation for the end users is that it all comes out of one pot – our household accounts! For that reason, it is only fair that strenuous efforts should be made to bring *all* the notification dates of increasing, or proposed increases, into line; they should come – and very clearly, at that - to the end users at the same time. I request that this matter is afforded serious consideration and that all the different elements undertake their consultation periods so that all the different proposals are put to residents at the same time.

Proposing another £5 p.a. on the SKDC element of Council Tax for a Band D property seems minute. However, add to that the 4.95% which is to be discussed by Lincoln County Council's Financial Executive on 5th February and the picture is very different indeed. If both are approved, that will mean on a Band E property such as my own, an increase of some £81pa – and that is without knowing the Police element! For the remaining parishioners that figure may be lower or, indeed, higher – but our parish issues remain the same for us all.

Since moving to this lovely part of Lincolnshire in 2005, and becoming Chairman just a year later, I have despaired at the nibbling away of services and the deterioration of the fabric of our community. For your consideration:

1. We have lost our mobile library
2. Our minimal bus services have been reduced to almost nothing
3. We are still, after 6 years of unrelenting communication with Openreach and OnLincolnshire, - yes, SIX! - fighting to be connected to basic high speed broadband
4. The state of our roads is, in parts, a continuing nightmare
5. We simply do not see any police presence here, not even a vehicle passing through (See my Note 5 below)
6. We have 8 street lights in the entire parish
7. Our ability to take responsibility for excess domestic and garden waste has been dramatically reduced with the reduction of the opening hours of our amenity tips from former 49 weekly hours in winter and 63 weekly hours in summer to just 28 hours

1. <u>Loss of mobile library services:</u> To be fair, this was a minimally used service, which is unusual because ours is a parish with a fairly high average age. In a time of economic priorities, we understood why our service was lost. Nonetheless, it still needs to be noted as a loss of service.

2. <u>Bus services:</u> We have never enjoyed the best services and, once again, those of us who drive and are retired remain unaffected. But we do have people, especially senior residents, who need transport and, whilst I appreciate that not every hamlet in a given parish can expect a transport service, and with low passenger usage being deemed to be uneconomic, I remain concerned that rural communities are being sidelined. Knowing that we are 'uneconomical', a word which creeps in now to all manner of service-related topics, translates into feelings of being unimportant, of being the first to

be deleted from a sphere of consideration. We understand why we have minimal public transport, but it is nevertheless part of a much bigger picture and we feel that the reductions have gone too far.

3. Broadband: The broadband situation in this parish is nothing short of dire and unacceptable. We have been fighting this for a very long time and our collective feelings, which range from despair to fury, are palpable. 6 years on and we are still locked into battle with the wildly differing reports which come to us from BT/Openreach and OnLincolnshire. Reasons for delays change with each and every conversation, email or even presentation at parish meetings and this results in this parish feeling frustrated, angry, isolated, and despairing of the impression that the proverbial left and right hands do not know what the other is doing. Currently, the main hamlet of Lenton (28 properties) should have been connected by the end of 2018. We are now in February 2019 and there is still no upgrade – indeed, an email informing me of yet another delay has arrived whilst writing this very letter! We are also told that not all properties in Lenton will be now be connected as they are are either 'uneconomical' (that word again) or have made their own arrangements! Hanby should be connected in 2019, but there is no sign of anything moving in that direction. The remaining hamlets of Keisby and Osgodby are unlikely to have any meaningful attempts to upgrade them and the latest proffering is 'Still being looked at but no definite plans.'. On the basis of presentations by OnLincolnshire at parish meetings, we have almost given up hope for those parts of our parish, although I am personally avowed to not allow our outer reaches to be jettisoned out of convenience, especially when huge profits are being made by BT and it's arm 'Openreach'. Some residents in this parish are receiving less than 1Mbps, most receiving between 2.5 and 4Mbps. To be told that we are 'remote' is totally unacceptable. We are 9 miles from Grantham and it is 2019. We landed men on the moon in 1969 with less technology than exists in the most basic of mobile phones, so the argument that this parish is 'remote' is, frankly, ridiculous. This is all about money and profit and we are, at that table, 'below the salt'!

Contrary to the oft-held view by city dwellers that rural locations, especially in places like agriculturally-based counties like Lincolnshire, are home to cornstalk-chewing yokels, the truth is that they are populated by a significant number of highly intelligent and highly qualified people working or running businesses from home, creating employment and contributing to the economy. Make no mistake, we have quite a few in this parish and they need to be supported. Some of our farmers have absolutely no choice but to submit certain completed forms to DEFRA online, so to do this they have had to resort to a variety of self-help schemes. The failure to upgrade ALL parts of this parish to a not-unreasonable 10Mbps, when other areas are able to receive 70-100Mbps or more, is manifestly unfair. Because of our situation, we then are then further disadvantaged by being excluded from the cheap deals which many telephone and broadband providers offer to those already in a more fortunate broadband position than our own – a proverbial 'double whammy'. (Indeed, my husband and I were unceremoniously 'dumped' by a telephone/broadband company we had been with for 15 years, because we were, and I quote, 'not economical'. No company would replicate our legacy boosts and we were left as broadband outcasts by a major company.) It is my personal view that all parishes experiencing similar situations should band

together in order to unite and become one louder voice. Without that, little parishes of 68 properties will continue to struggle to be accommodated.

4. Our roads: Last year, after months nothing being done and the conditions becoming extremely serious, I was forced to write a 'death trap road' letter to Highways and copy it to our MP, our Ward Councillor, RoSPA and anyone else who I thought would be useful. The result of that was that I met with Martin Hill and our South Region Highways Manager, Rowan Smith, on a truly poisonous day, in order to personally show the horrendous potholes and road collapses in our parish. I do a lot of driving and, make no mistake, Keisby Road contained the worst collective dangerous holes over a 2-3 mile length that I had seen. I have always endeavoured to recognise the budgetry and staffing contstraints faced by Highways and I stress that I have the utmost respect for the problems faced by this particular remit. It has to be comething of a 'poisoned chalice'! But, in the end, local residents, who try to understand and genuinely exhibit tolerance, lose their patience. What they really care about is being able to go to the school, doctors, veterinarians or shops safely, without damaging their cars or, worse, themselves. There comes a point when always being at the bottom of the priority list is no longer tenable. I will continue to deal separately with this, but please understand the despair which this parish feels when roads which are crucial to us, in order to access the school and surgeries at Corby Glen, repeatedly become riddled with significant holes.

5. Police Presence: Most residents in this parish cannot recall the last time a police car was seen in this parish although clearly there had to be responses to 4 burglaries we had in Lenton last year. The lack of even just *seeing* a police car and policeman/PCSO is unacceptable, as is being unable to contact our police stations at Bourne and Grantham, and only being able to contact our PCSO by an email request via the police station at Lincoln! It puts us into a very vulnerable position as ne'er-do-well's, who we suspect use the lake as a convenient place to assess movements, will also enjoy never seeing a police car! Whilst this is an area which is not within the SKDC or LCC remits, for us it is still another part of a whole for which we are being expected to pay. Yes, we have Neighbourhood Watch, but that is never the complete answer and it has its limitations in a parish with geography such as ours.

6. Street Lights: We only have 8 in the entire parish. This is something of a 'Curate's Egg', because we accept that part of the attraction for most of us choosing voluntarily to live here is the fact that we do not have bright lights, that our night skies are largely unpolluted and that seeing the stars is something of a joy. However, I illustrate this simply to mention one 'service' which, being fairminded, we do currently receive, albeit on a very small scale. Nonetheless, I hardly think that it warrants such a large proposed increase to our Council Tax in 2019/20!

7. Council Amenity Tip: Until a few years ago, the Amenity Tips were extremely useful. Gardens in rural properties tend to be much larger than those in urban areas and responsible people had no problem in taking their garden waste to the tip of their choice. Most people have green bins – we ourselves have 4 but in summer we could use 8! The inability to dispose of excess garden waste encourages people to use the hedgerows, which is extremely bad practice. Previously, in the summer, people could come home from work and

still have time to drive to the tips at Grantham, Bourne or Sleaford, which didn't close until 6pm, or take advantage of weekday opening times if work commitments permitted. The hours were then not only savaged to just 28 hours, but they were all crammed into Friday-Monday, meaning that the prospect of sitting in queues in order to get to the garden and extra domestic waste bins is nothing short of dreadful, especially in the summer. We are being asked to recycle domestic waste, but doing it responsibly means that we get huge amounts of packaging per fortnight. Excess rubbish which we would like to dispose of but cannot, owing to the restricted hours, removes our opportunities to dispose of excess waste responsibly. Fly tipping in rural areas like ours has escalated, but in spite of undertaking our self-help litter-picks, we are still vulnerable. Add to that the appalling design of the new tip at Bourne, which causes huge traffic jams when vehicles cannot exit owing to vehicles ahead waiting to slide into the unloading lane, those of us who care enough to be responsible are being disadvantaged. Storing excess waste in bags attracts rats and a failure to deal with them, when the types of milder baits available to the general public now often don't work, can result in householders then receiving a fine! If authorities want people to behave responsibly, they simply *must* ensure that the options for so doing are made so available that a temptation to be otherwise is diminished. I request that the opening hours of amenity tips be reviewed and increased.

In 2018, we were canvassed by SKDC with regard to our being willing to pay another £5 Council Tax (on a Band D property) in order to go toward an out-of-town shopping mall in Grantham and a multi-plex cinema. Most, if not all, parishioners who chose to respond were against paying this, partly because we were fighting on all fronts in respect of the issues numbered above, but also because we understand that those are profit-making schemes which should be paid for by those who are going to profit from them – ie, the store owners and whoever owns the cinema! Because the rural parishes collectively represent a smaller percentage than the urban areas, it was no surprise that our feelings were dismissed and we had our Council Tax (SKDC element) raised accordingly. Now we have this year's similar supposed survey – which we will almost certainly again 'lose'. It feels as if this is a tick-in-the-box exercise which will ensure that the correct protocols have been undertaken for a predictable outcome. Whether we are right or wrong is not the point; it is how we have come to feel which is important: a soft target.

I accept that a large number of people voluntarily choose to live in a rural area, including sparsely populated parishes such as our own, where we have 68 houses spread over 4 hamlets in the gently rolling Southern Uplands. Many of us weren't forced to live here, we chose to do so and, as an ex-RAF couple who managed to avoid 'RAF Lincolnshire' for our careers, but who found ourselves here at the end of our time with the Force, we have come to love it; it is wonderful. For those in a similar position, therefore, it is arguable that 'we pay our money and we make our choice.' That is not, however, a licence for us to be ridden rough-shod over or forever be the 'tail-end Charlie's' when we are receiving less and less for our Council Tax whilst our charges are annually increased. This is not equitable and I truly believe that, far from having an increase in our aforesaid tax rates, we should actually be having them *reduced*! An increase whilst receiving the same service is one thing, but to pay more and receive significantly less is quite another.

I have studied the list of proposed aims and projects for 2019, but they don't translate into anything for this little parish. Whilst we don't wish to become

overrun with developments which would destroy the very rurality which is to our liking and is based on a history of farming, we also, for what we pay in Council Tax, should not be neglected whilst, in effect, we subsidise the urban areas. So, here I must ask one simple question:
In this rural parish, how exactly are the residents going to benefit in 2019 by our Council Taxes rising by an average of some £80?
I thank you for your forbearance in reading this letter and hope that you will take on board the representation I am making on behalf of this parish. It is not intended to be negative or destructive; it comes from a position of caring deeply about rural communities and, moreover, is intended to encourage councillors to think again about how rural parishes are viewed and assist us with more vigour in return for the taxes which we have no choice but to pay.

Josephine M Morris-Turner

Chairman
Lenton with Keisby, Osgodby and Hanby Parish Meeting

c) Social media:
(Selection of responses to the council budget on social media (twitter and facebook)):
- "Other parts of the country have pressed forward with unitary authority plans as an alternative to big hikes in council tax, with a view to removing duplication and having fewer highly paid executives, it seems this plan has disappeared in Lincolnshire? Why is that?"
- "If the main need for such a large increase in council tax is down to central government funding cuts, surely we should be seeing pretty much the same percentage of increase across the whole country, but that doesn't seem to be the case."
- "What are you doing with the money your saving by cutting honest hard working people's services where's the money gone the government gave you to fix the roads why can't the head men at council take a pay cut to help still you'll just fob people off and want more council tax well listen to me working people are skint we have no more money to give you."
- "Contractors kier are charging double for materials plus adding 6% to the cost. If this was brought back in house they would save money and plug a hole in government funding cuts."
- (In response to traffic light refurbishment in Lincoln): "Waste of money as yesterday you said about government cutting council funding. (You're) still closing services that money will pay for. This council's got its priorities wrong.

Consultation Meeting with External Stakeholders Comments

A Budget Consultation meeting was held with external stakeholders on 25 January 2019.

The Leader of the Council, Councillor M J Hill OBE welcomed everyone to the meeting. Attendees were informed that this meeting was part of the normal consultation process which the authority undertook when setting its budget, and provided the opportunity for partners and other organisations to take part in the consultation. It was reported that the proposed budget was also examined by each of the County Council's scrutiny committees who would look in more detail at the budgets for individual service areas. Recommendations

would then be made to the full Council at its meeting on 22 February 2019, where the budget would be formally approved.

David Forbes, County Finance Officer, gave a presentation on "Budget Consultation Meeting with Key Stakeholders, 25 January 2019", which was a consultation exercise led by the County Council to highlight the Council's current budget and financial outlook for public services over the coming year. The presentation highlighted the following main points:

- Adult Social Care was the biggest service area and had been the biggest pressure on the budget for the last decade. It included care for the elderly and people with physical disabilities. It was the biggest portion of the Council's budget. Children's Services was also becoming a significant budget pressure, but the government was starting to realise this. It was also noted that home to school transport was a large part of the Children's Services budget.
- A public consultation was undertaken in 2014 to determine the Council's priorities in terms of budget, and these priorities still remain in place at this time.
- The overall financial position of the authority in terms of income and expenditure was illustrated by a set of pie charts relating to the outturn position for the 2017/18 financial year. However, for 2018/19 the position was expected to remain broadly the same. The Council's budget was £936m, and it was noted that the revenue support grant was reducing year on year. It was expected to be around £20m by next year. Council tax accounted for £264m and was becoming a bigger aspect of the funding base. The biggest source of other income was from Adult Social Care from those who made contributions to their residential/domiciliary care etc.
- In terms of gross expenditure, adult social care accounted for almost £245m in 2017/18, and in relation to the schools budget, this funding just passed through the council, and the spending of it was determined by the schools.
- In terms of employee expenses (this related mainly to staff salaries), this was approximately 25% of the total spend excluding school staff.
- In terms of national local authority over and under spends (from 2011 – 2018) data had been published in October 2018. It showed that for the first five years of the decade local authorities had been collectively underspending, but for the past two years have collectively overspent. The level of spending for Adult Care was highlighted which demonstrated that in the first three years there had been underspends, followed by three years of overspending, but recently it had moved back to an underspend and it was believed that this could be attributed to the introduction of the Better Care Fund. It was also highlighted that local authorities had also consistently over spent on children's services for the last decade.
- In relation to data relating to levels of reserves, all types of authority had been able to add to their earmarked reserves for the last few years. However county councils had been able to add very little to their reserves. District councils had been able to add substantially to their earmarked reserved and it was likely that this was due to the distribution of New Homes Bonus. In terms of unallocated reserves, it was highlighted that authorities had been able to add very little to these reserves and that county councils were the only authority type to have to draw down their reserves.
- It was highlighted that the Revenue Support Grant was reducing, but some good news was the Rural Service Delivery Grant had increased slightly from the previous year. This grant was to help authorities like Lincolnshire which were predominantly rural.
- In 2018 a two year budget was set by the Council. Therefore a provisional budget for the coming year had already been approved. This current exercise will just update that provisional budget. Year on year, a lot of work on making savings had been carried out and the Council had also been able to use its reserves to balance the budget over past years. If the Council were to do nothing (which it will not do) , it

would probably be fine for another two years, but reserves were finite, and once they were gone, that was it. It was confirmed that there would be a significant budget exercise within the next 12 months.

- Recent trends showed that the revenue support grant had reduced from £211m in 2011/12 to £20m for 2019/20. It was unknown what would happen from 2020/21 onwards. There had been approximately £311m of savings since 2011/12 but cost pressures had exceeded this amount by around £35m. Historic budgets were prepared based on that position. It was reported that for 2018/19 the Council may be able to balance its budget without having to draw on any reserves.
- In terms of the Provisional Local Government Grant Settlement there were some minor differences from the original deal. The Rural Services Grant had come in at £1.3m more than originally expected and confirmation had been received that the threshold for a referendum on a core council tax increase had been increased to 3% from 2%. The County Council was also able to add another 2% to cover some of the costs of its responsibility for adult social care. Additional funding of £3.4m for adult care winter pressures would also be received as well as further £5.8m to use at the council's discretion between adult care and children's services. It was noted this was the first time the authority had been allocated additional money which could be used for children's social care. It was also highlighted that almost £14m had been awarded for road infrastructure and maintenance in the current year.
- In terms of the revenue budget projections for 2019/20 it was reported that a lot had happened in the past few weeks that had changed the position for the predicted shortfall. It was now expected that the authority would only need to draw down £5m from reserves rather than £23m.
- The extra funding received by the Council included the £5.8m for adult and children's social care; additional Rural Services Grant; and a rebate from business rates. The County Council would also benefit from £2.7m from council tax collection fund surpluses. The council would be quite close to a balanced budget based on a 4.95% council tax increase.
- The authority was now benefitting from having carried out the savings initiatives over the past eight years.
- Unavoidable cost pressures included adult care due to its demography increasing every year and accounted for around half of the total adult care cost pressures (£7-8m). Children's care pressures grew between 5-8% every year nationally in relation to Children Looked After, Lincolnshire was at the lower end of this with around a 5% increase. In terms of pay inflation, the public sector was now able to increase pay each year, and for 2019/20 it was assumed that there would be a 2% increase.
- There would be no real impact on front line services from proposed savings. There would also be a growth in the tax base of £4-5m on last year which was higher than expected.
- It was reported that some savings had arisen from the Council being able to in source some of its services such as supported accommodation following the transformation of the fire houses into accommodation for young adults.
- The Council had two types of reserves, general reserves which were funding for emergencies or unforeseen events and should not be allocated to service provision. The other type of reserve was earmarked reserves, of which the Council currently held £177m. This reserve included money which either did not belong to the county council (e.g. schools) or was a grant or other contribution for a specific purpose. However, it should be noted that the Council did not have discretion on what this could be spent on. This money had to be used for the specific purpose it was allocated for, otherwise it needed to be returned to the provider (eg. central government). There was £51m in the financial volatility reserve which was able to assist in balancing the budget. In addition £37m was earmarked for specific purposes

such as insurance claims, adverse weather, health and wellbeing and transformational projects.

- In terms of the capital programme, there were no major changes, and the ongoing commitment remained to the Lincoln Eastern Bypass and the Grantham Southern Relief Road. It was expected that the Lincoln Eastern Bypass would cost an extra £26m, mainly due to the Carillion failure, and an extra £20m would also be required for the Grantham Southern Relief Road. However, the council would be able to get some of this money back from developer contributions in the long term.
- There was a £7.5m capital contingency fund for council priorities and for which service areas were required to produce a business case.
- Lincolnshire has consistently been one of the lowest English council tax county councils in the country, and was likely to maintain this position.
- The County Council had lobbied the government extensively for fairer funding and it was expected that costs of delivering services in rural areas would be factored into future funding.
- Lincolnshire's funding was currently based on its 2013 population, which would be extremely out of date, so it was expected to be recalculated based on current population levels and may also start to take account of population projections which would both be positive for Lincolnshire.
- The council was planning future budgets based on pessimistic assumptions and would need to wait to see how things would go over the coming year.
- The minutes from this meeting would be fed into the Executive report.

