



**Open Report on behalf of Andrew Crookham,  
Deputy Chief Executive & Executive Director - Resources**

Report to:	<b>Executive</b>
Date:	<b>05 December 2023</b>
Subject:	<b>Revenue Budget Monitoring Report 2023/24 (Quarter 2)</b>
Decision Reference:	<b>I030088</b>
Key decision?	<b>No</b>

**Summary:**

- This report provides an update on revenue spending compared with budgets for the 2023/24 financial year.
- The tables in this report show the actual income and expenditure for the first six months of this financial year to 30 September 2023, along with the forecasts for spending and a comparison of the forecasts against the approved budgets for the year.
- The report gives an overview of the financial position for revenue, supported by detailed information available within the appendices.
- The revenue budget is forecast to underspend by £18.4m (equivalent to 3% of the net budget).
- The position is supported by a series of exceptional items amounting to £11.6m which are considered further in the report.
- The overall position gives rise to opportunities to pro-actively make best use of the windfall gain to support capital investment in Place infrastructure.
- If the recommendations are approved, the overall forecast underspend would be reduced to £9.6m (equivalent to 1.6% of the net budget).
- General reserves are forecast at the end of the year to remain within the target range of 2.5% to 3.5%.
- The impact of this revenue budget forecast on the Council's resilience has been assessed and the conclusion is that the Council's financial resilience remains relatively strong at this point in time and is supported by the forecasts set out in this report.

**Recommendation(s):**

That the Executive:

- 1) Notes the current position on the revenue budget and decides on any corrective action necessary.
- 2) Approves the transfer of £8.8m from the Place Directorate revenue budget to the capital financing charges budget for the purpose of funding additional capital investment in Place Directorate infrastructure, as set out in paragraph 1.16 of the Report.

**Alternatives Considered:**

1. In respect of recommendation one, this report shows the actual revenue expenditure to 30 September 2023, and projected outturns for 2023/24, therefore no alternatives have been considered.
2. In respect of recommendation two, the Executive could decide to not approve the adjustment proposed and in which case this would lead to a bigger underspend at outturn, all else being equal, which would increase reserves prior to a decision on its usage.  
  
It could also be the case that the Executive decide to plan to invest the resource identified in a different way, although there are not any alternative proposals considered within this report.

**Reasons for Recommendation:**

To maintain the Council's financial resilience.

**1. Background**

- 1.1 In February 2023, the Council approved plans for revenue spending to support delivery of the Council plan, achieve its strategic objectives and legal duties for the benefit of residents and businesses. The financial strategy guides this and provides the mechanisms to ensure the council is financially sustainable and resilient.
- 1.2 The economic environment has remained challenging since the budget was approved, with the rate of inflation remaining higher for longer than the Council's revised expectations in February. This has started to reduce due to prices now being measured against a permanently higher base, however the Bank of England do not expect the rate to fall below their 2% target until 2025. This has implications for the Council's financial planning, which will be reflected during the budget setting process for 2024/25.

- 1.3 Economic challenges impact nationally, and therefore are not specific to Lincolnshire. Nevertheless, this presents significant challenges for the Council, its workforce and the residents and businesses that live and operate in its area. The cost of services are likely to increase further in the medium term, over and above the assumptions set out in the medium term financial plan. This manifests through pay award pressures, higher costs charged by suppliers and the potential for heightened demand for services. Moreover, the Council is constrained in increasing its spending power to counteract pressures.
- 1.4 The Council is considered to be in a strong financial position relative to peers, which reflects the prudent approach that has been taken to financial management to date and which will continue to be required going forward, evident by the positive 2022/23 financial outturn and the monitoring position presented within this report. The Council has also demonstrated its ability to react to emergent crises and meet emergent need within available resources. It is also important to recognise that well-led services provided by the Council are better for our residents, and also lead to better financial outcomes.
- 1.5 In line with good financial management practices, the Council's use of resources is closely monitored and reported to the Executive. This report provides information on the current financial position and will inform the next stages of financial planning, taking account of the risks and opportunities in respect of financial sustainability.
- 1.6 Quarter two represents the half way point in the financial year, which means there has been six months to identify and better understand any changes from the approved financial plan, and six months remaining to continue taking any corrective action necessary. This approach helps to keep the Council in a strong financial position despite the volatile nature of the operating environment
- 1.7 The size and scale of the County Council – and the complexity of the services it provides – means that small percentage changes in assumptions can have large value changes, positive and negative. This is counteracted through the Council's prudent approach to the setting of reserves and contingencies, which ensures the Council has time to react to material changes to circumstances.
- 1.8 There are an increasing number of local authorities enduring situations whereby costs are escalating at a quicker rate than income, and with some issuing section 114 notices. The Council considers the circumstances of each case as part of strategic horizon scanning. In general, the first tranche of local authorities in financial distress are considered to be strongly linked to complications around commercial investments. The second tranche is considered to be more closely linked to escalating levels of need (e.g. social care, home to school transport), with cost increasing at a much quicker rate than income. The recent issues experienced by Birmingham are due to a combination of increasing need but are also due to substantial legacy equal pay claims.