During the course of discussion, the following points were noted:

- Concerns were raised regarding the recent change of timescales for repairing a pot hole on an unclassified road from 28 days to 90 days, and it was queried whether this was due to underfunding. It was acknowledged that the roads were underfunded, but that this was a national issue affecting authorities throughout the country. Local government had long argued that the amount of money it was given was not enough to keep pace with the maintenance required for the roads. Although Lincolnshire had been awarded an extra £13.7m which was needed, this was a one off payment. No council was spending enough on repairing its roads and were not repairing or replacing roads in sufficient time. The Highways Agency spent a lot more money proportionately maintaining the trunk road network than local authorities received for their roads.
- Lincolnshire had a programme to try and get all repairs done in a way that addressed the risk they posed. For example a pot hole on a major road would be repaired quicker than one on a farm track which did not get heavy traffic. Some of the additional money received would go towards repairing some of the more rural roads as well as the busier roads. It was also planned to carry out more surface dressing as this was a good way of protecting rural roads.
- It was reported that the Council's basic allowance for asset protection (roads) was around £25m, however, Lincolnshire was one of very few authorities to have a successful asset management programme and therefore were awarded an additional £5m. it was noted that officers had worked quickly to programme in the spending of the additional £13.7m.
- It was queried why the spend on adults and children's social care was so high, both nationally and locally. It was noted that that nationally there were some services which were ring fenced and protected. Also, schools were not part of the savings. Local government was not one of the services which had been protected at a national level. In terms of why the budgets were so high, it was noted that children were living longer with complex needs, as well as an increase in children with complex needs which was leading to some authorities over spending. It was also highlighted that

various scandals around the country were raising the bar on what standards were acceptable. There had also been changes in relation to Special Guardianship Orders, and the Council now had to pay family members who took in children as if they were a foster carer.

- It was noted that Nottinghamshire had the highest level of council tax and it was queried how they were spending the extra money. It was noted that whilst a comment on how the money was spent could not be made, it was noted that Nottinghamshire seemed to be very traditional in how it did its business. One of the positives of having to make savings was that it challenged authorities to look at ways of delivering its services more efficiently. For example, Lincolnshire did a lot of preventative work with families.
- It was commented that Lincolnshire seemed to be well managed.
- It was queried whether there was any progress on joint working with North East and North Lincolnshire. It was reported that North Lincolnshire was very interested in looking at what could be done together, for example in terms of waste collection/disposal. It was also noted that work was underway on a regional alliance working with Nottingham, Derby and Leicester.
- Some authorities were taking advantage of low borrowing rates to buy properties which would generate an income. It was reported that the Council had recently appointed a Commercial Director as was recognised that this was something which needed further investigation. However, the initial priority for the authority would be spending on its capital programme, and there was a long list of schemes that people would like to see happen in the county. There would also be a need to invest heavily in dealing with waste as the EfW was almost at capacity. Therefore, the Council was not actively seeking out these investments, but if anything appropriate came up, it would need to be in Lincolnshire.
- It was also noted that the Council invested in various properties through the Pension Fund. It was highlighted that the authority did have an indirect investment in the St Marks Shopping Centre in Lincoln, as part of the pension fund was invested with Standard Life who funded the original development.
- There was also a proposal for the Council to set up its own property company, and social housing was something which may be looked at as part of this.
- It was noted that CIPFA would be looking at whole area of local authority borrowing and looking to tighten up the rules as there were some smaller councils who had borrowed a lot of money.
- It was queried what policy there was for replenishing the council's reserves. It was reported that the Council was not in a position to do this at the moment as over the medium term the reserves will be used to balance the budget. A resilience index was due to be published which would set out this information, but this was in the process of being refined by CIPFA prior to publication in the public domain later this year. It would also provide league tables of the financial resilience of local authorities. It was believed that Lincolnshire's financial standing may well be satisfactory. Once it was known what the funding regime would be after 2020 it may be possible to look at starting to replenish the reserves.
- It was noted that Lincolnshire made savings very early in 2010, and there had been a debate about what the right level of reserves to hold was. There was a need to have a considerable level of reserves in the event of any unforeseen circumstances, also in the event of any opportunities for investment arising, for the example the recent work at Lincoln Castle.
- The government were consulting on how the funding formula may look in the future, and it was noted that there was a possibility that deprivation may also include rural deprivation.

- In terms of strategy for dealing with the reduction in funding, the council would continue to look at commissioning and how its contracts were managed, as well as looking for investment opportunities. It was currently not clear what the final deal would be from government, but Lincolnshire would like to see a clear plan, ideally another four year deal.
- It was queried whether it was thought that there would be any impacts on districts with the service level reductions, and it was reported that there shouldn't be with these budget proposals. There would be some planning and modelling during the coming year to provide some variation on what may happen with funding in future years. All areas would be challenged on where they could make savings. No material new savings had been required for two years. One example of where savings could be made in future was through the advent of technology such as cloud technology which could help the authority reduce costs. Progress to improve the IT infrastructure was underway.
- The differences in costs of the different types of interaction between councils and the public had been highlighted in a national conference to local government.
- It was queried whether the recent work being undertaken by the LGA on funding for rural authorities meant that the Council would remain a member of the LGA. It was noted that Lincolnshire was under a rolling notice to leave, but this would be a decision that needed to be made soon, and a report would be taken to the Overview and Scrutiny Management Board.
- It was queried that in relation to Brexit, if the UK did leave as planned on 29 March 2019, then could a financial windfall to local government be expected. It was noted that there was a LGA working group doing what it could to lobby for money to go to local authorities. The LGA was being very clear that if there was any money coming back, then it needed to be spent by local councils.
- It had been agreed that £35m would be released by government for councils to carry out preparation work for leaving the EU and that it needed to be released immediately.

The comments made at today's meeting would be reported to the Executive at its meeting on 5 February 2019 and the final budget would be approved at the meeting of Full Council on 22 February 2019.
RESOLVED
That the points made at this meeting be submitted to the meeting of the Executive scheduled to be held on 5 February 2019.

Antendees

Name	**Organisation**
Councillor M J Hill OBE	Lincolnshire County Council
David Forbes	Lincolnshire County Council
Dave Simpson	Lincolnshire County Council
Michelle Grady	Lincolnshire County Council
Sue Maycock	Lincolnshire County Council
Councillor Mrs MJ Overton MBE	Lincolnshire County Council
Councillor T Smith	West Lindsey District Council
Jo Wright	Lincolnshire CCG's
Tracey Bircumshaw	West Lindsey District Council
Gillian Holder	Lincolnshire PCC
Steve Galjaard	Lincolnshire Co-op
Ken Rustidge	Lincolnshire National Education Union

Councillor R Cucksey	North Kesteven District Council
Councillor T Bridges	Lincolnshire County Council
Councillor R B Parker	Lincolnshire County Council
Sarah Loftus	Lincoln BIG
Rachel Wilson	Lincolnshire County Council

A response to the budget consultation was received from a representative of The Woodland Trust, who was unable to attend the meeting. This is set out below:

Paragraph 1.106 on Environment and Economy contains some commitments to spending on highway projects. Woodland Trust is not opposed to these in principle but we would like to see a small portion of the available funding used to enhance and improve the natural environment alongside the new roads. In particular, we would like to see tree planting and woodland creation along the route of the new road, to help combat air pollution and absorb CO2 emissions, as well as providing a barrier to traffic noise for nearby residents. We would be very interested in working with the County Council and its contractors to enable this to happen. We recently had a very positive initial discussion with your cabinet member for transport about the proposed Grantham Southern Relief Road and we hope to have further conversations with him about that and possibly other highway projects in the County.
In paragraph 1.71 we note that you are intending to increase the frequency of grass cutting and to use more herbicide on grass verges to control weeds. We would urge you to consider, in appropriate locations, other methods of managing grass verges, particularly the larger ones. In particular, we would like you to consider creation of small areas of woodland, perhaps as a shelterbelt along some of the grass verges. Research that we have published shows that creation of woodland on areas of intensively mown grass can deliver a range of environmental benefits but also significantly reduce the management costs of such areas. A summary of the research can be found in our Trees or Turf report at https://www.woodlandtrust.org.uk/publications/search/?Query=trees+or+turf&sortby=date&count=12 and we would be happy to discuss it further with council officers on request.
Nick Sandford
Regional External Affairs Officer
The Woodland Trust

APPENDIX E

FINANCIAL STRATEGY

1 Spending and council tax

1.1 Resources will be allocated in revenue and capital budgets to support and promote achievement of the Council's Business Plan and statutory responsibilities.

1.2 Total spending and the council tax will be set with regard to:

- the impact on Lincolnshire service users;
- the impact on Lincolnshire council tax payers;
- the impact on the local economy;
- government requirements, in particular likely council tax referendum thresholds or other government constraints; and
- the impact on the County Council of local council tax support schemes set by the District Councils in Lincolnshire.

The Council will aim to keep the level of council tax one of the lowest in the country and remain in the lowest quartile of all English county councils.

1.3 The Council will implement a planned programme of major improvement, efficiency and transformation projects derived directly from key strategies such as the commissioning council model.

The programme will aim to achieve substantial savings to keep the Council's spending within the funding available from government grants and the council tax, and to allow modest development and improvement of priority services where possible.

Savings will be achieved through improved efficiency wherever possible.

The Council will seek to identify and assess appropriate opportunities to engage in partnership/shared services initiatives with other partners in the public, voluntary and private sectors where this will result in tangible efficiency improvements.

1.4 Revenue and capital budgets, typically covering at least three years, will be prepared and set realistically, taking into account the Council's key strategies. However, in setting budget timeframes, close regard will be given to the current programme of comprehensive spending reviews undertaken by the incumbent Government.

2 Financial standing

2.1 The Council will maintain its general reserves within a range of 2.5% to 3.5% of its annual budget requirement.

The Overview and Scrutiny Management Board will consider the adequacy of the Council's reserves each Autumn by reviewing a financial risk assessment of the overall financial standing of the Council.

2.2 A number of earmarked reserves will be maintained where considered prudent to do so. A specific earmarked reserve will be maintained to assist the Council in dealing with the inherent volatility now present in the funding regime for local government.

All Earmarked Reserves will be reviewed on a periodic basis. Any reserves no longer required for their original purpose will be transferred into the Financial Volatility earmarked reserve.

2.3 The Council will implement its Risk Management Strategy and keep it under review, including the maintenance and regular review of a Corporate Risk Register.

2.4 The Council will annually review and report on its governance arrangements including the system of internal control and address any significant governance issues.

2.5 The Audit Committee will monitor the effectiveness of risk management and governance arrangements.

2.6 The Council will maintain an internal audit function operating in accordance with the CIPFA Code of Practice.

2.7 The Council will operate a combination of internal and external insurance arrangements. The balance between internal and external insurance will be reviewed at each insurance tender, and on each occasion the opportunity will be taken to examine the cost effectiveness of alternative combinations of internal and external insurance. The Council's external insurance needs will be tendered at the end of each Long Term Agreement, which is usually between five and seven years.

3 Financial management standards

3.1 Training and information will be provided which is appropriate for the financial skills required of councillors, including treasury management.

A finance seminar for councillors will typically be held each Autumn to brief councillors on the overall financial standing of the Council, the latest developments in local government funding and key issues relating to the upcoming budget setting process.

3.2 A comprehensive continual profession development programme covering all the key aspects of financial competencies will be delivered to ensure officers accountable for finance are able to carry out their role effectively.

3.3 The County Finance Officer must ensure that appropriate training and development in financial competencies is provided to meet agreed needs.

3.4 He/she must also ensure that appropriate, specialist financial expertise is available to provide good quality financial advice to the Council and to manage its financial affairs.

3.5 He/she will seek actively to improve financial performance in any poorer performing areas of the Council.

4 Financial decision making

4.1 The Executive Director of Finance and Public Protection will provide comments on financial implications, compliance and value for money as necessary for all decisions to be taken by the Council, Executive or Executive Councillors.

4.2 Business cases and option appraisals, in a format agreed by the County Finance Officer, will be completed and agreed before all major revenue and capital projects, developments and change programmes are commenced.

5 Budget management

5.1 The Executive and officers discharging executive functions must manage within approved budgets.

5.2 Executive Directors and budget holders must:

- Monitor and report financial performance monthly;
- Control expenditure and income within their area against approved budgets; and
- Take any action necessary to avoid exceeding approved budgets.

5.3 Executive Members will monitor financial performance on a monthly basis.

The Overview and Scrutiny Management Board and the Executive will:

- Receive detailed periodic reports on performance and spending;
- Seek detailed explanations from executive directors where expenditure is not being managed within approved budgets; and
- Review financial performance at each year end.

5.4 The Council's organisational arrangements will reflect the principles of good financial management. They will:

- Promote budget ownership;
- Establish clear responsibility and accountability; and
- Recognise budget management as an essential part of good management.

6 Budget changes

6.1 The Council's Constitution requires that decisions can only be taken in line with the Council's approved budget. Decisions which would be contrary to, or not wholly in accordance with the budget approved by full Council will only be taken by full Council following a recommendation from the Executive, subject to the budget reallocation rules set out at paragraph 6.3 below.

6.2 Changes to the budget which increase the Council's total expenditure and require either the use of the Council's general reserves or increased borrowing must be referred by the County Finance Officer to the Executive for consideration before being referred to the full Council for approval.

6.3 Subject to the above, budgets can be reallocated between service headings as follows:

- Reallocations of up to £250k may be approved by the relevant Executive Director and should be notified to the Executive Director Finance and Public Protection;
- Reallocations of between £250k and £500k may be approved by the relevant Executive Councillor/s in consultation with the County Finance Officer and the relevant Executive Directors; and
- Reallocations of over £500k will be considered by the Executive and must be approved by the full Council.

Budget reallocations within service headings will be made in line with Directorate Schemes of Authorisation.

7 Carry forward of over and under spendings

7.1 All under and overspendings on service revenue budgets of up to 1% will be carried forward without exception.

The use of all underspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

7.2 All under and overspendings on the following budgets will be carried forward without exception:

- All capital budgets;
- Dedicated Schools Budgets;
- All specific grants; and
- Revenue budgets relating to formally constituted shared services will be carried forward reflecting the joint ownership of such funds.

Earmarked Reserves will be maintained for areas where expenditure is uneven in its nature (for example: insurance and Adverse Weather). Each year any under spendings on these revenue budgets will be transferred into the reserve, and any over spendings funded from the reserve, up to the maximum available in the reserve.

8 Expenditure

8.1 The Council will acquire goods and services to achieve best value in accordance with Procurement Lincolnshire's Sustainable Procurement Strategy in order to:

- Deliver year on year efficiencies but not at the cost of quality; and
- Develop and embrace socially responsible procurement that delivers value for money, promotes the local economy, and takes into account the social and environmental impact of spending decisions.

8.2 Undisputed invoices will be paid in line with either contracted terms or within 30 days on a reasonable endeavours basis.

The Council will seek actively to resolve disputed invoices.

8.3 Procurement and payment processes will utilise available technology where appropriate including e-procurement and the use of procurement cards.

9 Income

9.1 The Council will review its policies on fees and charges for discretionary services bearing in mind the impact on both service users and council tax payers.

9.2 The Council will aim to collect all the income owed to it, to collect it promptly, and to take effective action to pursue non-payment, taking into account the circumstances of the individual debtor.

9.3 Income collection processes will utilise available technology where appropriate including the use of the on-line payments and credit cards.

9.4 The Council will not seek to use the discretionary power to set a Supplementary Business Rate unless there is general support from Lincolnshire businesses.

10 External funding and partnerships

10.1 The Council will work with partners and national bodies to ensure that Lincolnshire receives appropriate levels of government grant.

10.2 The Council will consider annually as part of the budget setting process the merits and risks associated with pooling business rates with all or some of the Lincolnshire District Councils.

10.3 The Council will consider annually as part of the budget setting process the merits and risks associated with pooling resources with Clinical Commissioning Groups or other regional health bodies in relation to the potential integration of services.

10.4 In deciding whether or not to make a bid for external funding or enter into a pooled funding arrangements Directors, Executive Councillors or the Executive must ensure that:

- The project or fund contributes to the Council's corporate objectives;
- Matched funding is available within existing budgets;
- Partner contributions are confirmed;
- Risks are assessed and minimised including:
  - Where funding is linked to the achievement of specific outcomes or identified performance measures.
  - Where success relies on others.
- The Council has the capacity to deliver the outcomes and timescales required; and
- There is a clear exit strategy where external funding is for a limited period.

And must consider:

- The probability of success in obtaining funding, particularly in relation to the resource costs of preparing bids;
- Co-ordination of bids and initiatives within the Council and with partners; and
- Whether the project represents value for money.

10.5 Approval for external funding bids should be sought from:

- the appropriate Executive councillor or the Executive – for projects costing more than £250,000;
- officers authorised to bid for external funding under directorate Schemes of Authorisation – for projects costing less than £250,000.

10.6 The County Finance Officer must ensure that:

- Costs, benefits and risks are assessed fully before partnership agreements are made;
- Governance, accountability and reporting arrangements are appropriate and clear; and
- Financial arrangements are appropriate and safeguard the Council's interests.

11 Funding the capital programme

11.1 The Council will prepare an annual Capital Strategy to support decision making regarding the capital programme, its funding and non-treasury investments. The prime objective of the Capital Strategy will be to ensure that decisions are made which have due regard to affordability over the longer term and any associated financial risks.

11.2 The Council will actively dispose of surplus assets where appropriate in order to reinvest in capital assets.

11.3 Capital spending will be funded largely through long-term borrowing in

accordance with government policy. Consideration will be given as part of developing the annual treasury management strategy to the use of the Council's existing cash resources to delay the need to undertake external borrowing, known as internal borrowing.

11.4 Annual provision will be made for the repayment of long term borrowing. The amount repaid will be related directly to the useful life of the assets acquired through borrowing so that, on average, debt is not outstanding after an asset's useful life.

11.5 Provision for the repayment of long term borrowing including interest will not exceed a long term limit of 10% of annual income from general government grants, and council tax.

12 Accounting and financial processes

12.1 Strong financial controls will be maintained with the County Finance Officer responsible for determining or agreeing all financial processes, systems and financial records used by the Council.

12.2 Accounting policies will comply fully with International Financial Reporting Standards and statutory regulations as set out in the CIPFA Code of Practice on Local Authority Accounting in the UK. The annual statement of accounts will give a true and fair view of the financial position and transactions of the Council in the opinion of its external auditor.

13 Treasury management

13.1 The Council will comply at all times with the CIPFA Code of Practice on Treasury Management and related locally determined statements, strategies and practices.

The Council will provide a treasury management service to its Pension Fund.

13.2 The Council will employ external treasury management advisors and will outline the service received and the arrangements in place with the advisors within the Annual Treasury Management Strategy. The overall responsibility for risk management and control of the treasury operation rests with the Council.

13.3 The committee responsible for the scrutiny of the treasury management function is the Overview and Scrutiny Management Board, which will receive the Treasury Management Strategy and Annual Report on an annual basis and also quarterly monitoring reports throughout the year that will compare activity against approved strategy. Quarterly monitoring reports will also be made to the Pensions Committee in respect of the management of its cash resources.

Members and officers will receive appropriate training to assist them in discharging their roles regarding treasury management.

13.4 The Council will finance long term debt relating to capital expenditure at periods and interest rate levels that minimise the cost to the Council. The total level of long term debt will be managed within prudential levels pre-determined by the

Council. The maturity profile of long term debt will also be managed with the aim of achieving an even maturity structure.

13.5 The Council will actively pursue debt rescheduling to the extent that it will generate financial savings without adding significantly to the overall debt burden.

13.6 The Council will operate a lending strategy in line with best professional practice that seeks to minimise the risk of capital loss while maximising the income return to the Council. Priority will be given to security and liquidity over return within the lending strategy at all times.

13.7 When making investments, the Council will make use of a wide range of information, including credit ratings, financial press, market data and other relevant information, when determining an appropriate counterparty creditworthiness policy. Limits which diversify investments over country, sector and counterparty group will be applied.

14 Performance measures and targets

14.1 Implementation of the Financial Strategy will be monitored and managed with reference to the measures of financial health and performance set out in the **APPENDIX F**.

14.2 The Financial Strategy will be reviewed at least every four years at the start of each new Council or when circumstances suggest an earlier review would be advisable.

14.3 Further details and guidance can be found in the Council's Financial Procedures.

APPENDIX F

KEY FINANCIAL PERFORMANCE MEASURE: FINANCIAL HEALTH AND PERFORMANCE

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2018/19 Estimate	2019/20 Estimate
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 27 county councils)	Yes	Yes
2	Government grants	Lobby for annual increases in general government grants to be above the county average	Yes	Yes
3	Capital receipts	At least £8.0m per annum from 2017/18	£8.000m	£8.000m
4	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	5.18%	5.68%
5	Accounting	Unqualified external audit opinion	Yes	Yes
6	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requirement net of Dedicated Schools Grant	Within range 3.5%	Within range 3.5%
7	Internal control	None of the processes audited receive a "no assurance" opinion from internal audit	Yes	Yes
8	Income collection	Overall top quartile performance compared with other counties (100 = top quartile)	85.0	85.0
9	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	90%	90%
10	Treasury management	Risk adjusted return comparison	Weighted Benchmark	Weighted Benchmark

APPENDIX G

Flexible Use of Capital Receipts Strategy for 2019/20

Background

The Local Government Finance Settlement for 2016/17 announced additional flexibilities for local authorities to be able to use capital receipts, from the sale of Council assets, for revenue transformation projects. Previously these receipts were required to be used to fund new capital assets or to repay debt from the purchase of assets. In December 2017, the government extended this period for a further 3 years to April 2022.

To qualify to use capital receipts in this way the Council must prepare, at least annually, a Flexible Use of Capital Receipts Strategy (required in Statutory Guidance issued under section 15 of the Local Government Act 2003).

The guidance requires the Strategy to:

- Document how the new flexibilities in the use of capital receipts will be used; and
- Show the effect on Prudential Indicators for the period of capital receipt flexibilities.

Flexible Use of Capital Receipts

Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

> *"Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."*

TABLE A sets out the Council's current estimated spend on transformation projects to be funded by the use of capital receipts.

TABLE A – Planned Flexible Use of Capital Receipts

	2018/19 £'m	2019/20 £'m	2020/21 £'m
Planned use of capital receipts	8.000	8.000	
Anticipated use of capital receipts			4.000

TABLE B sets out, in summarised form, the schemes which will be delivered from 2018/19 to 2019/20.

TABLE B – Schemes to be funded using Capital Receipts

Transformational Work	2018/19	2019/20	
	Revised £'m	Proposed £'m	Anticipated Savings/ Transformation
Service changes and reductions (including redundancies)	1.500	1.500	The Council tracks the payback period for redundancy costs. It is estimated that for every £1 spent on redundancy costs within a 9 month period the Council saves £1.25. This also supports the Council to continue to provide services in efficient and effective ways.
Property rationalisation	1.269	1.236	Savings here relate to reductions in rent and associated property costs. Examples of works include the conversion of fire houses for supported accommodation that is estimated to generate annual savings of £0.300m; and supporting the ongoing Bluelight project, which will also transform the service provided by Fire and Rescue and other partners. This programme of work also contributes to the generation of capital receipts.
Efficiencies through contracting and procurement	1.572	1.720	Savings here are about reducing contract costs and keeping future contract costs as low as possible (i.e. ensuring that growth in costs is kept to a minimum).
Transforming information technology	3.439	3.324	Improvements and efficiencies here may not easily convert directly into a reduction in spending, however, they will increase capacity and allow greater efficiencies to be delivered across other areas of the Council.
Preventing and detecting fraud	0.220	0.220	Again it is difficult to convert this work into a cashable saving, however this work protects the Council's finances. Any monies recovered can be ploughed back into provision of services. One example is the review of single person discounts, which the Council is co-ordinating and in partnership with local district councils . In 2018/19 current estimates are that this activity will generate £1.400m in additional Council Tax revenues. This will be subject to some challenges and subsequent restatement of discounts, but initial proposals indicated the net additional income to the Council would be around £1.180m.
TOTAL	8.000	8.000	

This Strategy will be kept under review during the period, which the Council can utilise capital receipts to fund revenue transformation projects. Actual spending will be reported as part of the Council's Financial Performance Report in September each financial year.

Impact on Prudential Indicators

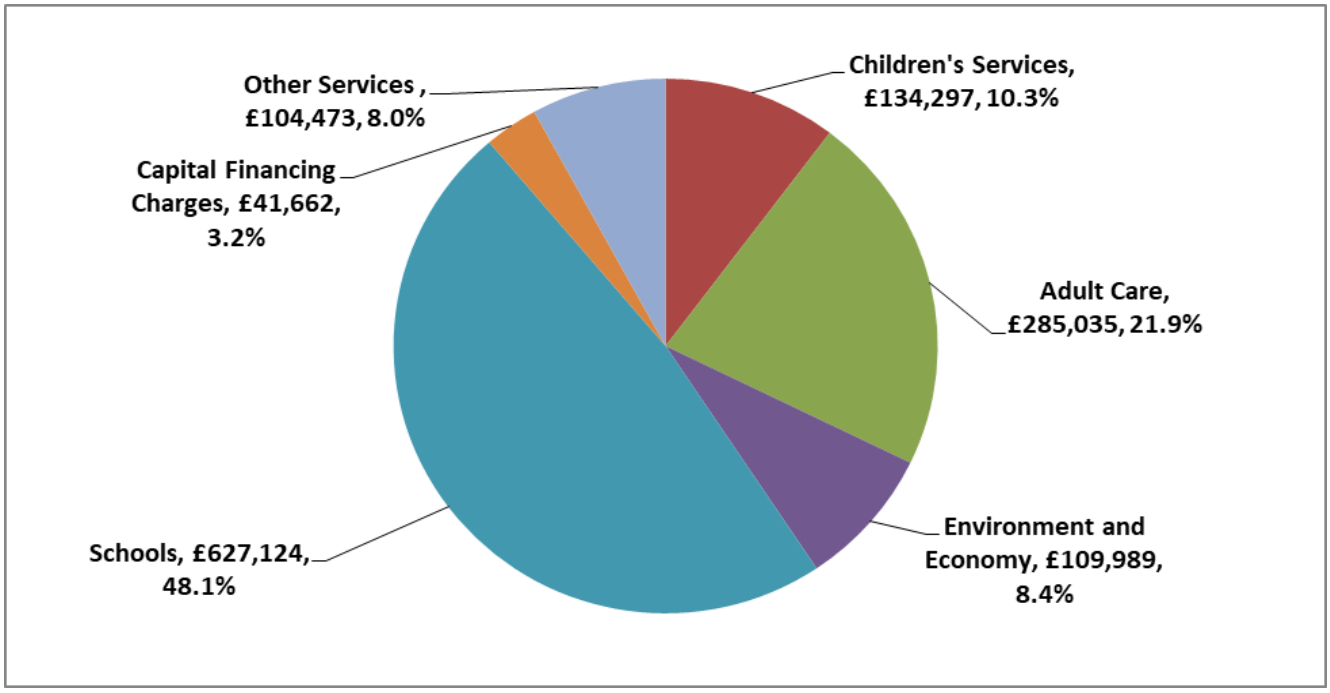
Up to 1 April 2016 it was the Council's policy to utilise all capital receipts generated in any financial year to fund the capital programme in that financial year (thus allowing the Council to keep the need for borrowing to a minimum). With the change in policy allowing utilisation of capital receipts to fund revenue spending on transformational projects the Council will stop using all capital receipts to fund the capital programme.

Diverting this money away from the capital programme does have a financial impact for the Council. Details on the Council's Prudential Indictors are set out at **APPENDIX M** to this report. The Prudential Indicators demonstrate that the capital programme and associated financing remain affordable for the County Council.

APPENDIX H

GRAPHICAL REPRESENTATION OF THE REVENUE BUDGET 2019/20

Gross Expenditure on Services £'000k (£1,302,580k)



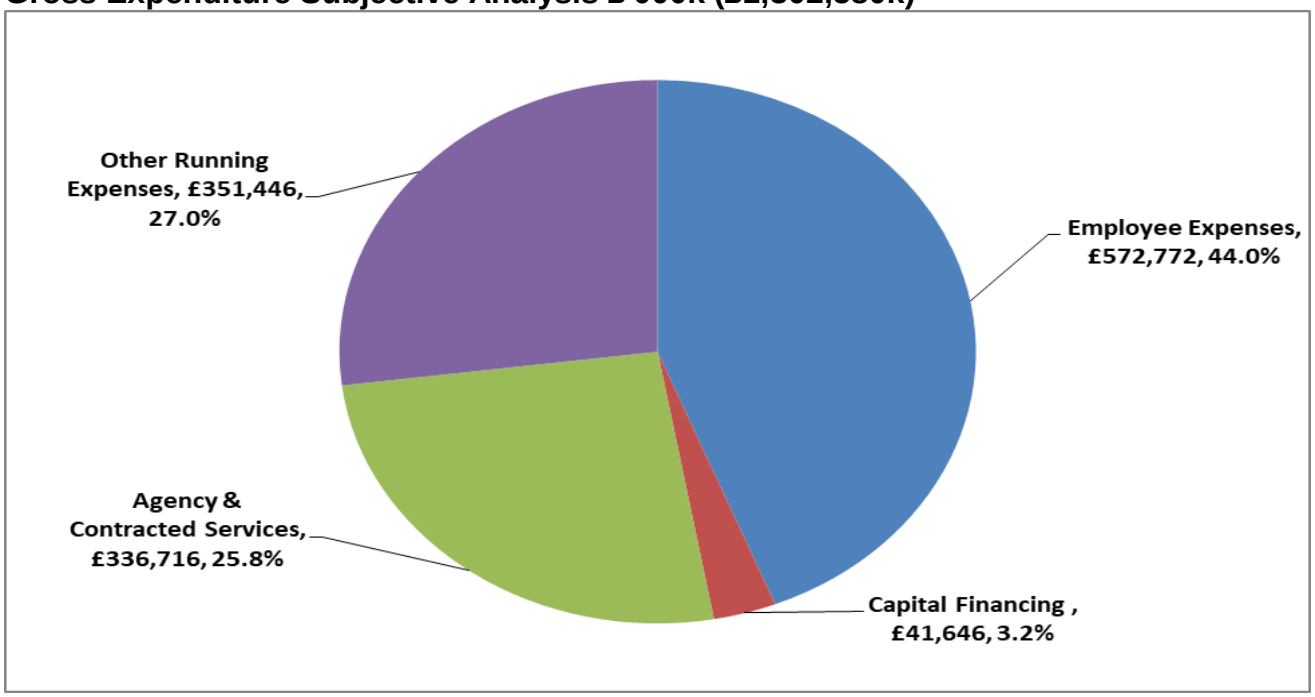
Children's Services includes: Readiness for School, Learn and Achieve, Children are Safe & Healthy and Readiness for Adult Life.

Adult Care Includes: Adult Safeguarding, Adult Frailty, Long Term Conditions and Physical Disability, Carers, Adult Specialities and Wellbeing.

Environment and Economy includes: Sustaining & Developing Prosperity Through Infrastructure, Protecting & Sustaining the Environment, Sustaining & Growing Business & the Economy and Community Assets and Resilience.

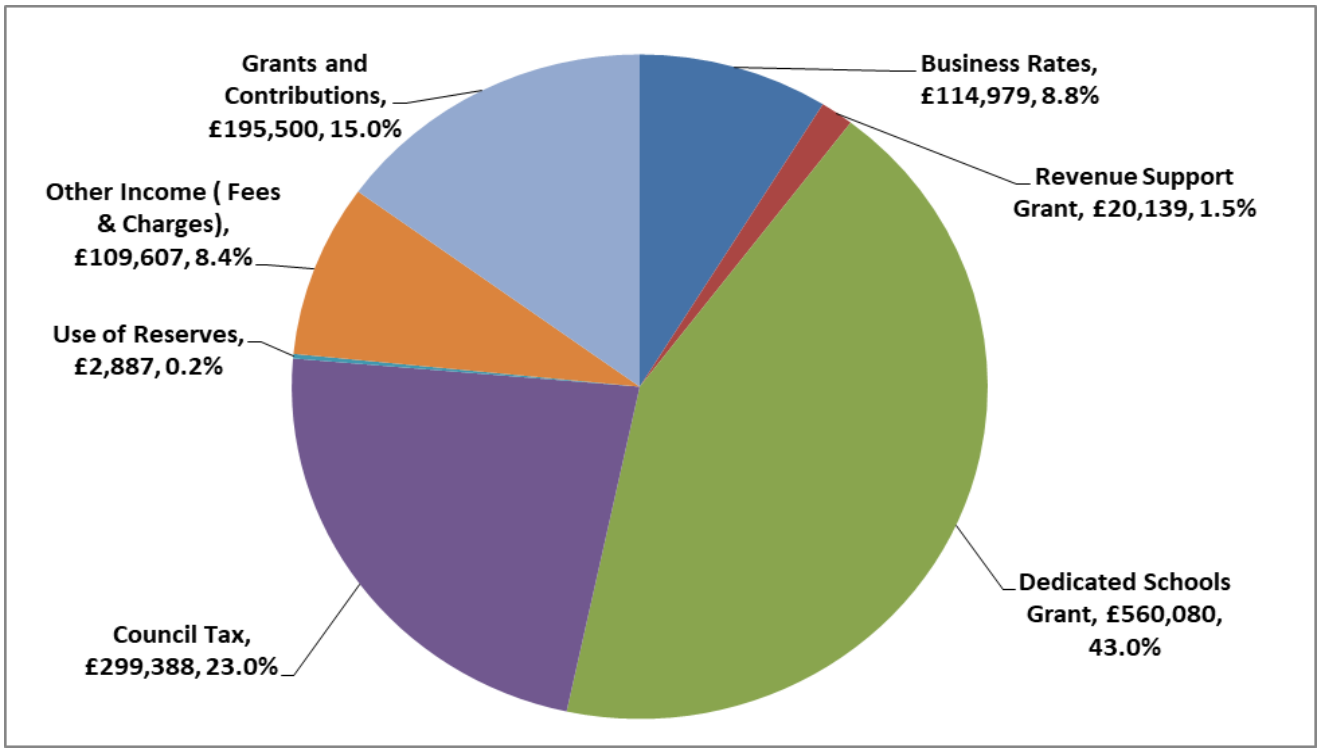
Other Services includes: Protecting the Public, How We Do Our Business and Enablers & Support to Council's Outcomes, Contingency and Other Budgets.

Gross Expenditure Subjective Analysis £'000k (£1,302,580k)



The distribution of budget differs significantly between different services. For example employee expenses compromises 62% of budgeted expenditure in schools, for other (non-schools) budgets it is only 27% of budgeted expenditure. Conversely, Agency and Contracted expenses compromises only 7% of budgeted expenditure in schools, whilst for other (non-schools) budgets it is over 40% of budgeted expenditure.

Sources of Finance £'000k (£1,302,580k)



Dedicated Schools Grant. Lincolnshire has been awarded £560.080m, which is for all schools in Lincolnshire including local authority schools and Academies. Approximately half of all pupils attend academy schools. Therefore, it is expected that this figure will be revised down by half for funding to academy schools. DSG is a ring-fenced grant that is passed directly through to schools.

APPENDIX I

REVENUE GOVERNMENT GRANTS 2019/20

The revenue budget for 2019/20 includes the following Government Grants which have been allocated to the County Council:

	£'000
Council's Non-Specific Grants	
Revenue Support Grant	20,138
Rural Services Delivery Grant	6,936
Social Care Support Grant	5,754
New Homes Bonus Grant	2,144
Independent Living Fund	1,594
Extended Rights to Free Travel	639
Special Educational Needs and Disability (SEND) Implementation Grant	259
Inshore Fisheries Conservation Authorities	127
Lead Local Flood Authorities	125
Schools Budgets	
Dedicated Schools Grant (ring-fenced) (*1)	560,080
Pupil Premium (*2)	30,601
PE and Sport Grant	3,547
Service Budgets	
Public Health Grant (ring-fenced)	31,800
Better Care Fund - Improved Element	24,771
Better Care Fund - Supplementary Improved Element	4,111
Total Revenue Grants	**692,626**

(*1) Dedicated Schools Grant. Lincolnshire has been awarded £560.080m, which is for all schools in Lincolnshire including local authority schools and Academies. Approximately 60% of all pupils attend academy schools, therefore it is expected that this figure will be revised down to adjust for funding to academy schools. DGS is a ring-fenced grant, that is passed directly through to schools.

(*2) Pupil Premium. Similarly to the DSG, the pupil premium allocation for Lincolnshire covers both the allocations for local authority schools and academy schools. The figure for 2019/20 (£30.601m) is currently an estimate, based on the grant expected to be received in 2018/19, as there have been no changes to grant allocation methodology. The final allocation for 2019/20 is not expected to be announced until later in 2019.

APPENDIX J

REVENUE BUDGET
COST PRESSURES AND SAVINGS BY COMMISSIONING STRATEGY

	2019/20 Cost Pressures (*1) £'000	2019/20 Savings £'000
Readiness for School	26	0
Learn & Achieve	468	-259
Readiness for Adult Life	94	-300
Children are Safe & Healthy	1,906	-250
Adult Safeguarding	1,041	-1,000
Adult Frailty, Long Term Conditions & Physical Disability	6,086	-6,015
Carers	0	-75
Adult Specialities	8,933	-2,891
Wellbeing	286	-181
Community Resilience & Assets	401	0
Sustaining & Developing Prosperity Through Infrastructure	1,897	-3,300
Protecting & Sustaining the Environment	342	-41
Sustaining & Growing Business & the Economy	33	0
Protecting the Public	862	-100
How We Do Our Business	419	0
Enablers & Support to Council Outcomes	764	-15
Total Commissioning Strategy Budgets	**23,558**	**-14,427**
Other Budgets	1,985	-1,500
Total Expenditure	**25,543**	**-15,927**

(*1) Please note that cost pressures also include inflation.