- 1.9 The Office for Local Government have introduced a series of financial measures to compare the financial position of local authorities based on published information. The Government is intending to better understand the relative financial position of local authorities, which provides them with an opportunity to engage local authorities if they identify a cause for concern preferably prior to financial distress being reached. The budget setting report for 2024/25 will contain a fuller analysis of the measures identified, the assessment for Lincolnshire together with an assessment of how our measures may change as a result of the final budget proposal.
- 1.10 The Council's financial planning process which will result in the setting of budgets for 2024/25 is in progress. This contains strong links to the monitoring work ongoing, with references to budget setting made throughout this report.

Overall Financial Position – Revenue

- 1.11 The summary revenue forecast as at 30 September 2023 (end of quarter two) is as follows:

Revenue	Budget (£)	Forecast (£)	Variance (£)
<b>Investment in Directorates</b>			
Adult Care and Community Wellbeing	180,796,468	180,414,826	(381,642)
Children's Services	102,692,393	102,116,182	(576,211)
Place	125,514,575	116,069,575	(9,445,000)
Fire and Rescue	24,305,927	24,343,611	37,684
Resources & Corporate	83,054,409	81,853,920	(1,200,489)
<b>Total</b>	<b>516,363,772</b>	<b>504,798,114</b>	<b>(11,565,658)</b>
<b>Other Budgets</b>			
Contingency	15,924,019	15,924,019	-
Capital Financing Charges	66,969,693	66,969,693	-
Other Budgets	24,188,481	20,588,092	(3,600,389)
<b>Total</b>	<b>107,082,193</b>	<b>103,481,804</b>	<b>(3,600,389)</b>
School Budgets	17,759,847	17,664,565	(95,282)
Transfer to/from Earmarked Reserves	(37,021,435)	(37,021,435)	-
<b>Net Operating Expenditure</b>	<b>604,184,377</b>	<b>588,923,048</b>	<b>(15,261,329)</b>
<b>Funding</b>			
County Precept	(365,554,704)	(365,554,704)	-
Business Rates	(142,258,973)	(145,258,973)	(3,000,000)
Revenue Support Grant	(23,391,916)	(23,391,916)	-
Other Grants	(72,978,784)	(73,138,284)	(159,500)
<b>Total Funding</b>	<b>(604,184,377)</b>	<b>(607,343,877)</b>	<b>(3,159,500)</b>
<b>RESIDUAL DEFICIT (+) / SURPLUS (-)</b>	<b>-</b>	<b>(18,420,829)</b>	<b>(18,420,829)</b>

- 1.12 Appendix A shows an expanded version of this summary table, in addition to further explanation on the variances within directorates as well as information on the delivery of planned cost base reductions, confirming that the vast majority of efficiency initiatives are on track to be delivered in full during this financial year.
- 1.13 The overall position is that the Council is forecasting to underspend against its budget limit by £18.4m. This comprises:
- Underspend within services (£11.6m or 2.2%)
  - Underspend within other budgets (£3.6m or 3.4%)
  - Over recovery of funding (£3.2m or 0.5%)
- 1.14 There are a series of exceptional factors which contribute £11.6m to towards the forecast £15.3m underspend within the cost base, and are not considered to reflect business as usual. These are considered in further detail within Appendix A, but specifically relate to lower than expected energy costs, additional income from the energy from waste plant and additional traffic regulation order income. These are considered in fuller detail within the Appendix.
- 1.15 The scale of the reported underspend provides an opportunity for the Council to increase investment within Place infrastructure, which will secure operational and financial benefits going forward. Further analysis of the proposed capital investment is contained within Appendix A.
- 1.16 To be specific, permission is sought through this report to utilise an element of the forecast underspend to fund additional capital investment as follows:
- £6.1m Waste Transfer Stations (funded by EfW windfall gain)
  - £1.2m Cross Keys Bridge electrification (extra TRO income funded)
  - £1.5m LED swap out (energy underspend funded)
- This effectively means transferring £8.8m of revenue budget from Place directorate to the capital programme, for the schemes outlined above. If approval is given, this would reduce the forecast Council underspend to £9.6m. Under the Council's Financial Regulations a transfer from revenue to capital requires the approval of the section 151 Officer in writing as well as the approval of the Executive. The Executive Director – Resources as section 151 Officer in whose name this Report is written hereby gives that approval.
- 1.17 Whilst this report seeks approval to effect the budget transfers, it should be noted that permission to undertake the specific works identified in 1.16 will be sought via separate decision reports.
- 1.18 There could be further changes to the overall reported position in subsequent reports reflecting potential emerging risk, together with offsetting action to mitigate. At this stage it is likely that further underspends may emerge if identified risks can be contained to within contingency resources available.