APPENDIX K

CHANGES IN BUDGET BETWEEN 2018/19 & 2019/20 FINANCIAL YEARS

	Impact on budget requirement £'000	%
COST PRESSURES:		**2018/19**
Pay Inflation	2,977	0.65%
Learn and Achieve	306	0.07%
Children are Safe & Healthy		
Increasing trends for Looked after Children, Special Guardianship Orders & Out of County Placements	1,194	0.26%
Adult Safeguarding		
Termination Deprivation of Liberty Safeguards Funding	1,000	0.22%
Adult Safeguarding - Other Cost Pressures	6	0.00%
Adult Frailty, Long Term Conditions and Physical Disability		
National Living Wage pressures for Residential and Nursing Care	3,130	0.68%
Additional pressures due to increased provider unit costs	1,372	0.30%
Demographic growth cost pressures: for Residential and Nursing Care	1,228	0.27%
Adult Frailty, Long Term Conditions and Physical Disability - Other Cost Pressures	38	0.01%
Adult Specialities		
Demographic Growth and National Living Wage Cost Pressures	6,471	1.41%
Additional Pressures from Waking Nights legislation	1,000	0.22%
Adult Specialities - Other Cost Pressures	1,362	0.30%
Wellbeing	242	0.05%
Community Resilience & Assets	371	0.08%
Sustaining & Developing Prosperity Through Infrastructure	1,562	0.34%
Protecting & Sustaining The Environment	279	0.06%
Protecting the Public	449	0.10%
How Do We Do Our Business	279	0.06%
Enablers & Support to Council Outcomes	293	0.06%
Other Budgets		
Employers Pension Contribution Increase	1,007	0.22%
Capital Financing Charges	1,578	0.34%
Other Budgets - Other Cost Pressures	942	0.21%
TOTAL COST PRESSURES:	**27,086**	**5.91%**
SAVINGS:	**£'000**	**%**
Learn and Achieve	-259	-0.06%
Readiness for Adult Life	-300	-0.07%
Children are Safe & Healthy	-250	-0.05%
Adult Safeguarding		
Removal of Deprivation of Liberties Funding	-1,000	-0.22%
Adult Frailty, Long Term Conditions and Physical Disability		
Reduction to one off funding for Mosaic & Information Systems	-1,000	-0.22%
Removal of one off funding for Market Stabilisation	-2,635	-0.57%
Removal of funding for Deprivation of Liberty Safeguards, due to changes in legislation and the Council's obligation.	-1,000	-0.22%
Growth in User Contributions	-1,380	-0.30%
Carers	-75	-0.02%
Adult Specialities		
Changes in legislation to remove the Council's obligation to fund additional cost/growth for Waking Nights	-1,500	-0.33%
Adult Specialities - Other Savings	-1,391	-0.30%
Wellbeing	-181	-0.04%
Sustaining & Developing Prosperity Through Infrastructure		
Additional funding to Improve Road Conditions	-3,300	-0.72%
Protecting & Sustaining The Environment	-41	-0.01%
Protecting the Public	-100	-0.02%
Enablers and Support to Council Outcomes	-15	0.00%
Other Budgets		
Minimum Revenue Provision	-1,541	-0.11%
Interest Receipts	-1,000	-3.81%
Other Budgets - Other Savings	-500	0.00%
TOTAL SAVINGS:	**-17,468**	**-3.81%**

APPENDIX K

CHANGES IN BUDGET BETWEEN 2018/19 & 2019/20 FINANCIAL YEARS (Cont.)

Other Movements:	£'000	%
Use of Earmarked Reserve (change over previous year)	1,989	0.43%
Release of Funding from the General Fund Balance (change over previous year)	1,000	0.22%
Other Movements (PH Grant & BCF Grant)	-5,437	-1.19%
TOTAL OTHER MOVEMENTS:	**-2,448**	**-0.53%**
TOTAL CHANGE IN BUDGET REQUIREMENT:	**7,169**	**1.56%**

General Funding:	£'000	%
Business Rates Retention Pilot (2018/19)	-163,200	-35.60%
Business Rates Local Retention	121,293	26.46%
Revenue Support Grant	20,138	4.39%
Increase in other council general grants	10,591	2.31%
Reduction in other council general grants	-248	-0.05%
Increase in Council Tax Base and Council Tax Collection Fund Surplus	18,595	4.06%
TOTAL CHANGE IN GENERAL GRANT AND COUNCIL TAX INCOME:	**7,169**	**1.56%**

APPENDIX L

EARMARKED RESERVES

	Actual Balance as at 31 March 2018 £'000	Planned Use / Contribution in 2018/19 £'000	Estimated Balace as at 31 March 2019 £'000	Planned Use / Contribution in 2019/20 £'000	Estimated Balace as at 31 March 2020 £'000
Balances from dedicated schools budget including those held by Schools under a scheme of delegation	12,540	1,538	14,078		14,078
Other Earmarked Reserves					
Earmarked Reserves - Pre-Council Confirmation	44,727	-44,727	0		0
Adverse Weather	0	500	500		500
Insurances	4,487	750	5,237		5,237
Schools Sickness Insurance Scheme	1,103	-584	519		519
Museum Exhibits	133	0	133		133
Development - Economic Development Reserve	255	0	255		255
Health and Wellbeing	682	4	686		686
Health and Wellbeing Operating Cost Reserve	96	-53	43		43
Development - Lincs Coastal Country Park	351	0	351		351
Legal	920	-78	842		842
Procurement	959	104	1,063		1,063
Salix Carbon Management	184	140	324		324
Safer Communities Development Fund	833	0	833		833
Co-Responders Services	150	0	150		150
Financial Volatility Reserve - Budget Shortfall	5,076	-1,989	3,087	-3,087	0
Financial Volatility Reserve	27,263	15,730	42,993		42,993
Teal Park	50	0	50		50
Youth Service Positive Activities Development Fund	20	0	20		20
Youth Offending Service	512	0	512		512
Domestic Homicide Reviews	100	0	100		100
Civil Parking Enforcement	836	20	856		856
Support Service Contract Reserve (FDSS)	365	2,500	2,865		2,865
Roads Maintenance Reserve	2	-2	0		0
Adoption Reform Reserve	35	0	35		35
Community Advisors Reserve	156	0	156		156
Local Welfare Provision Reserve	15	0	15		15
Property Management	130	0	130		130
Energy from Waste Lifecycles	4,400	1,286	5,686		5,686
Broadband Project	135	0	135		135
Broadband Clawback	157	0	157		157
Flood and Water Risk Management	421	137	558		558
Young People in Lincolnshire	252	0	252		252
Lincoln Eastern Bypass (LEB)	500	0	500		500
Families Working Together	599	0	599		599
Enterprise Schemes	108	0	108		108
Asbestos Pressure	50	0	50		50
DAAT Pooled Budget	248	0	248		248
Street Lighting Earmarked Reserve	100	0	100		100
Heritage Services Earmarked Reserve	880	0	880		880
Corporate Property Business Case	100	0	100		100
Agresso Milestone 6 Finance Staffing	100	0	100		100
Contract Development	1,000	0	1,000		1,000
Highways Advanced Design	1,763	0	1,763		1,763
Music Service Reserve (carry forward)	207	0	207		207
Environmental Improvements Sustainability Reserve (Environment)	1,000	0	1,000		1,000
Environmental Improvements Sustainability Reserve (Infrastructure)	4,000	0	4,000		4,000
Purchase of Employee Leave Scheme Reserve	0	127	127		127
S77 Poplar Farm School Project	0	584	584		584
Highways Permitting Reserve Income	0	477	477		477
Heritage Service	0	130	130		130
Other Earmarked Reserves	**105,460**	**-24,944**	**80,516**	**-3,087**	**77,429**
Revenue Grants and Contributions Unapplied	**59,005**	**-9,455**	**49,550**	**0**	**49,550**
Total Earmarked Reserves	**177,005**	**-32,861**	**144,144**	**-3,087**	**141,057**

APPENDIX M

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATORS		2017-18 Actual	*2018-19 Original Estimate*	2018-19 Updated Estimate	2019-20 Estimate	2020-21 Forecast	2021-22 Forecast
Prudence Indicators:							
1) Capital Expenditure & Financing							
The Council will set for the forthcoming year and the following two financial years estimates of its capital expenditure plans and financing:							
Capital Expenditure	**£m**	**131.218**	***158.689***	**188.308**	**178.500**	**127.556**	**30.056**
Capital Financing							
Borrowing	**£m**	14.602	*84.076*	70.080	118.353	76.794	30.056
Grants & Contributions	**£m**	113.443	*74.012*	112.407	59.547	50.762	0.000
Capital Receipts, Reserves & Revenue	**£m**	3.172	*0.600*	5.822	0.600	0.000	0.000
Total Capital Financing	**£m**	**131.218**	***158.689***	**188.308**	**178.500**	**127.556**	**30.056**
2) Capital Financing Requirement							
The Council will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years:							
Opening CFR	**£m**	557.773	*576.535*	554.638	606.586	705.820	757.643
Add Additional Borrowing	**£m**	14.602	*84.076*	70.080	118.353	76.794	30.056
Add Additional Credit Liabilities (PFI & Finance Leases)	**£m**	0.000	*0.000*	0.000	0.000	0.000	0.000
Less Revenue Provision for Debt Repayment (MRP)	**£m**	17.737	*20.578*	18.131	19.119	24.971	27.004
Capital Financing Requirement	**£m**	**554.638**	***640.034***	**606.586**	**705.820**	**757.643**	**760.695**
3) Gross Borrowing and the Capital Financing Requirement							
The Council will ensure that gross long term borrowing does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional capital financial requirement for the current and next two financial years. This is to ensure that over the meduim term borrowing will only be for a capital purpose.							
Medium Term Forecast of Capital Financing Requirement	**£m**	599.388	*685.231*	757.643	760.695	749.972	733.876
Forecast of Long Term External Borrowing and Credit Arrangements	**£m**	462.657	*526.898*	493.294	593.127	645.610	649.430
Headroom	**£m**	**136.731**	***158.333***	**264.349**	**167.568**	**104.362**	**84.446**
4) External Debt							
The Council will set for the forthcoming year and the following two financial years an authorised limit and operational boundary for its total gross external debt, gross of investments, separately identifying borrowing from other long term liabilities:							
Authorised Limit for External Debt							
Borrowing	**£m**	583.007	*651.751*	628.558	696.847	737.584	734.829
Other Long Term Liabilities	**£m**	13.701	*12.984*	12.771	12.026	11.260	10.495
Total Authorised Limit	**£m**	**596.708**	***664.735***	**641.329**	**708.873**	**748.844**	**745.324**
Operational Boundary for External Debt							
Borrowing	**£m**	559.007	*636.751*	613.558	681.847	722.584	719.829
Other Long Term Liabilities	**£m**	11.701	*10.984*	10.771	10.026	9.260	8.495
Total Operational Boundary	**£m**	**570.708**	***647.735***	**624.329**	**691.873**	**731.844**	**728.324**
Affordability Indicators:							
5) Financing Costs & Net Revenue Stream							
The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream (NRS), including dedicated schools grant (DSG). The Council will also set the following voluntary indicator limit: minimum revenue provision and interest not to exceed 10% of net reveunue stream (NRS) including dedicated schools grant (DSG).							
Proportion of Financing Costs to NRS (Incl DSG)	**%**	**5.19%**	***5.62%***	**5.03%**	**5.52%**	**6.70%**	**6.92%**
Proportion of MRP & Interest Costs to NRS (Incl DSG) -Limit 10% (Voluntary Indicator)	**%**	**5.26%**	***5.72%***	**5.18%**	**5.68%**	**6.94%**	**7.31%**

APPENDIX M

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATORS		2017-18 Actual	*2018-19 Original Estimate*	2018-19 Updated Estimate	2019-20 Estimate	2020-21 Forecast	2021-22 Forecast
Proportionality Indicators							
6) Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments							
The Council will set for the forthcoming financial year and the following two years a limit of no more than 10% of General Reserves to be at risk from potential loss of total investments. (Voluntary Indicator).							
General Reserves	£m	15.300		14.400	14.600	14.800	15.000
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.544		0.374	0.298	0.221	0.175
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	**%**	**3.56%**		**2.60%**	**2.04%**	**1.50%**	**1.16%**
7) Income from Non Treasury Investments & Net Service Expenditure							
The Council will set for the forthcoming financial year and the following two years a limit of 3% for Income from non- treasury investments as a proportion of Net Service Expenditure. (Voluntary Indicator). This is to manage the risk of over dependancy of non-treasury investment income to deliver core services.							
Income from Non-Treasury Investments (Including County Farms)	£m	2.533		2.479	2.364	2.234	2.112
Net Service Expenditure	£m	521.244		459.780	463.960	457.205	463.191
Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	**%**	**0.49%**		**0.54%**	**0.51%**	**0.49%**	**0.46%**
Treasury Indicators							
8) Interest Rate Exposures (Variable)							
The Council will set for the forthcoming year and the following two financial years,an upper limits to its exposure to effects of changes in interest rates on variable rate borrowing and investments. (Voluntary Indicator).							
Upper limit for variable interest rate exposures							
Borrowing	%	30.00%	*30.00%*	30.00%	30.00%	30.00%	30.00%
Investments	%	100.00%	*100.00%*	100.00%	100.00%	100.00%	100.00%
9) Total Principal Sums Invested							
The Council will set an upper limit for each forward year period for the maturing of investments (treasury and non-treasury) longer than 365 days.							
Upper limit for total principal sums invested for over 365 days (per maturity date)	**£m**	**15.014**	***40.000***	**40.000**	**40.000**	**40.000**	**40.000**
10) Maturity Structure of borrowing							
The Council will set for the forthcoming financial year and the following two years both upper and lower limits with respect to the maturity structure of its borrowing: (Fixed & Variable Rate Borrowing).							
Upper limit							
Under 12 months	%	7.70%	*25.00%*	25.00%	25.00%	25.00%	25.00%
12 months and within 24 months	%	3.10%	*25.00%*	25.00%	25.00%	25.00%	25.00%
24 months and within 5 years	%	9.50%	*50.00%*	50.00%	50.00%	50.00%	50.00%
5 years and within 10 years	%	13.60%	*75.00%*	75.00%	75.00%	75.00%	75.00%
10 years and above	%	66.00%	*100.00%*	100.00%	100.00%	100.00%	100.00%
Lower limit							
All maturity periods	%	0.00%	*0.00%*	0.00%	0.00%	0.00%	0.00%
11) Borrowing in Advance of Need							
The Council will set for the forthcoming financial year and the following two years upper limits to any borrowing undertaken in advance of need.							
Borrowing in advance of need limited to percentage of the	%	**0.00%**	***25.00%***	**25.00%**	**25.00%**	**25.00%**	**25.00%**
expected increase in CFR over 3 year budget period (Voluntary Indicator)	£m	**0.000**	***11.299***	**37.764**	**13.719**	**-1.918**	**-6.705**

APPENDIX N

CAPITAL STRATEGY 2019/20

1. Aim of the Capital Strategy

1.1 The aim of the Capital Strategy is to enable elected Members to make decisions about capital spending plans that support the Council's objectives and are affordable over the long term. In making those decisions, elected Members should understand the financial risks and how those risks will be managed.

1.2 The Capital Strategy also provides a framework of guidance to support elected Members in their decision making and to support Officers involved in capital planning.

1.3 The Capital Strategy will be refreshed annually and presented to the Council within the Budget Book, alongside capital and revenue budget plans. This will ensure that the Capital Strategy is adapted as the Council's financial position evolves over time, and that Council's approval of the capital programme budget takes account of the Capital Strategy and its implications.

2. Background Information

2.1 The CIPFA Prudential Code was revised in 2017, and included the new requirement for councils to have a capital strategy in place by April 2019.

2.2 This requirement has been driven by the changing face of local government finance. Councils have been through a number of years of austerity and reducing government funding, and some councils are now investing in commercial opportunities using capital budgets. In addition to this there are increasing demand pressures on services, which has added to the financial risks faced by councils. The Capital Strategy will help elected Members to understand the key risks and manage those risks to an appropriate level.

2.3 The Ministry of Housing Communities and Local Government (MHCLG) has issued revised statutory guidance on local government investments, which came into effect on 1 April 2018 and extended the meaning of "investments" to include the type of commercial investment referred to in paragraph 2.2. The Council has adhered to this guidance and it has been reflected in this Capital Strategy where it is relevant to do so.

3. What is "Capital" and How Does it Impact on Budgets?

3.1 It is important that those making decisions about capital spending plans understand the terminology used in reports as well as how budgets will be impacted by their decisions.

<u>Definitions</u>

3.2 **Capital expenditure** is spending on buying, building or enhancing long term assets. Examples of long term assets include: land and buildings, vehicles, infrastructure such as roads and bridges, specialised facilities

such as recycling plants, specialised equipment such as fire-fighting equipment.

3.3 The term **"capitalised"** means "treated as capital expenditure". This requires certain accounting treatments and the inclusion of capitalised assets in an asset register.

3.4 The Secretary of State will allow some expenditure types to be capitalised in certain exceptional circumstances, and councils must apply for permission to capitalise expenditure which would normally be treated as revenue expenditure. An example of such an item approved for another council in the past is the capitalisation of large-scale redundancy costs.

3.5 **Revenue expenditure** is therefore all expenditure which is not capital expenditure – this usually applies to spending on the day to day running costs of the Council which doesn't result in long term assets e.g. salaries of employees, rent of buildings, fuel, stationery etc.

3.6 **Capital receipts** are monies received when capital assets are sold. By law, capital receipts can only be used to either repay loans or finance new capital expenditure. The government has introduced a temporary relaxation of these rules to allow capital receipts to be used to fund revenue expenditure on projects which will reduce future revenue costs. This will last until March 2022 and the Council has taken advantage of this in its Flexible Use of Capital Receipts Strategy (see Annex B).

Accounting Policy on Capitalisation

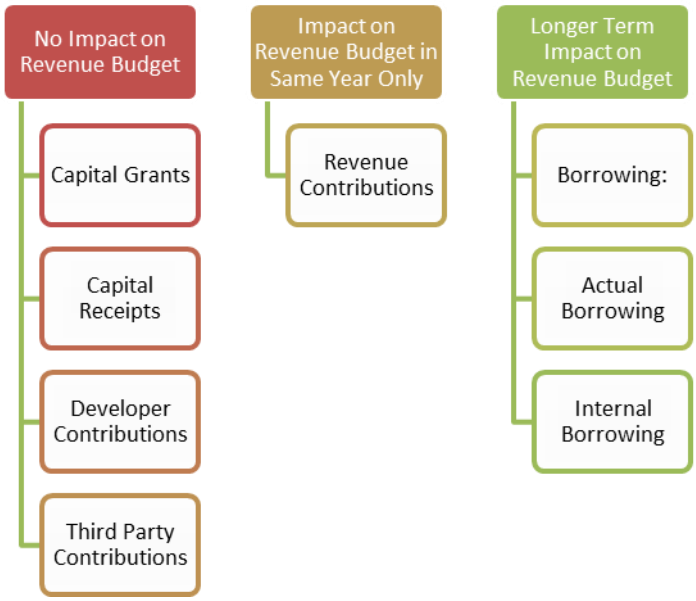
3.7 The rules on what types of expenditure can or cannot be capitalised are set out in International Financial Reporting Standards and in the CIPFA Accounting Code of Practice, as well as in law. Councils are allowed to set a minimum threshold value for capital expenditure to ensure that only the more significant assets are capitalised. Lincolnshire County Council has set a minimum threshold value of £10,000 spent on buildings, vehicles or equipment in its capital accounting policy. Expenditure on buying, building or enhancing assets which is below this level may be treated as revenue expenditure.

The Funding of Capital Expenditure

3.8 At Lincolnshire County Council the budget for capital expenditure is known as the **Capital Programme** and is separate from the **Revenue Budget**. The Capital Programme will cover at least three years because capital projects are often large projects that span more than one financial year to completion.

3.9 When formulating the Capital Programme, decisions must be made about the most cost effective way of funding it. There a number of different potential sources of funding for the capital programme and these are shown in the diagram below, together with their impact on the Revenue Budget. Further explanation is below the diagram.

Sources of Funding and their Impact on the Revenue Budget:



Capital Grants

3.10 Capital grant applications are made to the government to support essential but expensive capital projects, such as the building of new schools or new roads. Capital grants may cover the whole project cost or only part of it. When capital grants are used to finance new capital expenditure, there is no cost to the Revenue Budget in respect of the proportion of capital expenditure covered by grant. This is therefore an extremely important source of funding as some of our major projects would be unaffordable without these capital grants. The Council's strategy will be to seek to maximise the use of capital grants wherever possible.

Capital Receipts

3.11 When capital receipts are used to finance new capital expenditure, there is no cost to the Revenue Budget. This is therefore an attractive source of funding, however the amount of capital receipts generated each year is relatively low so they are not a significant source of funding for the Council. They can also be used to repay loans and finance certain types of revenue costs, as explained in paragraph 3.6 above. Capital receipts can be used in the year that they are received, or carried forward to be used in future years. When determining how to fund the Capital Programme the Council must take a view on how best to apply capital receipts to ensure that value for money is obtained.

Developer Contributions

3.12 Development companies engaged in projects such as house building will make financial contributions to the Council to help finance the cost of developing infrastructure e.g. roads to support their housing development. When developer contributions are used to finance new capital expenditure, there is no cost to the Revenue Budget in respect of the proportion of capital expenditure covered by such contributions. This is therefore another extremely important source of funding for the Council, however in some instances developer contributions are received by the

Council in later years i.e. after a project has started, which means that another source of funding will required in the short term and the deferred developer contribution will be used to fund future capital scheme expenditure.

Revenue Contributions

3.13 The Council can use some of its Revenue Budget to directly finance new capital expenditure. When this happens there is an impact on the Revenue Budget in that year, however there is no longer term impact. The Council does not usually budget for significant revenue contributions as this would divert funds away from the running costs needed to provide core services. However, if there is a Revenue Budget underspend at the end of any financial year then this use should be considered as part of the decision on the Council's use of underspends to carry forward to the next financial year's budget. Using revenue underspend to finance part of the capital programme will reduce the capital financing impact on the revenue budget in the longer term.

Actual Borrowing

3.14 When the use of the above sources of funding have been maximised to finance the Capital Programme, the remainder of capital expenditure will be financed by borrowing. This amount is called the Council's Borrowing Requirement. The Council's strategy for its borrowing is set out in the Treasury Management Strategy Statement and takes account of factors such as interest rates and the spreading of loan repayment dates to reduce risk. The Council predominantly borrows from the Public Works Loans Board (PWLB), which is an Executive Agent of HM Treasury and provides loans to councils at beneficial interest rates. The Council can also take loans from the financial market if these are at lower rates than PWLB loans.

3.15 When borrowing is used to finance the Capital Programme, it impacts on the Revenue Budget in two ways. Firstly, loan interest payments are charged to the Revenue Budget over the term of the loan. Secondly, a charge is made to the Revenue Budget to provide for the cost of repaying loan principal when it falls due – this is called the Minimum Revenue Provision (MRP). The MRP charge is calculated by taking the amount of capital expenditure financed by borrowing and dividing this over the number of years the asset concerned is expected to be in use. This charge is made to the Revenue Budget every year until the end of the asset's life. This means that the impact of capital expenditure on the Revenue Budget can sometimes be very long term e.g. an asset with a life of 50 years would generate an MRP charge for the next 50 years and a loan taken for say 40 years would generate an interest charge for the next 40 years.

Internal Borrowing

3.16 The Council's Treasury Management Strategy allows for its borrowing requirement to be deferred until a later date if the Council has sufficient cash surplus to cover the cost of the capital expenditure, and if it would be financially beneficial to do so and it would help to manage risk. This is

known as "internal borrowing" i.e. the Council borrows from its own cash reserves and repays these at a later date by taking an actual loan. This, in effect, converts the internal borrowing into actual borrowing. When internal borrowing is the means of financing, the Minimum Revenue Provision charge is still payable on the asset concerned, however there are no interest costs charged to the Revenue Budget. Once the internal borrowing converts to actual borrowing then there will be an interest charge.

4. The Capital Process

4.1 Underpinning the capital process are the Council's service objectives and priorities, together with its asset management strategies. The Council's priorities are set out in Annex A, and links to asset management strategies, can be found in Annex B.

4.2 The capital process is as follows:

1. Identification of the need for Capital Expenditure. This should be recorded in a Pre-Business Case / Full Business Case.
2. Exploration of options to satisfy the identified need. This should be recorded as an Options Appraisal and should consider: value for money / financial sustainability / risk / capacity to deliver the project.
3. Identification of Capital Project. This will initially be by **Departmental Management Teams** who review the Business Case and Options Appraisal.
4. If appropriate, a clear exit plan will be created to ensure the asset has future sustainability or will be disposed of accordingly.
5. Addition of Capital Project to the Capital Programme. The opportunity to do this will be during the autumn of each year as part of the budget setting process. As the Capital Programme covers three years, planning for Capital Projects should be forward-looking. Alternatively, if funding approval is required urgently, the Business Case and Options Appraisal can be presented to the **Executive Director of Resources** (in consultation with the **Executive Councillor for Finance)** for approval, at their monthly liaison meeting. Such approval will allow the project to be allocated budget from the capital programme's Capital Development Contingency fund.
6. Consideration of the affordability of the Capital Programme. The draft capital programme will be included in budget reports to the **Executive** and to the **Overview and Scrutiny Management Board** as part of the budget setting process and the final Capital Programme will be approved by full Council as part of the budget. The reports will clearly show the potential longer term financial impact of each project / asset on the Revenue Budget, as well as the potential longer term financial impact of the capital programme as a whole.

7. If the capital projects identified by Departmental Management Teams exceed what is affordable over the longer term, executive members will be asked to prioritise capital projects to ensure that an affordable capital programme can be approved. In this case, some projects will have to be deferred or removed altogether.

8. Once an affordable capital programme has been approved by the **Council** in February as part of the budget setting process, capital projects will be monitored and reported on as part of the Council's standard budget monitoring process.

9. Before a capital project can commence there will need to be separate executive level approval to commence, and a detailed Capital Appraisal report must be approved, normally by the **Executive Councillor for Finance** if the value of the project is over £500,000. If the value of the project is less than £500,000 the project must be approved by **the relevant Executive Director** following liaison with the appropriate **Executive Councillor(s).** This may be done by an individual report or as part of a wider programme of works.

10. When a capital project is complete and an asset has been created, that asset will be managed over its life. This will involve bringing the asset into use, maintaining it and planning for its disposal and/or replacement, if required, as the end of its useful life approaches.

11. Finally, the asset will be taken out of service and either sold or disposed of.

5. Key Principles of the Capital Strategy

5.1 The Council's strategy in relation to capital is underpinned by the following principles:

1. Capital expenditure / investment decisions must be made to drive forward **service objectives** *(service objectives will need to be clearly identified as part of the Council's strategic planning and will need to take account of future changes to services - the asset implications of such changes must be assessed)*. They must also support one or more of the **capital objectives** – see Section 6.

2. The Council's assets must be **properly planned for and managed** over their lifetime *(asset management strategies and plans which demonstrate this should exist for all key types of asset)*. This should result in the identification of new capital requirements, as well as the identification of surplus assets for disposal.

3. Capital expenditure / investment decisions must be supported by a **business case** which clearly sets out why the expenditure is required, what outcomes it will help to achieve, as well as costs and risks.

4. A key consideration in decision making must be the achievement of **value for money** *(different options for achieving outcomes must be considered and costed, using the Council's options appraisal template and the best all round option selected).* External funding will be actively sought to support capital projects where possible.

5. Capital expenditure / investment plans must take account of **risk**, which should be identified and managed appropriately.

6. Capital expenditure / investment plans must be **achievable** (the capacity to deliver projects must exist, projects must be properly managed in accordance with the Council's project management framework, project risk must be considered).

7. There must be clear **governance** around capital expenditure with approval of capital projects made at appropriate levels.

8. Capital expenditure / investment plans must demonstrate **affordability** *(the future impact on council tax levels must be considered and the whole life cost must be understood, albeit with assumptions made about the future financial landscape)*. Decisions made about capital projects must not threaten the overall financial sustainability of the Council. The financing of capital expenditure must remain within approved prudential limits.

9. Capital expenditure / investment plans must be **prioritised** if ambition exceeds available resources *(options appraisals should show financial and non-financial implications, risk implications, links to service objectives, the "do nothing" option and its implications, to enable scarce resources to be directed to those schemes which generate the best value for the Council)*. See Annex C.

10. Capital programme projects must be **managed** *(in accordance with the Council's project management framework)* and the procurement of suppliers and contractors must be in accordance with the Council's procurement policies and procedures.

6. Capital Objectives

6.1 All capital projects must help to deliver the Council's overall service objectives but there are also a number of supplementary capital objectives which recognise the nature of capital expenditure in that it will result in

long term assets to support the Council's aims. The capital programme as a whole should allow for:

1. The replacement or refurbishment of existing assets.
2. The creation of assets to satisfy increasing demand for services.
3. The creation of assets which will enable economic growth.
4. The creation of assets necessary to meet statutory requirements.
5. The creation of transformational assets which will generate future: capital receipts / reduced revenue costs / income streams.

7. Integration with Other Plans and Strategies

7.1 The Capital Strategy is not a standalone document. It must be seen in the context of the Council's other strategic documents which outline how the Council's longer term objectives will be achieved. Some of these have a clear impact on the Capital Strategy and these impacts have been extracted and are interpreted in Annex B.

8. Guidance for Officers with Responsibility for Capital Planning

8.1 This guidance is intended to highlight the main considerations for the planning of capital programme projects. It follows the principles outlined in section 5 and includes links to more detailed guidance.

8.2 Asset management is about supporting the delivery of strategic objectives through the use of long term assets. It is an integral part of business planning. All service areas which rely on long term assets to deliver services must plan for those assets over their whole life-cycle. This will include planning for the creation / purchase / build of new assets, their use, their replacement and their eventual disposal. Proper asset planning will result in a forward-looking capital programme, where major projects are identified and resourced well in advance of their starting.

8.3 Once a need for a new asset has been identified, the Council's project management framework must be followed (this can be found on the Council's Intranet under "Project Management Standard"). This will involve preparing a business case and an options appraisal, and will ensure that the full implications of every proposal are fully understood by those making decisions about whether or not to proceed with the capital investment required. It will also ensure that capacity to deliver the project, risks associated with the project, and value for money have all been considered. In the early stages of the process, a "pre-business case" should be completed with sufficient financial information included to allow the affordability of the project to be assessed by the **Corporate Management Board**. If it is deemed to be a desirable and affordable project then a full business case must be completed.

8.4 Service areas have a wealth of experience in the delivery of capital projects and it is important that this experience is used to inform the

planning of future projects. Project reviews should be carried out and lessons learned should be documented and made available to others in the Council who might benefit from this learning. Project reviews should provide information to help with the estimation of costs for future projects and the inclusion within capital budgets of appropriate contingency amounts.

8.5 The Council's Financial Procedure 1 (Financial Planning and Management) must be followed by Officers involved with capital expenditure and can be found on the Council's intranet.

8.6 When writing a project proposal, the cost of the capital project, together with any associated funding such as capital grant, must be phased as accurately as possible into the financial years when the expenditure / income is expected to occur. This will enable the financial impact on the revenue budget to be more accurately assessed.

8.7 Project proposals must be considered by **Departmental Management Teams**. If identified as a project the **Departmental Management Team** wishes to progress then they must be submitted to the **Finance Department** for inclusion in the Capital Programme as part of the budget setting process, by the end of August each year.

8.8 Projects requiring urgent (in-year) funding approval can be taken to the monthly Resources Liaison meeting for approval by the **Executive Director of Resources** in consultation with the **Executive Councillor for Finance**. On such approval Capital Programme budget allocations can be made from the New Developments Capital Contingency Budget.

8.9 Inclusion in the Capital Programme or an in-year approval only provides availability of funding - to commence the project an appropriate executive level decision is needed and a capital appraisal may be required to be approved by the **Executive Councillor for Finance**.

9. Capital Expenditure Approval and Monitoring Process

9.1 The **Corporate Management Board (CMB)** will review the draft future Capital Programme in October and consider its affordability. If it is deemed to be unaffordable, **CMB** will prioritise the Capital Programme projects and make recommendations to the **Executive** as to which projects should or should not be approved.

9.2 The **Executive** is responsible for considering the Capital Programme in December along with recommendations on how the capital programme will be financed as a whole, its affordability and a recommendation from **CMB** on which projects should be prioritised if the whole programme is unaffordable. The **Executive** will propose a budget for public consultation during January and meet in February to recommend a revenue budget and a Capital Programme to the **Council** for approval.

9.3 The **Council** will consider and approve a joint Capital Programme and Revenue Budget in February of each year.

9.4 Performance against the Capital Programme will be reported to the **Overview and Scrutiny Management Board** twice per year, in September and January. The final position at the end of the year will be reported to the **Executive** in June each year.

10. Annual Investment Strategy for Non-Treasury Investments 2019/20

10.1 The Ministry of Housing Communities and Local Government (MHCLG) has issued revised statutory guidance on local government investments, which came into effect on 1 April 2018. Under section 15(1)(a) of the Local Government Act 2003 councils are required to have regard to such statutory guidance. In this guidance, the meaning of investments has been extended to include both **financial** (related to treasury management) and **non-financial** investments (for non-treasury management reasons).

10.2 For **financial** (treasury) investments, the Council's priorities for investment are security first, liquidity second, and then return or yield and the risk appetite is set as "low". **Non-financial** (**non-treasury investments**) are made for purposes which are different to treasury management and will primarily relate to the securing of future service delivery. The risk appetite is therefore set as "medium" or "high" which recognises that the Council is prepared to accept some risk to the security of the investments albeit within the parameters of the prudential limits set to manage risk to an appropriate level. An example of such an investment is a loan made to a supplier commissioned by the Council to provide adult social care but currently experiencing financial difficulties.

10.3 The Capital Strategy allows for certain types of **non-treasury investments** to be made and the Council currently holds non-treasury investments falling within three categories. Further detail about the management of risk associated with these investments is set out in paragraph 10.4.

- Loans to other bodies for service reasons. Such loans may not be planned for as part of the budget process but may emerge at any time e.g. due to the Council's statutory duty to manage the market in adult social care. The Council's strategy is to invest only in other bodies either to secure future service delivery or where the other body is a subsidiary company of the Council which has been created for service reasons.

- Investments for non-service reasons (commercial investments which may include loans to other bodies). The current strategy is that the Council will not make new investments in commercial activity unless there is a direct service benefit and this is reflected in the Commercialisation Strategy highlighted in Annex B, however the Council owns some investment properties which do generate income. The majority of these properties are collectively known as County Farms and these are investments which have been held for

a number of years by the Council. The table in Annex F shows the value of these investment properties as £107.7m, which is just below 8% of the total value of all property plant and equipment assets owned by the Council as at 31st March 2018. The estimated annual income from investment properties is £2.5m, which is approximately 0.5% of the revenue budget, and is considered to be an insignificant proportion. The Council's strategy is to maintain these assets and a summary of the investments is shown in Annex F.

- Equity shares held for service reasons. Again the strategy is not to invest in equity shares ordinarily but the Council may choose to do so if this would support the delivery of services.

Treasury investments, which are made by using the Council's surplus cash balances, fall under the remit of the Council's Treasury Management Strategy Statement and are not covered within this Capital Strategy.

10.4 Loans made to other bodies for service reasons may be designated as low, medium or high risk. The measures in place to manage these risks are:

- the financial procedures for loans to outside bodies which include the scheme of delegation for the approval of new loans;
- loan agreements signed by both parties to the loan
- credit control arrangements in place to ensure that interest and loan repayments are made on time, and
- adherence to prudential indicator limits for proportionality.

For investments in commercial properties made for non-service reasons, the measures in place to manage risk are:

- the Council uses a specialist third party agent to manage the collection of rental income.
- Prudential limits have been set to manage the risks arising from non-treasury investments (shown in Annex G).

10.5 A fourth category of non-treasury investment exists, which is: Equity shares held for non-service reasons. The Council does not hold any equity shares under this category and the current Capital Strategy does not permit the purchase of such investments. Prudential limits have therefore not been set for this category of investment.

10.6 A schedule of non-treasury investments currently held by the Council is provided in Annex F.

11. Affordability of the Capital Programme

11.1 The CIPFA Prudential Code requires councils to ensure that capital spending plans are affordable, sustainable and prudent. Determining

whether or not a capital programme is affordable over the long term is difficult to do, because it requires looking into an uncertain future. There is, therefore, no precise calculation which can be done to work out how much is affordable, instead we have to use our judgement to make assumptions about the Council's finances in the future and we have to understand this carries the risk that our assumptions may turn out to be incorrect.

11.2 Some elements of the cost of financing the capital programme are more certain. The future cost to the revenue budget of all past capital expenditure is largely known, and is explained in principle in section 3. These future costs comprise the minimum revenue provision and the interest payments on loans already taken to finance the capital programme.

11.3 Virtually all other relevant factors are uncertain. Below are some examples of the inherent uncertainties, which could result in financial risk:

a) The value of the revenue budget in future years is dependent on many factors outside of the Council's control e.g.:
    - The Council's main sources of income are often subject to government determination or changes in policy e.g. Limits on Council tax increases
    - The amount the Council needs to spend is subject to inflation.

b) Capital projects may overspend or underspend, or may take more or less time to complete than planned. As explained elsewhere in this strategy any effect on capital expenditure will also impact on the cost to the revenue budget including the timing of those impacts.

c) Statutory policy relating to capital may change e.g.:
    - The method of calculating Minimum Revenue Provision has changed over time
    - The accounting standard which defines capital expenditure and its accounting treatment could change.

d) The cost of interest on loans which will be taken in the future is subject to future unknown interest rates. There are other treasury risks which could impact on the cost of future borrowing e.g. re-financing risk and liquidity risk.

11.4 Despite the uncertainties, it is still possible to look forward and take a view on the affordability of the capital programme. A high level summary of the proposed capital programme for 2019/20 and future years up to 2026/27 is included at Annex D (the detailed capital programme is included in the Council's Budget Book). The estimated additional on-going impact on the revenue budget of this capital programme has been calculated as just over £5.6m per annum.

11.5 This must be seen in the context of the Council's overall net revenue budget in order to determine its affordability. The amount of the Council's budget is not known beyond 31st March 2020, but a prudent estimate can

be made going forwards which allows for a very modest increase in funding each year up to 2023/24. This assumes that the new local government finance reforms will be more favourable to County Councils than the current system and that there will still be increases to Council Tax levels to some extent. It also assumes that the overall size of the local government finance "pot" will continue to be restricted by austerity for the foreseeable future. It is expected that the equivalent assumptions in the next iteration of this strategy will be made in the light of more certain information about future funding levels. Increases in overall funding levels are assumed, for the purposes of this strategy, to be 0.8% each year from 2020/21 to 2023/24, and 0% thereafter.

11.6 The graph at Annex E shows the estimated total proportion of the net revenue budget which would need to be allocated to finance the capital programme set out in Annex D for the next eight years. It can be seen that in each of the next eight years, the Council is expected to be within its voluntary prudential indicator i.e. that capital financing charges, comprising MRP and interest, will not exceed 10% of the Council's total income in each year.

11.7 This indicates that the Capital Programme for 2019/20, which also covers future years, is affordable. It is important to note however that there are risks inherent in this conclusion. Some of these risks are explained in paragraph 10.3 above. In addition it must be recognised that the capital programme will be refreshed each year and this assessment will need to be repeated each time to determine future affordability.

12 Role of the Section 151 Officer

12.1 The Section 151 Officer is responsible for ensuring that elected members tasked with either treasury management responsibilities or capital programme scrutiny responsibilities have access to training relevant to their needs and those responsibilities.

12.2 The Section 151 Officer is also responsible for ensuring that employees with responsibility for budget management, accounting, finance, and treasury management, are suitably skilled and experienced and have the opportunity to maintain their professional competence.

12.3 Statement of the Section 151 Officer:

The Section 151 Officer is satisfied that the Capital Programme for 2019/20, which includes future years, has been through a robust scrutiny process. The Capital Strategy includes an assessment of financial risks and the Section 151 Officer is satisfied that prudent assumptions have been made relating to those areas of risk and that the Capital Programme for 2019/20 is affordable over the longer term.