### Earmarked Reserves

- 1.19 Appendix B shows the current balance on the Council's earmarked reserves, together with amounts forecast to be drawn down from reserves to cover expenditure in the current year. The total opening balance for reserves including earmarked reserves, grant reserves and school balances is £238.1m. It is currently forecast that £72m of this will be used in 2023/24 to support expenditure in accordance with the purposes of the reserves. Please note this is subject to change.

### Progress on Development Fund Initiatives

- 1.20 Appendix C shows a list of initiatives where the revenue and capital costs are to be funded by the Development Fund earmarked reserve. The latest forecast delivery profile can be seen within the appendix. Expenditure on Development Fund initiatives is currently forecast to be £27.8m in 2023/24, split between revenue (£12.9m) and capital (£14.9m).

### Assessment of Impact on Financial Resilience

- 1.21 The impact of the financial management update set out in this report on the Council's financial resilience has been assessed and it has been concluded that the Council's financial resilience remains relatively strong. The Council took steps in advance of the financial year to mitigate the emerging risk in respect of inflation, which included maintaining the balance of the revenue contingency at the level set in 2022/23.
- 1.22 The forecast set out in this report is for a revenue underspend, and if this remains through to outturn it would be further evidence of strong financial management when considering the wider economic context the Council has been operating within. It also provides assurance that the measures introduced within this budget to offset emergent risk have been successful, which provides a strong platform for the upcoming budget setting process
- 1.23 General reserves are forecast at the end of the year to remain within the target range of 2.5% to 3.5%. Based on our current forecast underspend there should be no requirement to draw down our Financial Volatility Reserve to support the 2023/24 budgetary position. The balance of the Financial Volatility Reserve currently stands at £46.9m.
- 1.24 The Council continues to maintain its financial resilience by:
- Proactive financial management in respect of the emergent financial position,
  - Taking action to mitigate issues as and when they arise,
  - Continuing to work with the Society of County Treasurers to ensure that the Government understands the particular issues faced by County Councils,

- Refreshing and updating the medium term financial plan and financial strategy,
- Continued emphasis on transformation work, which enables significant reductions within the cost base.

### Reporting of Budget Virements

1.25 The Council's financial regulations require officers to report any budget virements made during the year to the Executive. A budget virement is where budget is moved from one service area to another and where the original purpose the budget was approved for has changed. A list of all such virements made in quarter two can be found in Appendix D.

## **2. Legal Issues:**

### Equality Act 2010

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

Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.

Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

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

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

Insofar as this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive. In respect of the infrastructure initiatives proposed to be funded from the money transferred to capital in accordance with recommendation 2 the Equality Act implications will be dealt with in the decision reports referred to in paragraph 1.17.

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

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

Insofar as this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive. In respect of the infrastructure initiatives proposed to be funded from the money transferred to capital in accordance with recommendation 2 the JSNA and JHWS implications will be dealt with in the decision reports referred to in paragraph 1.17.

#### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

Insofar as this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive. In respect of the infrastructure initiatives proposed to be funded from the money transferred to capital in accordance with recommendation 2 the Crime and Disorder Act implications will be dealt with in the decision reports referred to in paragraph 1.17.



### **3. Conclusion**

- 3.1 The Council's overall forecast revenue position is an underspend of £18.4m.
- 3.2 This provides an opportunity to undertake additional capital investment within Place infrastructure, subject to approval being given.
- 3.3 The position will continue to be monitored and reported throughout the year.