Annex A

Council Priorities

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

Annex B

Links to Other Strategies

A. Financial Strategy

The Financial Strategy covers the medium term period but is refreshed periodically as part of the budget process. It sets out the Council's framework for financial management and provides some key principles which directly influence the Capital Strategy – these are interpreted below:

a. Business cases and options appraisals will be completed and agreed before all major capital projects are commenced.
b. The Council has set a key financial performance measure which relates to the affordability of the capital programme, which is that the level of council tax will remain in the lowest quartile of all English County Councils.
c. The Council has set a key financial performance measure which relates to the financing of the capital programme, which is that capital receipts will be at least £8m per annum from 2017/18.
d. The Council has set a further key financial performance measure which relates to the financing of the capital programme, which is that MRP and interest payments will not exceed 10% of total Council income in any year.

B. Flexible Use of Capital Receipts Strategy

The current strategy covers the period up to 2019/20. A new strategy will be agreed as part of the budget setting process 2020/21 onwards. The legal power to use capital receipts flexibly has been extended by the government to the end of 2021/22. The Council's current strategy is to use up to £8m of capital receipts per annum to fund transformational revenue expenditure and this therefore limits the value of capital receipts which can be used to finance the capital programme.

C. Commercialisation Strategy

This strategy documents the Council's approach to commercialisation. It sets out a broad vision of commercial activities that the Council could engage in, which include activities that might require capital investment e.g. the use of digital technologies to deliver savings or increase value and investment opportunities. The aim is to generate extra revenue streams and deliver cost reductions through commercial activity, thereby supporting the continued delivery of front line services. The strategy also clarifies the principle that all commercial opportunities considered should provide benefit to people who live in, work in or visit Lincolnshire i.e. the achievement of service objectives will be the prime driver for commercial activities, with income generation a secondary benefit.

As the generation of income is not the main motive for the Council's commercial investment, the extent to which the Revenue Budget is reliant upon

commercial income streams is not significant. However the Council has held some investment properties for a number of years, which are County Farms.

The Commercialisation Strategy defines the Council's risk appetite for investing in commercial opportunities as "whilst willing to take risk, we will manage that risk so as not to jeopardise the services and opportunities we offer to Lincolnshire citizens. Risk management will be proportionate to the magnitude of the risk and the adverse impact should it materialise"

Proposed new commercial activities will be scrutinised by the appropriate Scrutiny Board before being considered by the Executive. Commercial projects are subject to the Council's project management framework.

D. Treasury Management Strategy

The Council's annually approved Treasury Management Strategy is very closely aligned to the Capital Strategy as it covers the Council's borrowing strategy for the year ahead, a key source of funding for the capital programme. The relevant aspects of the Treasury Management Strategy are set out below:

In line with the CIPFA Prudential Code the Treasury Management Strategy sets out a series of Prudential Indicators which ensure and demonstrate that the Council's capital expenditure plans remain **affordable**, **prudent** and **sustainable** and manage treasury risks:

a. Long term loans are usually secured at fixed rates of interest, to provide certainty over the cost of maintaining the loans over their lifetime thereby reducing the risk of adverse interest rate changes. However up to 30% of all borrowing could alternatively be secured at variable rates of interest.

b. The Council will take new borrowing from the PWLB in all periods with the aim of achieving an even "spread of maturity" profile and keeping an increase in the average cost of the Council’s debt to a minimum.

c. Consideration will be given to borrowing market loans, to fit into the above maturity strategy, in order to take advantage of lower rates offered on these loans. This proportion is limited to no more than 10% of total external borrowing for each of market loan and Lender Option Borrower Option loan.

d. Other long term liabilities e.g. loans to other bodies and PFI contracts also impact on the revenue budget and future sustainability. Separate limits are set each year for total borrowing and for total other long term liabilities.

e. Limits are set on the maturity structure of borrowings i.e. no more than 25% will mature within 12 months; no more than 25% will mature between 12 months and 24 months; no more than 50% will mature between 24 months and 5 years; no more than 75% will mature between 5 years and 10 years. This means that exposure to short term interest rate risk is limited.

f. The Minimum Revenue Provision and Interest Charges together shall not exceed 10% of the Council's Net Revenue Stream.

Two "proportionality" Prudential Indicators have been set for 2019/20, to support the Capital Strategy and these are shown in Annex G. The Treasury Management Strategy includes the Council's **Capital Financing Requirement**, which reflects the need to borrow to fund capital expenditure in the future. It also includes the Policy for Minimum Revenue Provision which allows for debt to be repaid over the life of the underlying assets.

The Treasury Management Strategy is scrutinised by the **Overview and Scrutiny Management Board** and approved by the **Executive Councillor for Finance.** Performance against prudential indicators is also scrutinised by the **Overview and Scrutiny Management Board**, as is the Treasury Management Annual Report at year end.

Treasury Management activity is governed by The CIPFA Code of Practice for Treasury Management and a set of Treasury Management Practices arising from this Code. These set out the relevant delegations and processes which are designed to manage risk to an acceptable level. The Council's risk appetite for treasury activity is set at low – the security and liquidity of Council funds is of paramount importance and the Strategy includes a number of controls designed to manage risks to security and liquidity.

The Treasury Management Strategy also includes the policy on the use of external advisers, which states that the Council uses Link Asset Services Ltd as its external treasury management adviser, and recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

E. Asset Management Strategies

The Council has a corporate asset management plan covering all types of assets however there are also asset management strategies in place for the major types of assets. Asset management is about supporting the delivery of strategic objectives through the use of long term assets. All service areas which rely on long term assets to deliver services must plan for those assets over their whole life-cycle. This will include planning for the creation / purchase / build of new assets, their use, their replacement and their eventual disposal.

- The Council's Corporate Asset Management Plan 2014/15 – 2016/17

  https://www.lincolnshire.gov.uk/local-democracy/how-the-council-works/key-plans-and-strategies/corporate-asset-management-plan/51408.article
- Highways Asset Management Strategy 2016

  https://www.lincolnshire.gov.uk/search-results?keywords=highways%20asset%20management%20strategy%202016&cmd=GoToPage&val=2
- Property Strategy 2018-2020

  supported by The State of the Estate 2017/18

- Integrated Risk Management Plan 2016-2020 (which includes a section on Fire and Rescue asset management)

  https://www.lincolnshire.gov.uk/searchResults.aspx?qsearch=1&keywords=irmp&x=0&y=0

Annex C

Prioritisation of Capital Programme Projects

If the total capital programme is deemed to be unaffordable then capital programme projects will need to be prioritised, and this may result in the cancellation or deferral of projects.

The aim of the process of prioritisation is to select those projects which generate the best value for the Council. As the Council's functions are wide-ranging, this diversity is reflected in the capital programme and this makes it difficult to compare projects. In many cases the benefits are non-financial and hard to measure, which means that return on investment measure is not an appropriate tool to use when trying to rank projects.

It is recognised that the reasons for undertaking capital projects may be complex, and that ranking projects in order of priority may sometimes be a matter of subjective assessment. When a Business Case for a capital project is prepared, the checklist below must be completed and submitted with the Business Case. The considerations set out on the checklist are designed to assist those making decisions on the prioritisation of capital projects if this is required. This is not an exhaustive list of factors to consider – there may be others.

Consideration	Yes / No	If Yes, please provide detail
To what extent does the project support the Council's objectives (Appendix Capital A) or the Capital objectives (Section 6)?		
• Does it maintain current service delivery by replacing or refurbishing existing assets?		
• Does it improve current service delivery by:		
○ Satisfying increasing demand for services;		
○ Enabling economic growth;		
○ Meeting new statutory requirements;		
○ Transforming service delivery thereby:		
▪ Generating future capital receipts;		
▪ Reducing revenue costs;		
▪ Increasing income?		
• Does it meet identified community expectations?		
How is Value for Money achieved by this project?		
• What are the project Benefits?		

○ Number of citizens who benefit		
○ Significance of improvement to citizens lives		
○ Significance of improvement to aspects of service delivery		
• What are the project Costs?		
○ What is the whole life cost of the asset:		
▪ What is the expected useful life of the asset in years?		
▪ What is the total capital cost?		
▪ Minimum Revenue Provision charge?		*(Finance to provide)*
▪ Interest charge?		*(Finance to provide)*
▪ Asset maintenance costs per annum?		
○ Is external funding available for the project?		
▪ If Yes, how much?		
▪ If Yes, where from?		
▪ If Yes, when will it be received?		
○ Is internal funding available for the project?		
▪ If Yes, how much?		
▪ If Yes, where from (capital receipts or revenue contributions)		
▪ If Yes, when will it be received?		
What are the key risks inherent in this project?		
○ How urgent is the need?		
○ How long will the project take?		*If more than 1 year, please phase the capital costs over Year 1, Year 2, Year 3 etc.*
○ Does the Council have the capacity to deliver the project?		
▪ If Yes, please list them?		
○ Are there any other significant project risks?		
▪ If Yes, please list them?		
○ Does the project take account of future needs?		
○		

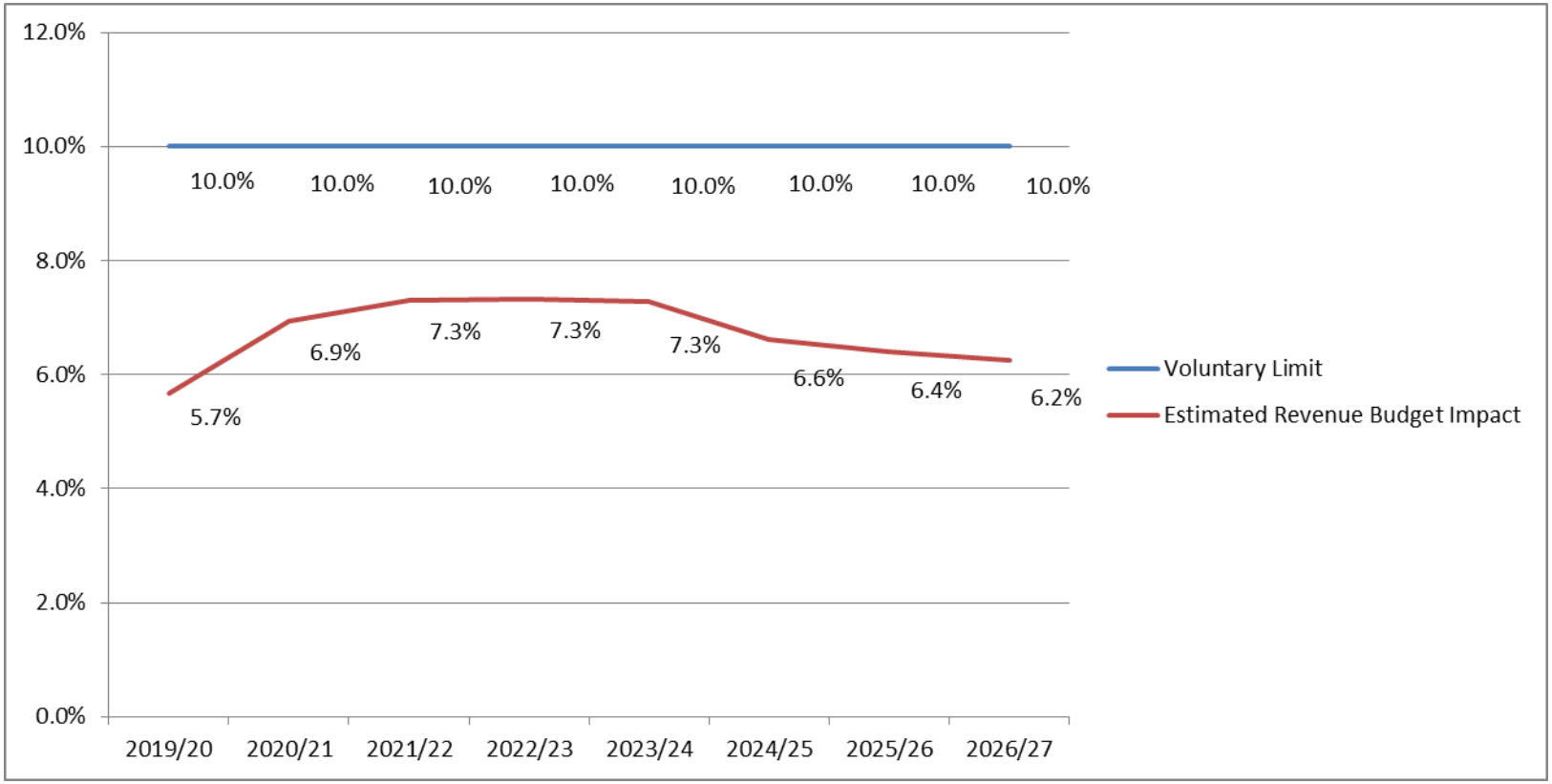
○ Does the project take account of the changing world, e.g. technology or social changes?		
When the project is complete, a post implementation review must be undertaken and a Project Closure report completed. Please add any further information which you think may support the decision-making process.		

Annex D

Capital Programme (2019/20 to 2026/27)	Estimated Maximum Annual Revenue Impact £'000	Revised Net Programme 2019/20 £'000	Grants and Contributions 2019/20 £'000	Gross Programme 2019/20 £'000	Revised Net Programme Future Years £'000	Grants and Contributions Future Years £'000	Gross Programme Future Years £'000
Children's Services	0	1,616	29,390	31,006	0	18,769	18,769
Adult Care & Community Wellbeing	0	0	0	0	0	0	0
Environment and Economy	2,873	78,320	30,157	108,477	92,176	31,992	124,168
Finance and Public Protection	963	31,517	0	31,517	16,378	0	16,378
Other programmes	1,813	7,500	0	7,500	37,500	0	37,500
TOTAL	5,649	118,953	59,547	178,500	146,054	50,761	196,816

Annex E

Estimated Proportion of Revenue Budget to be Spent on Capital Financing Charges Compared to Prudential Indicator Voluntary Limit



Annex F

Schedule of Non-Treasury Investments

Loans to Other Bodies made for Service Reasons	Classification	Risk Level	Original Term of Loan in Years	Principal Outstanding as at 31/03/2018 £000's	Estimated Interest Income 2019/20 £000's
Police Loan Debt	Loan	Low	25	104	-1
School Academies	Loan	Low	Various	1,973	-48
Lincs Community Foundation Ltd -Soft Loan	Loan	High	24	174	-11
Transport Connect Ltd - Fixed Loan	Loan	High	3	522	-24
Investors in Lincoln Debenture -written off 2018/19	Loan	High	14	200	0
Transport Connect Revolving Credit Facility	Loan	High	3	257	-13
Total				**3,229**	**-97**

Commercial Investments held for Non Service reasons (including loans to 3rd Parties)	Classification	Risk Level	Fair Value as at 31/03/2018 £000's	Estimated Rental Income 2019/20 £000's
County Farms	Investment Properties	Low	105,971	-2,386
Other non-farm properties	Investment Properties	Low	1,690	-77
			107,661	**-2,463**

Equity Purchase held for Service Reasons	Classification	Risk Level	Estimated Value as at 31/03/2018 £000's	Estimated Dividend Income 2019/20 £000's
ESPO Trading Limited Shares	Non-specified investment	Low	0	0
Investors in Lincoln Shares	Non-specified investment	Low	14	0
			14	**0**

Annex G

Prudential Limits Relating to Non-Treasury Investments

PRUDENTIAL INDICATORS		2017-18 Actual	2018-19 Updated Estimate	2019-20 Estimate	2020-21 Forecast	2021-22 Forecast
Proportionality Indicators						
6) Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments						
The Council will set for the forthcoming financial year and the following two years a limit of no more than 10% of General Reserves to be at risk from potential loss of total investments. (Voluntary Indicator).						
General Reserves	£m	15.300	14.400	14.600	14.800	15.000
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.544	0.374	0.298	0.221	0.175
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	**3.56%**	**2.60%**	**2.04%**	**1.50%**	**1.16%**
7) Income from Non Treasury Investments & Net Service Expenditure						
The Council will set for the forthcoming financial year and the following two years a limit of 3% for Income from non- treasury investments as a proportion of Net Service Expenditure. (Voluntary Indicator). This is to manage the risk of over dependancy of non-treasury investment income to deliver core services.						
Income from Non-Treasury Investments (Including County Farms)	£m	2.533	2.479	2.364	2.234	2.112
Net Service Expenditure	£m	521.244	459.780	463.960	457.205	463.191
Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	%	**0.49%**	**0.54%**	**0.51%**	**0.49%**	**0.46%**

A full list of Prudential Indicators is included within Appendix M

APPENDIX O

CAPITAL PROGRAMME

Capital Programme	Description	Revised Net Programme 2018/19 £'000	Revised Gross Programme 2018/19 £'000	Asset Life Years	Annual Capital Financing Cost £'000	Net Programme 2019/20 £'000	Gross Programme 2019/20 £'000	Net Programme Future Years £'000	Gross Programme Future Years £'000
Children's Services									
Readiness for School									
Other Readiness for School	Programme of investment for the "two year free entitlement" strategy.	153	153			0	0	0	0
Sub Total		**153**	**153**			**0**	**0**	**0**	**0**
Learn and Achieve									
Devolved Capital	Capital funding devolved to schools for improvements to buildings and school sites or investment in ICT hardware.	951	2,088			0	1,136	0	1,136
Provision of School Places (Basic Need)	A programme of expansion and new build construction of school buildings.	0	11,026			0	22,971	0	12,351
Schools Modernisation / Condition Capital	Programme to improve the condition of the school estate.	0	4,511			0	4,511	0	4,511
SEND Provision Capital Funding for Pupils with EHC Plans	A programme of major investment in SEND provision.	0	771			0	771	0	771
Academy Projects		-8	-8			0	0	0	0
Other Learn and Achieve	Other Children's Services capital schemes including non-school related projects.	1,079	1,079			1,616	1,616	0	0
Sub Total		**2,023**	**19,467**			**1,616**	**31,006**	**0**	**18,769**
Readiness for Adult Life									
Other Readiness for Adult Life	A programme of capital investment in Early Years provision throughout the county.	137	137			0	0	0	0
Sub Total		**137**	**137**			**0**	**0**	**0**	**0**
Children are Safe and Healthy									
Other Children are Safe and Healthy	A programme of capital investment in Foster Care provision throughout the county.	632	632			0	0	0	0
Phase 1 & 2 Childrens' IT	Investment in upgrading the ICT hardware for Childrens Services staff.	1,855	1,855			0	0	0	0
Sub Total		**2,488**	**2,488**			**0**	**0**	**0**	**0**
Adult Care & Community Wellbeing									
Adult Frailty, Long Term Conditions and Physical Disability									
Adult Care		0	0			0	0	0	0
Better Care Fund - Disabled Facility Grants	Integration and Better Card Fund Disabled Facilities Card Grant Programme 2018-19	0	5,698			0	0	0	0
Sub Total		**0**	**5,698**			**0**	**0**	**0**	**0**

APPENDIX O

Capital Programme	Description	Revised Net Programme 2018/19 £'000	Revised Gross Programme 2018/19 £'000	Asset Life Years	Annual Capital Financing Cost £'000	Net Programme 2019/20 £'000	Gross Programme 2019/20 £'000	Net Programme Future Years £'000	Gross Programme Future Years £'000
Environment and Economy									
Sustaining and Developing Prosperity Through Infrastructure									
Highways Asset Protection	Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.	13,077	44,156			0	24,955	0	24,955
Integrated Transport	Schemes including minor capital improvements, rights of way, road safety, public transport and town/village enhancements.	1,381	4,693			544	3,856	0	3,312
Lincoln Eastern Bypass	Extension of Lincoln bypass - Eastern part.	26,811	39,926	120	1,270	27,122	27,122	14,578	14,578
Lincoln East-West Link	Construction of the new East-West link in Lincoln.	-683	-683			0	0	0	0
Spalding Relief Road (Phases 1 to 5)	Completion of Spadling West Relief Road - Phases 1 to 5	0	0	120	159	0	0	13,291	13,291
Grantham Southern Relief Road	Completion of Grantham Southern Relief Road.	1,514	14,267	120	973	28,574	28,574	37,233	37,233
Corringham Road (development with WLDC)	Major scheme development of Corringham Road in partnership with West Lindsey District Council.	0	0	120	73	1,500	1,500	0	1,000
Transforming Street Lighting	Programme of street lighting improvement	610	610			0	0	0	0
A1084 Safer Road Fund	Improvement on A1084 under Safer Roads Funds.	0	0			0	1,245	0	0
A631 Middle Rasen to Bishops Bridge Safer Road Fund	Improvement on A631 Middle Rasen to Bishops Bridge under Safer Roads Funds.	0	0			0	645	0	0
A631 Louth to Middle Rasen Safer Road Fund	Improvement on A631 Louth to Middle Rasen under Safer Roads Funds,	0	0			0	0	0	2,725
Holdingham Roundabout	Improvement of Holdingham Roundabout.	0	0	120	123	435	435	2,115	2,115
National Productivity Investment fund	Schemes to improve local road networks.	1,166	1,166			0	0	0	0
A46 Welton Roundabout (Integrated Transport/NPIF)	Improvement on A46 Welton junction.	0	2,000	120	53	1,100	1,100	0	0
Other Highways and Transportation	Block of smaller Highways projects.	439	987			400	400	0	0
Grantham Growth Point	Contribution to Grantham Southern Relief Road.	0	0			0	0	2,264	2,264
Lincolnshire Enterprise Partnership Contribution	Lincolnshire Enterprise Partnership funding for capital projects.	3,057	3,057			15,208	15,208	3,600	3,600
Network Resilience	Replacement programme of gritter vehicles.	480	480			0	0	5,028	5,028
Historic Lincoln	Improvement programme for Lincoln Castle.	-1,338	-1,338			0	0	0	0
Other Sustaining and Developing Prosperity	Block of small projects.	41	41			159	159	159	159
Sub Total		**46,554**	**109,362**			**75,042**	**105,199**	**78,269**	**110,261**

APPENDIX O

Capital Programme	Description	Revised Net Programme 2018/19 £'000	Revised Gross Programme 2018/19 £'000	Asset Life Years	Annual Capital Financing Cost £'000	Net Programme 2019/20 £'000	Gross Programme 2019/20 £'000	Net Programme Future Years £'000	Gross Programme Future Years £'000
Protecting and Sustaining the Environment									
Flood Defence	Major project to alleviate flood risk.	1,100	1,100			0	0	0	0
Flood & Water Risk Management	A range of projects to alleviate flood and water risks.	938	1,128			0	0	0	0
Local Flood Defense Schemes (to match fund EA)	Match funding with the Environment Agency for local flood defence schemes.	0	0	20	126	650	650	1,950	1,950
Boston Barrier	Investment in infrastructure around the Environment Agency flood risk scheme.	0	0			0	0	11,000	11,000
Boston Household Recycling Centre	Completion of new household recycling centre.	646	646			0	0	0	0
Equipment & Vehicles for Waste Transfer Stations	Replacement programme for vehicles and plant used for winter maintenance and in waste transfer stations.	441	441			138	138	957	957
Waste - Fire Suppression Systems at Transfer Station	Installation of fire suppression systems.	500	500			0	0	0	0
Energy from Waste	Lifecycle of Energy from Waste plant	0	0			112	112	0	0
Other Environment and Planning	Block of small projects	56	56			228	228	0	0
Sub Total		**3,680**	**3,870**			**1,128**	**1,128**	**13,907**	**13,907**
Sustaining and Growing Business and the Economy									
Economic Development - Business Unit Development	Development of business units.	0	0	50	97	2,000	2,000	0	0
Other Sustaining and Growing Business and the Economy	Investment in Business Parks and Lincs Coastal Observatory	1,855	1,855			0	0	0	0
Sub Total		**1,855**	**1,855**			**2,000**	**2,000**	**0**	**0**
Community Resilience and Assets									
Libraries	RFID replacement kiosks and library hub capital works.	348	348			150	150	0	0
Sub Total		**348**	**348**			**150**	**150**	**0**	**0**
Finance and Public Protection									
Protecting the Public									
Registration Celebratory & Coroners Service	Coroners IT system for case management and improvement to Gainsborough celebratory premises.	55	55			65	65	0	0
Fire & Rescue and Emergency Planning	Replacement of fire-fighters' personal protective equipment and refurbishment of fire and rescue properties.	1,525	1,525	4	42	1,620	1,620	0	0
Fire Fleet Vehicles and Associated Equipment	Rolling programme for the replacement of fire and rescue fleet vehicles and associated equipment.	4,882	4,882	5	156	8,189	8,189	6,211	6,211
Sub Total		**6,462**	**6,462**			**9,874**	**9,874**	**6,211**	**6,211**

APPENDIX O

Capital Programme	Description	Revised Net Programme 2018/19 £'000	Revised Gross Programme 2018/19 £'000	Asset Life Years	Annual Capital Financing Cost £'000	Net Programme 2019/20 £'000	Gross Programme 2019/20 £'000	Net Programme Future Years £'000	Gross Programme Future Years £'000
Enablers and Support to Council's Outcomes									
Broadband	Provision of superfast broadband across the county.	1,018	5,921			7,130	7,130	0	0
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PC's, other IT equipment and ICT infrastructure.	1,087	1,087			600	600	0	0
Replacement ERP Finance System	Installation and improvements to the ERP Finance system.	1,601	1,601			0	0	0	0
Care Management System (CMPP)	Installation of the Mosaic system.	66	66			0	0	0	0
Windows 10 Refresh 2018	Upgrade of hardware to Windows 10 system.	2,500	2,500			0	0	0	0
Cloud Navigator & ICT Innovation	Development of Cloud Navigator to enable digital transformation of services to citizens.	0	0	4	607	5,000	5,000	9,000	9,000
ICT Development Fund	Improvements to ICT infrastructure and network.	2,690	2,690			0	0	0	0
Property	Maintenance and improvement programme for council properties, asbestos works and improvements to the County Farm estates.	3,277	3,277	Various	59	5,804	5,804	0	0
Property Improvement Programme	Improvement to council properties including County Farms and upgrade of school mobiles.	0	0	20	24	809	809	917	917
Property Rationalisation Programme	Property rationalisation programme projects.	1,712	9,712			0	0	0	0
Property Area Reviews	Programme of works for leased properties.	0	0	50	27	550	550	0	0
County Emergency Centre	Modernisation of the County Emergency Centre.	0	0	20	24	500	500	0	0
Childrens Services - Childrens Homes	Programme of works for Childrens Homes.	0	0	50	24	250	250	250	250
Lexicon House	Purchase and refurbishment of Lexicon House for office accomodation.	975	975			1,000	1,000	0	0
Sub Total		**14,925**	**27,828**			**21,643**	**21,643**	**10,167**	**10,167**
Other programmes									
New Developments Capital Contingency Fund	A council wide budget has been created to fund any schemes that are currently in the development stage. This funding will be awarded to these schemes on the approval of their business cases throughout 2019/20.	10,638	10,638	20	1,813	7,500	7,500	37,500	37,500
Sub Total		**10,638**	**10,638**			**7,500**	**7,500**	**37,500**	**37,500**
TOTAL		**89,264**	**188,308**		**5,649**	**118,953**	**178,500**	**146,054**	**196,816**

APPENDIX P

CAPITAL GOVERNMENT GRANTS 2019/20

The Capital Programme includes the following Government Grants which have been allocated to the County Council:

CAPITAL GOVERNMENT GRANTS	
	2019/20
	£'000
Children's Services	**29,390**
Schools Devolved Formula Capital	1,136
Schools Basic Needs	22,971
Schools Condition Allocation	4,511
SEND Provision Capital Funding for Pupils with EHC Plans	771
Environment and Economy	**30,157**
Highways Asset Maintenance	24,955
Highways Integrated Transport	3,312
Safer Road Funds	1,890
Total Capital Grants	**59,547**

Further grants included in the programme will be received on a claim or bid basis as spend is incurred.

APPENDIX Q

SUMMARIES OF COMMISSIONING STRATEGY REVENUE ESTIMATES

APPENDIX Q

REVENUE EXPENDITURE - READINESS FOR SCHOOL

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		4,821,802		
	BUDGET CHANGES:				
2.0	Inflation		25,777	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
4.0	Savings				
5.0	**2019/20 BUDGET**		**4,847,579**		

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
1.0	CHILDREN'S CENTRE COSTS	2,598,550	56,520	2,655,070
2.0	EARLY EDUCATION	2,223,252	-30,743	2,192,509
3.0	**NET TARGET BUDGET**	**4,821,802**	**25,777**	**4,847,579**

REVENUE EXPENDITURE - LEARN AND ACHIEVE

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		34,370,414		
	BUDGET CHANGES:				
2.0	Inflation		162,829	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Home to School/College Transport		305,537	Ref 3.1	Additional school transport contract costs associated with National Living Wage rises.
4.0	Savings				
4.1	SEND Grant		- 258,655	Ref 4.1	An ending in grant funding from the government for the SEND Reform Grant.
5.0	**2019/20 BUDGET**		**34,580,125**		

REVENUE EXPENDITURE - LEARN AND ACHIEVE

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	SCHOOL SUPPORT SERVICES	606,862	5,884	612,746
2.0	PARENT PARTNERSHIP	213,434	1,721	215,155
3.0	SCHOOL IMPROVEMENT	1,081,399	4,351	1,085,750
4.0	STATEMENTING PROCESS AND INTERVENTIONS	2,580,879	-113,609	2,467,270
5.0	HOME TO SCHOOL/COLLEGE TRANSPORT	25,519,558	307,659	25,827,217
6.0	SCHOOL ADMISSIONS AND OTHER EDUCATION COSTS	190,040	6,286	196,326
7.0	CHILDREN WITH DISABILITIES	4,178,242	-2,581	4,175,661
			0	
8.0	**NET TARGET BUDGET**	**34,370,414**	**209,711**	**34,580,125**
			-	
			-	
			-	

REVENUE EXPENDITURE - READINESS FOR ADULT LIFE

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		5,963,901		
	BUDGET CHANGES:				
2.0	Inflation		93,514	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
4.0	Savings				
4.1	Supported Accommodation		- 300,000	Ref 4.1	Transformational work has resulted in a new accommodation pathway for young people who require support or who are experiencing homelessness by providing suitable and more cost effective accommodation.
5.0	**2019/20 BUDGET**		**5,757,415**		

REVENUE EXPENDITURE - READINESS FOR ADULT LIFE

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	14 - 19 EDUCATION/TRAINING & APPRENTICESHIPS	0	0	0
2.0	CAREER GUIDANCE	36,700	4,800	41,500
3.0	POSITIVE ACTIVITIES FOR YOUNG PEOPLE	1,383,318	3,473	1,386,791
4.0	SUPPORTED ACCOMMODATION/LODGINGS	3,230,485	-298,939	2,931,546
5.0	LINCS SECURE UNIT	-1,169,143	40,128	-1,129,015
6.0	REDUCING YOUTH OFFENDING	732,729	25,983	758,712
7.0	LEAVING CARE	1,749,812	18,069	1,767,881
			0	
8.0	**NET TARGET BUDGET**	**5,963,901**	**-206,486**	**5,757,415**
			-	
			-	
			-	

REVENUE EXPENDITURE - CHILDREN ARE SAFE AND HEALTHY

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		65,911,132		
	BUDGET CHANGES:				
2.0	Inflation		711,742	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Looked After Children		948,000	Ref 3.1	Additional costs identified through trends for Looked After Children and Out of County Placements. This includes a national growth of 8% due to the increasingly complex nature of family life, case law and the impact of austerity.
3.2	Special Guardianship Orders		246,480	Ref 3.2	Expected increase in numbers of special guardianship orders which the courts recognise as an important option for children looked after and, unlike adoption, is funded until the child reaches the age of 18.
4.0	Savings				
4.1	0 - 19 Health Services		- 250,000	Ref 4.1	More effective and integrated support for families and a service which utilises existing Children's Services sites and structures.
5.0	**2019/20 BUDGET**		**67,567,354**		

REVENUE EXPENDITURE - CHILDREN ARE SAFE AND HEALTHY

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	0 - 19 HEALTH SERVICES	10,081,559	39,644	10,121,203
2.0	CHILD PROTECTION (CONTACT, REF & ASSESS)	16,952,285	390,639	17,342,924
3.0	TARGETED SUPPORT - YOUNG PEOPLE	7,959,475	153,679	8,113,154
4.0	LOOKED AFTER CHILDREN	3,790,273	216,054	4,006,327
5.0	FOSTERING AND ADOPTION	13,843,621	506,503	14,350,124
6.0	RESIDENTIAL HOMES	9,111,748	318,126	9,429,874
7.0	CHILD AND ADOLESCENT MENTAL HEALTH SERVICES (SECTION 75)	824,589	-100,000	724,589
8.0	UNACCOMPANIED CHILDREN	0	0	0
9.0	FAMILY SUPPORT	-700,647	-51,237	-751,884
10.0	COMMISSIONING SUPPORT FOR ALL CHILDREN'S STRATEGIES	4,048,229	182,814	4,231,043
			0	
11.0	**NET TARGET BUDGET**	**65,911,132**	**1,656,222**	**67,567,354**
			-	
			-	
			-	

REVENUE EXPENDITURE - ADULT SAFEGUARDING

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		4,187,150		
	BUDGET CHANGES:				
2.0	Inflation		35,168	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Other Cost Pressures		6,210	Ref 3.1	Other Cost Pressures in year
3.2	Deprivation of Liberty		1,000,000	Ref 3.2	Deprivation of Liberty funding on the assumption that the legislation will now not change in 19/20
4.0	Savings				
4.1	Removal of Deprivation Of Liberty		- 1,000,000	Ref 4.1	Deprivation of Liberty original saving set when the legislation was expected to change in 19/20
5.0	**2019/20 BUDGET**		**4,228,528**		

REVENUE EXPENDITURE - ADULT SAFEGUARDING

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	FIELDWORK TEAM	1,454,714	-5,556	1,449,158
2.0	BEST INTEREST ASSESSMENTS	2,673,200	45,790	2,718,990
3.0	SAFEGUARDING BOARD	59,236	1,144	60,380
			0	
			0	
			0	
			0	
			0	
4.0	**NET TARGET BUDGET**	**4,187,150**	**41,378**	**4,228,528**
			-	
			-	
			-	

REVENUE EXPENDITURE - Adult Frailty, Long Term Conditions and Physical Disability

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		120,733,278		
	BUDGET CHANGES:				
2.0	Inflation		318,936	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	National Living Wage Transport		21,837	Ref 3.1	National Living wage pressures for Transport
3.2	Demography		1,227,913	Ref 3.2	Demography for Residential and Nursing Care
3.3	National Living Wage		3,129,772	Ref 3.3	National Living Wage for Residential and Nursing Care
3.4	Additional pressures due to increased provider unit costs		1,371,582	Ref 3.4	Contractual Cost pressures
3.5	Other Cost Pressures		15,988	Ref 3.5	Contractual Cost pressures
4.0	Savings				
4.1	Reduction of one off Funding	-	1,000,000	Ref 4.1	Reduction in funding for MOSAIC & Information systems
4.2	Removal of one off funding	-	2,635,290	Ref 4.2	Removal of one of funding in relation to Market Stabilisation/Contractual Pressures
4.3	Removal of one off IBCF funding	-	1,000,000	Ref 4.3	Removal of one off funding stream
4.4	Revised Adult Budgets growth in user contributions	-	1,379,890	Ref 4.4	Increase in Service user contributions based on benefits % increase
5.0	**2019/20 BUDGET**		**120,804,126**		

REVENUE EXPENDITURE - Adult Frailty, Long Term Conditions and Physical Disability

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	LONG AND SHORT TERM RESIDENTIAL CARE	60,060,607	2,583,141	62,643,748
2.0	HOME BASED CARE SERVICES	16,038,316	406,873	16,445,189
3.0	DIRECT PAYMENTS	14,933,826	0	14,933,826
4.0	DAY CARE SERVICES	616,024	0	616,024
5.0	REABLEMENT SERVICES	4,274,435	0	4,274,435
6.0	FIELDWORK TEAM	14,803,623	282,428	15,086,051
7.0	COMMISSIONING SUPPORT	10,006,447	-3,201,594	6,804,853
			0	
8.0	**NET TARGET BUDGET**	**120,733,278**	**70,848**	**120,804,126**
			-	
			-	
			-	

REVENUE EXPENDITURE - ADULT CARERS

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		2,464,492		
	BUDGET CHANGES:				
2.0	Inflation			Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
4.0	Savings				
4.1	BCF Savings		- 75,000	Ref 4.1	Reduction in BCF Funding
5.0	**2019/20 BUDGET**		**2,389,492**		

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
1.0	ADULT AND YOUNG CARERS SERVICE CONTRACTS	1,714,492	-75,000	1,639,492
2.0	PERSONAL BUDGETS	750,000	0	750,000
3.0	**NET TARGET BUDGET**	**2,464,492**	**-75,000**	**2,389,492**

REVENUE EXPENDITURE - ADULT SPECIALTIES

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		65,594,396		
	BUDGET CHANGES:				
2.0	Inflation		100,303	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Transport		53,463	Ref 3.1	National Living Wage transport contracts pressure
3.2	Other Cost pressures		708,609	Ref 3.2	Contractual cost pressures
3.3	National Living Wage		1,000,000	Ref 3.3	Increase in National Living Wage for Waking Nights
3.4	Demography and National Living Wage		1,383,058	Ref 3.4	Demographic Pressures and increase in National Living Wage Residential and Nursing Care
3.5	Demography and National Living Wage		4,046,498	Ref 3.5	Demographic Pressures and increase in National Living Wage Community Supported Living
3.6	Demography and National Living Wage		1,041,834	Ref 3.6	Demographic Pressures and increase in National Living Wage Direct Payments
3.7	Demography and National Living Wage		600,000	Ref 3.7	Demographic Pressures and increase in National Living Wage services provided by LPFT
4.0	Savings				
4.1	Income growth		- 669,223	Ref 4.1	Income Growth - Additional demographic and inflationary increases
4.2	Market Stabilisation		- 722,000	Ref 4.2	Removal of funding
4.3	Waking Nights		- 1,500,000	Ref 4.3	Removal of funding for Waking Nights
5.0	**2019/20 BUDGET**		**71,636,938**		

REVENUE EXPENDITURE - ADULT SPECIALTIES

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	LONG AND SHORT TERM RESIDENTIAL CARE	23,224,664	1,082,949	24,307,613
2.0	HOME BASED CARE SERVICES	21,361,296	4,002,379	25,363,675
3.0	DIRECT PAYMENTS	7,862,830	596,126	8,458,956
4.0	DAY CARE SERVICES	4,210,490	-318,948	3,891,542
5.0	FIELDWORK	3,067,116	80,037	3,147,153
6.0	MENTAL HEALTH	5,868,000	600,000	6,468,000
			0	
			0	
9.0	**NET TARGET BUDGET**	**65,594,396**	**6,042,543**	**71,636,939**
			-	
			-	
			-	

REVENUE EXPENDITURE - ADULTS COMMUNITY WELLBEING AND PUBLIC HEALTH

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		27,174,150		
	BUDGET CHANGES:				
2.0	Inflation		44,116	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Integrated Community Equipment Service		242,000	Ref 3.1	Increase in budget against the ICES service due to increased demand.
4.0	Savings				
4.1	Redesign of service		- 181,250	Ref 4.1	Redesign and procurement of Housing Related Support Services
5.0	**2019/20 BUDGET**		**27,279,016**		