#### **4. Legal Comments:**

This report sets out an update on spending as at 30 September 2023 compared with the revenue budget for the financial year starting on 1 April 2023 to assist the Executive in monitoring the financial performance of the Council.

As to recommendation 2, under the Council's Financial Regulations approval of budget reallocations above £500,000 are within the remit of the Executive. For reallocations from revenue to capital there is an additional requirement that the section 151 Officer (Executive Director – Resources) approves the reallocation in writing. The section 151 Officer's approval is recorded in paragraph 1.16 of this Report.

The decision is consistent with the Policy Framework and within the remit of the Executive.

#### **5. Resource Comments:**

This report indicates that the current year revenue budget is projected to be underspent, which partly reflects a series of exceptional items that contribute to the overall position.

The proposal to utilise part of the forecast underspend to invest additional capital in Place infrastructure would ensure necessary investment can take place without incurring ongoing borrowing requirements, preserving available capital resources for other capital priorities. It is also preferable to take action now, rather than wait until 2023/24 outturn completion in September 2024.

There are currently no other call on reserves expected to be required within the current financial year. Continued effort in monitoring is essential to ensure that emerging financial risk is identified and mitigated wherever possible throughout the year.

## 6. Consultation

### a) Has Local Member Been Consulted?

N/A

### b) Has Executive Councillor Been Consulted?

Yes

### c) Scrutiny Comments

This report is due to be considered by the Overview and Scrutiny Management Board on 30 November 2023. Any comments of the Board will be reported to the Executive.

### d) Risks and Impact Analysis

The impact of this reported financial position on the Council's overall financial resilience has been assessed and is reported on within this report.

## 7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Revenue Budget Monitoring Forecast Q2 2023/24
Appendix B	Earmarked Reserves
Appendix C	Monitoring of Development Fund
Appendix D	Budget Transfers (Quarter Two 2023/24)

## 8. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Council Budget 2023/24	<a href="#">Council Budget 2023/24</a>
Budget Book 2023/24	<a href="#">Budget Book 2023/24</a>

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Revenue Budget Monitoring Forecast Q2 2023/24