REVENUE EXPENDITURE - ADULTS COMMUNITY WELLBEING AND PUBLIC HEALTH

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
1.0	HEALTH IMPROVEMENT, PREVENTION AND SELF MANAGEMENT	2,736,116	76,200	2,812,316
2.0	PUBLIC HEALTH STATUTORY SERVICE	3,399,944	190,312	3,590,256
3.0	WELLBEING SERVICE	6,341,273	-631	6,340,642
4.0	SEXUAL HEALTH	5,528,153	-166,015	5,362,138
5.0	HOUSING RELATED SERVICE	3,751,644	5,000	3,756,644
6.0	PREVENTION AND TREATMENT OF SUBSTANCE MISUSE	5,417,020	0	5,417,020
7.0	**NET TARGET BUDGET**	**27,174,150**	**104,866**	**27,279,016**

REVENUE EXPENDITURE - COMMUNITY RESILIENCE & ASSETS

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		10,097,065		
	BUDGET CHANGES:				
2.0	Inflation		30,420	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Library and Information Services		42,000	Ref 3.1	Inflationary pressures on the library contract (GLL)
3.2	Advice, Info & Supp from Comm & Vol Sec		45,500	Ref 3.2	Funding to undertake Prevent Duties required from the Counter Terrorism & Security Act 2015
3.3	Advice, Info & Supp from Comm & Vol Sec		5,000	Ref 3.3	Continued support for the Lincolnshire Association of Local Councils (LALC)
3.4	Advice, Info & Supp from Comm & Vol Sec		278,000	Ref 3.4	Re-instate a budget to support the core services of the Citizens Advice Bureaux (CAB)
4.0	Savings				
5.0	**2019/20 BUDGET**		**10,497,985**		

REVENUE EXPENDITURE - COMMUNITY RESILIENCE & ASSETS

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			0	
1.0	ADVICE, INFO & SUPP FROM COMM & VOL SECT	808,352	313817	1122169
2.0	COMMUNITY ENGAGEMENT & DEV (CONT TO SPORTS)	282,605	25801	308406
3.0	LIBRARY AND INFORMATION SERVICES	5,565,281	61302	5626583
4.0	CUSTOMER SERVICE CENTRE	3,440,827	0	3440827
			0	
5.0	**NET TARGET BUDGET**	**10,097,065**	**400,920**	**10,497,985**

REVENUE EXPENDITURE - SUSTAINING AND DEVELOPING PROSPERITY THROUGH INFRASTRUCTURE

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		43,056,837		
	BUDGET CHANGES:				
2.0	Inflation		334,615	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Transportation		294,200	Ref 3.1	Increases in the national living wage of £249,200 and national concessionary fares of £45,000
3.2	Highways Asset Maintenance		150,000	Ref 3.2	Reinstating two cycles of weed spraying
3.3	Highways Asset Maintenance		300,000	Ref 3.3	Reinstating three rounds of safety grass cutting
3.4	Highways Asset Maintenance		370,000	Ref 3.4	Reinstating a full cycle of gulley cleansing
3.5	Highways Asset Maintenance		220,000	Ref 3.5	Additional four Mobile Maintenance Teams to manage the demand for pot hole repairs over the autumn and winter periods
3.6	Highways Asset Maintenance		210,000	Ref 3.5	Licence costs to make Confirm an 'on demand' hosted service bringing significant operational benefits
3.7	Highways Network Management		18,200	Ref 3.6	Increases in the national living wage
4.0	Savings				
4.1	Highways Asset Maintenance		- 3,300,000	Ref 4.1	Removal of the additional funding provided in 2018/19 budget to improve road conditions
5.0	**2019/20 BUDGET**		**41,653,852**		

REVENUE EXPENDITURE - SUSTAINING AND DEVELOPING PROSPERITY THROUGH INFRASTRUCTURE

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	TRANSPORTATION INCLUDING CONCESSIONARY FARES AND OTHER GOVERNMENT GRANTS ETC	14,058,520	464,054	14,522,574
2.0	HIGHWAYS ASSET MAINTENANCE	18,632,264	-1,412,119	17,220,145
3.0	HIGHWAYS NETWORK MANAGEMENT	8,154,565	-478,778	7,675,787
4.0	NEW TRANSPORT INVESTMENTS INCLUDING HIGHWAYS IMPROVEMENTS AND BYPASSES, GROWTH CORRIDORS AND PROGRAMMES	852,287	56,120	908,407
5.0	ECONOMIC INFRASTRUCTURE AND REGENERATION	298,203	10,165	308,368
6.0	HERITAGE AND TOURISM OPERATION AND DEVELOPMENT	1,060,998	-42,427	1,018,571
			0	
7.0	**NET TARGET BUDGET**	**43,056,837**	**-1,402,985**	**41,653,852**
			-	
			-	
			-	

REVENUE EXPENDITURE - PROTECTING AND SUSTAINING THE ENVIRONMENT

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		24,879,447		
	BUDGET CHANGES:				
2.0	Inflation		62,681	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Waste Management		272,304	Ref 3.1	Growth in waste disposal volumes of £105,000 and inflationary increase in waste management contract of £167,304
3.2	Flood Risk Management		6,960	Ref 3.2	Continuation of the Lead Local Flood Authority Grant
4.0	Savings				
4.1	Waste Management		- 41,000	Ref 4.1	Move to capital purchase of waste transfer vehicles creates a revenue saving of leasing costs
5.0	**2019/20 BUDGET**		**25,180,392**		

REVENUE EXPENDITURE - PROTECTING AND SUSTAINING THE ENVIRONMENT

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		24,879,447		
	BUDGET CHANGES:				
2.0	Inflation		62,681	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Waste Management		272,304	Ref 3.1	Growth in waste disposal volumes of £105,000 and inflationary increase in waste management contract of £167,304
3.2	Flood Risk Management		6,960	Ref 3.2	Continuation of the Lead Local Flood Authority Grant
4.0	Savings				
4.1	Waste Management		- 41,000	Ref 4.1	Move to capital purchase of waste transfer vehicles creates a revenue saving of leasing costs
5.0	**2019/20 BUDGET**		**25,180,392**		

REVENUE EXPENDITURE - SUSTAINING AND GROWING THE BUSINESS AND THE ECONOMY

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		1,165,887		
	BUDGET CHANGES:				
2.0	Inflation		33,076	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
4.0	Savings				
5.0	**2019/20 BUDGET**		**1,198,963**		

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	IMPROVING SKILLS AND EMPLOYABILITY	113,185	4,972	118,157
2.0	ENCOURAGE ENTERPRISE THROUGH SUPPORT TO BUSINESS	466,809	-174,679	292,130
3.0	ATTRACTING AND EXPANDING BUSINESS INVESTMENT	80,387	199,295	279,682
4.0	LOBBYING AND ATTRACTING FUNDING FOR LINCS	505,506	3,488	508,994
			0	
5.0	**NET TARGET BUDGET**	**1,165,887**	**33,076**	**1,198,963**
			-	

REVENUE EXPENDITURE - PROTECTING THE PUBLIC

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		22,834,646		
	BUDGET CHANGES:				
2.0	Inflation		412,625	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Preventing & Tackling Fires & Emergencies		29,038	Ref 3.1	Increased costs of Emergency Services Network (Airwave replacement)
3.2	Preventing & Tackling Fires & Emergencies		23,000	Ref 3.2	Increased Business Rates at fire stations
3.3	Preventing & Tackling Fires & Emergencies		120,000	Ref 3.3	Additional numbers of Retained Firefighters opting into the pension scheme
3.4	Preventing & Tackling Fires & Emergencies		22,000	Ref 3.4	Increased software licence costs for recording operational training records
3.5	Preventing & Tackling Fires & Emergencies		57,000	Ref 3.5	Enhancing control and resilience of operational mobilising technology (move to Vision 4)
3.6	Preventing & Tackling Fires & Emergencies		80,000	Ref 3.6	Additional Fire Protection posts to meet the risk based inspection programme highlighted by HMICFRS
3.7	Registration, Celebratory and Coroners		58,000	Ref 3.7	JNC agreed changes to Coroners salary and associated on-costs
3.8	Trading Standards		60,000	Ref 3.8	Higher costs of product safety testing and safeguarding checks for scams on vulnerable victims
4.0	Savings				
4.1	Registration, Celebratory and Coroners		- 100,000	Ref 4.1	Move to a new model of service delivery for the Coroners Service
5.0	**2019/20 BUDGET**		**23,596,309**		

REVENUE EXPENDITURE - PROTECTING THE PUBLIC

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	REGISTRATION, CELEBRATORY AND CORONERS	1,381,242	-11,295	1,369,947
2.0	PREVENTING AND REDUCING CRIME	308,160	8,239	316,399
3.0	TACKLING DOMESTIC ABUSE	340,475	1,845	342,320
4.0	PREVENTING AND TACKLING FIRES AND EMERGENCIES	18,894,954	656,325	19,551,279
5.0	TRADING STANDARDS	1,290,134	83,726	1,373,860
6.0	PLANNING AND RESPONDING TO EMERGENCIES	313,625	7,468	321,093
7.0	IMPROVING ROAD SAFETY	306,056	15,355	321,411
			0	
8.0	**NET TARGET BUDGET**	**22,834,646**	**761,663**	**23,596,309**
			-	
			-	
			-	

REVENUE EXPENDITURE - HOW WE DO OUR BUSINESS

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		7,462,687		
	BUDGET CHANGES:				
2.0	Inflation		140,466	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Budget & Policy Framework - Finance & Audit		185,198	Ref 3.1	Apprenticeship posts within Finance and Audit to support sucession planning and resilience
3.2	Budget & Policy Framework - Finance & Audit		26,000	Ref 3.2	Continue the Councils contribution to the Counter Fraud Partnership
3.3	Corporate Standards & Culture (Incl Ch Exec)		67,500	Ref 3.3	Reinstate the budget for the Local Government Association (LGA) subscription
4.0	Savings				
5.0	**2019/20 BUDGET**		**7,881,851**		

REVENUE EXPENDITURE - HOW WE DO OUR BUSINESS

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	BUDGET & POLICY FRAMEWORK - FINANCE & AUDIT	4,849,923	308,167	5,158,090
2.0	CORPORATE STANDARDS & CULTURE INCLUDING CHIEF EXECUTIVE	458,803	72,511	531,314
3.0	DECISION MAKING INCLUDING DEMOCRATIC PROCESSES - ELECTIONS	9,000	0	9,000
4.0	DECISION MAKING INCLUDING DEMOCRATIC PROCESSES	2,144,961	38,486	2,183,447
			0	
5.0	**NET TARGET BUDGET**	**7,462,687**	**419,164**	**7,881,851**
			-	
			-	
			-	

REVENUE EXPENDITURE - ENABLERS AND SUPPORT TO COUNCIL'S OUTCOMES

Ref No	Main Area of Expenditure		2019/20 Estimate £		Notes
1.0	2018/19 BUDGET		41,381,346		
	BUDGET CHANGES:				
2.0	Inflation		470,836	Ref 2.0	An allocation for Inflation
3.0	Cost Pressures				
3.1	Property Strategy & Support - Other		390,500	Ref 3.1	Cost pressure to meet contract increases in relation to the National Living Wage
3.2	Property Strategy & Support - Other		122,625	Ref 3.2	Increasing utility costs
3.3	Property Strategy & Support - Other		58,145	Ref 3.3	Increasing property rates
3.4	Property Strategy & Support - County Farms	-	278,060	Ref 3.4	Removal of a one off pressure for concluding archaeological costs of West Deeping minerals site
4.0	Savings				
4.1	Property Strategy & Support - Other	-	15,000	Ref 4.1	Contribution to support the capital programme
5.0	**2019/20 BUDGET**		**42,130,392**		

REVENUE EXPENDITURE - ENABLERS AND SUPPORT TO COUNCIL'S OUTCOMES

Line No	Description	2018/19 Budget £	Budget Changes £	2019/20 Original Estimate £
			-	
1.0	IMT STRATEGY & SUPPORT	15,610,825	37,408	15,648,233
2.0	PROPERTY STRATEGY & SUPPORT - COUNTY FARMS	-1,245,394	-278,060	-1,523,454
3.0	PROPERTY STRATEGY & SUPPORT - OTHER	9,928,943	580,143	10,509,086
4.0	PEOPLE MANAGEMENT STRATEGY & SUPPORT	3,407,543	13,729	3,421,272
5.0	LEGAL ADVICE	-425,148	65,504	-359,644
6.0	COMMISSIONING STRATEGY & SUPPORT	3,530,334	65,717	3,596,051
7.0	BUSINESS SUPPORT	9,679,944	251,578	9,931,522
8.0	STRATEGIC COMMUNICATIONS	894,299	13,027	907,326
			0	
9.0	**NET TARGET BUDGET**	**41,381,346**	**749,046**	**42,130,392**
			-	
			-	
			-	

APPENDIX R

GLOSSARY OF FINANCIAL TERMS

Budget carry forward - The actual under/overspending at the end of the financial year compared with the revised budget target which is allowed to be carried forward into the next financial year.

Budget requirement - Net revenue expenditure to be financed from Business Rates, Revenue Support Grant, other non-ring fenced Government Grants and Council Tax Income.

Budget Target - A corporately determined spending limit for an individual service.

Capital Grants - Government grants received that contribute towards capital expenditure incurred on a particular service or project e.g. Highways Asset Protection Grant received from the government which contributes towards planned capital expenditure on roads.

Capital Receipts - Proceeds received from the sale of property and other fixed assets (assets which have a value beyond one financial year). These can be used to contribute towards the cost of capital expenditure, generally not revenue expenditure.

Central support - A charge to a service which is the service's share of the cost of the central administration and professional departments which support direct service provision.

Contingency - A sum of money set aside to provide for foreseen but unquantifiable commitments and for unforeseen expenditure that may occur at any time in the future.

County precept - The income which District Councils collect on the County Council's behalf from Council Tax payers.

Capital financing charges - Charges to the revenue account which fund capital expenditure. Such charges comprise interest payments on debt, direct financing of capital expenditure from the revenue budget and leasing payments.

Dedicated Schools Grant (DSG) - The main grant paid by central government to support schools within the county. This must all be spent on supporting schools.

Revenue Support Grant (RSG) - The main grant paid by central government to local authorities to support the provision of all services, except for schools.

Interest on revenue balances - The money earned or paid in relation to the temporary investment of, or temporary borrowing to support, the County Council's cash balances.

Local retention of business rates – Business rates set by central government and levied on business properties. This is collected by District Councils who pay a share of this income over to the County Council.

Precept - An amount levied by one body on another e.g. the Environment Agency precepts on the County Council.

Reserves - The revenue reserves available to provide a working balance during the financial year, for example in periods when expenditure exceeds income. These may be earmarked for specific purposes, or general reserves.

Specific grants - Grants made to a local authority by central government for a particular project or service e.g. Private Finance Initiative.

Total Expenditure - Budget requirement plus expenditure financed by drawing from balances (or the budget requirement less contributions to balances).

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
Readiness for School	Children Centres - and commissioned services	This commissioning strategy aims to ensure all children will be ready to learn when they start school enabling them to achieve their full potential.
	Early Years sufficiency and support to the Private, Voluntary and Independent sector	
	Birth to 5 Service	
Learn & Achieve	School Support Services	This commissioning strategy aims to ensure all children and young people will learn and achieve, enabling them to reach their potential.
	School Improvement	
	Statementing process and interventions (to be replaced with new health, education and social care plan)	
	Home to school/college transport	
	Children with Disabilities	
Readiness for Adult Life	Careers Service	This commissioning strategy aims to ensure all young people will be prepared and ready for adult life.
	Positive activities for young people	
	Teenage Pregnancy	
	Supported accommodation/lodgings	
	Supported employment	
	Lincs Secure Unit	
	Reducing youth offending	
	Leaving Care Service	
Children are Safe and Healthy	School Nursing	This commissioning strategy aims to ensure all children and young people will be safe and healthy.
	Healthy schools & healthy child	
	Child protection (contact, referral and assessment)	
	Targeted Support - young people	
	Looked after Children	
	Fostering and adoption	
	Residential homes	
	Child and Adolescent Mental Health Services	
	Family support	
	Commissioning Support for all Children's Strategies	
Adult Frailty, Long Term Conditions and Physical Disability	Supporting Adult frailty (older people)	This commissioning strategy aims to ensure that individuals receive appropriate care and support that enables them to feel safe and live independently.
	Physical disability	
	Dementia	
Carers	Adult & Young carers	This commissioning strategy aims to ensure that carers feel respected and are able to balance their caring roles and maintain their quality of life.
Adult Specialities	Supporting Adults with learning disability	This commissioning strategy aims to improve outcomes for adults with mental health, learning disabilities and/or autism.
	Mental health	
	Autism	
Adult Safeguarding	Adult Safeguarding (including Mental Capacity Act)	This commissioning strategy aims to ensure all vulnerable adults rights are protected to live in safety and free from abuse and neglect.

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
Community Resilience and Assets	Advice, information and support services from community and voluntary sector infrastructure organisations	This commissioning strategy aims to assist communities in the county to support themselves. It will also include the community response to emergencies.
	Financial Inclusion	
	Library and information services	
	Customer Service Centre	
Wellbeing	Health Improvement, prevention and self management	This commissioning strategy aims to assist improvements in the health and wellbeing of the population as a whole, it covers advice, information and preventative services.
	Public Health statutory service	
	Wellbeing Service (including specialist equipment, assistive technology and Disabled Facility Grants)	
	Sexual Health	
	Housing related support	
	Prevention and treatment of substance misuse	
Protecting the Public	Preventing and reducing crime	This commissioning strategy will cover all of the work required in order to protect the communities in Lincolnshire.
	Tackling domestic abuse	
	Preventing and tackling fires & emergency response	
	Protecting the public through trading standards	
	Protecting the public by planning for and responding to emergencies	
	Improving road safety	
	Registration, Celebratory and Coroners service	
Sustaining & Developing Prosperity Through Infrastructure	Transportation including concessionary fares and other government grants etc	This commissioning strategy facilitates growth and prosperity through encouraging investment and enhancing the economic potential of the county.
	Highway asset maintenance	
	Highway network management	
	New transport investments including highways improvements and bypasses, growth corridors and programmes	
	Heritage & tourism operation and development	
Protecting & Sustaining the Environment	Reducing carbon emissions	This commissioning strategy covers how the Council will protect, enhance and balance our environmental needs.
	Flood risk management	
	Protecting and enhancing the natural & built environment	
	Waste management	
	Sustainable Planning	
Sustaining & Growing Business & the Economy	Improving skills and employability	This commissioning strategy covers how the council will help businesses to be the drivers of economic growth through supporting a climate in which they are able to invest, enhance their business performance, and offer attractive jobs to a skilled workforce.
	Encourage enterprise through support to business and our growth sectors	
	Attracting and expanding business investment	
	Lobbying and attracting funding for Lincolnshire	

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
How We Do Our Business	Budget & Policy Framework - Finance & Audit	This commissioning strategy will include the overarching governance and standards for the Council, including decision making through the democratic process.
	Chief Executive's Office	
	Decision making, including the democratic processes and elections	
	Monitoring Officer requirements	
	Eastern Inshore Fisheries & Conservation Authority - Levy	
Enablers & Support to Council's Outcomes	Information Management & Technology Strategy & support	This commissioning strategy will include the enablers required to support the delivery of the Councils agreed outcomes.
	Property Strategy & support (including County Farms)	
	People Management Strategy & support	
	Legal Advice	
	Commissioning Strategy & Support	
	Business Support	
	Strategic Communications	
Enablers & Support to Key Relationships	Partnership engagement & support	This commissioning strategy encompasses the Council's corporate strategies and the support to our relationships with the public, service users, partners and outside bodies.

APPENDIX T

CONTACT INFORMATION FOR COMMISSIONING STRATEGY BUDGET DETAIL

The information on revenue budgets provided in this booklet summarises the detailed estimates approved by individual Commissioning Strategies. If you require further detail please contact:-

Email – finance@lincolnshire.gov.uk

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