APPENDIX A

Table A1: Budget Forecast by Budget Book Line

REVENUE BUDGETS (all figures in £ unless stated otherwise)	Revised Budget	Net Expenditure	Forecast Outturn	Forecast Variance	Forecast Variance (%)
<b>CHILDREN'S SERVICES</b>					
Children's Education	13,709,024	9,353,578	13,643,301	(65,723)	-0.5%
Children's Social Care	88,983,369	48,077,393	88,472,881	(510,488)	-0.6%
<b>ADULT CARE &amp; COMMUNITY WELLBEING</b>					
Adult Frailty & Long Term Conditions	140,481,208	18,825,035	140,525,207	43,999	0.0%
Adult Specialities	102,467,480	66,667,943	102,290,480	(177,000)	-0.2%
Public Health & Community Wellbeing	29,564,351	8,910,066	29,430,710	(133,641)	-0.5%
Public Protection	5,679,720	1,362,774	5,564,720	(115,000)	-2.0%
Better Care Fund	(61,412,354)	(10,564,842)	(61,412,354)	-	0.0%
Public Health grant income	(35,983,937)	(17,991,969)	(35,983,937)	-	0.0%
<b>PLACE</b>					
Communities	86,672,906	21,423,342	80,977,906	(5,695,000)	-6.6%
Lincolnshire Local Enterprise Partnership	451,567	(928,387)	451,567	-	0.0%
Growth	2,642,683	(638,683)	2,871,683	229,000	8.7%
Highways	35,747,419	3,736,187	31,768,419	(3,979,000)	-11.1%
<b>FIRE &amp; RESCUE</b>					
Fire & Rescue	24,305,927	11,506,387	24,343,611	37,684	0.2%
<b>RESOURCES</b>					
Finance	8,266,102	3,899,608	7,858,770	(407,332)	-4.9%
Organisational Support	16,273,040	10,524,400	16,107,619	(165,421)	-1.0%
Governance	2,918,999	2,611,726	2,930,159	11,160	0.4%
Corporate Property	19,828,644	9,621,690	18,383,421	(1,445,223)	-7.3%
Commercial	8,900,666	4,029,569	8,430,327	(470,339)	-5.3%
Transformation	6,351,454	3,641,423	6,572,449	220,995	3.5%
IMT	17,572,168	11,844,016	18,723,528	1,151,360	6.6%
Corporate Services	2,943,336	1,372,253	2,847,647	(95,689)	-3.3%
<b>SERVICE TOTAL</b>	<b>516,363,772</b>	<b>207,283,509</b>	<b>504,798,114</b>	<b>(11,565,658)</b>	<b>-2.2%</b>
<b>OTHER BUDGETS</b>					
Contingency	15,924,019	-	15,924,019	-	0.0%
Capital Financing Charges	66,969,693	(3,947,211)	66,969,693	-	0.0%
Other Budgets	24,188,481	5,323,562	20,588,092	(3,600,389)	-14.9%
<b>OTHER BUDGETS TOTAL</b>	<b>107,082,193</b>	<b>1,376,351</b>	<b>103,481,804</b>	<b>(3,600,389)</b>	<b>-3.4%</b>
<b>SCHOOLS BUDGETS</b>					
Schools Block	159,049,307	57,782,598	159,044,851	(4,456)	0.0%
High Needs Block	106,298,815	50,827,656	106,205,901	(92,914)	-0.1%
Central School Services Block	3,223,169	432,143	3,238,584	15,415	0.5%
Early Years Block	43,187,242	21,161,324	43,173,915	(13,327)	0.0%
Dedicated Schools Grant	(301,604,930)	(156,820,278)	(301,604,930)	-	0.0%
Schools Budget (Other Funding)	7,606,244	(3,227,942)	7,606,244	-	0.0%
<b>SCHOOLS BUDGETS TOTAL</b>	<b>17,759,847</b>	<b>(29,844,499)</b>	<b>17,664,565</b>	<b>(95,282)</b>	<b>-0.5%</b>
<b>BUDGET REQUIREMENT (pre-reserves)</b>	<b>641,205,812</b>	<b>178,815,361</b>	<b>625,944,483</b>	<b>(15,261,329)</b>	<b>-2.4%</b>
Transfer to/from Earmarked Reserves	(37,021,435)	(29,478,045)	(37,021,435)	-	0.0%
<b>BUDGET REQUIREMENT</b>	<b>604,184,377</b>	<b>149,337,316</b>	<b>588,923,048</b>	<b>(15,261,329)</b>	<b>-2.5%</b>
<b>FUNDING</b>					
County Precept	(365,554,704)	(182,777,352)	(365,554,704)	-	0.0%
Business Rates	(142,258,973)	(73,081,454)	(145,258,973)	(3,000,000)	2.1%
Revenue Support Grant	(23,391,916)	(12,163,796)	(23,391,916)	-	0.0%
Other Grants	(72,978,784)	(37,235,237)	(73,138,284)	(159,500)	0.2%
<b>Total Funding</b>	<b>(604,184,377)</b>	<b>(305,257,839)</b>	<b>(607,343,877)</b>	<b>(3,159,500)</b>	<b>0.5%</b>
<b>RESIDUAL DEFICIT (+) / SURPLUS (-)</b>	<b>-</b>	<b>(155,920,523)</b>	<b>(18,420,829)</b>	<b>(18,420,829)</b>	<b>-3.0%</b>

## Analysis of Revenue Forecast

### Operating Context

1. The Council's revenue budget requirement represents the day-to-day costs of council service delivery. The Council has a strong track record of managing financial risk, with continuous improvement and implementation of efficient delivery models. Given the continued economic challenges, specifically in respect of persistent high levels of inflation, it is essential that the Council can continue to adapt to an ever-changing operating environment. This is a fundamental prerequisite for financial sustainability over the long-term.
2. The Council conducts an organisation wide budget monitoring exercise that seeks to monitor and report progress against approved financial plans on a quarterly basis, with targeted monitoring occurring during intervening periods and focussing on high-risk areas. The position set out within this report and appendix is concerned with the best estimate at quarter two. Robust monitoring is especially important during a prolonged period of economic volatility.
3. In the quarter one update, the implementation of the Council's new financial system was referenced as a major undertaking which had partially disrupted access to reporting during the monitoring period. This was resolved prior to quarter two monitoring, with attention now focussing on adapting processes to the new system and developing reporting further to enhance the information output for budget and spend managers.
4. The complexities associated with the current system of Local Government finance, in addition to the measures being progressed by the Government to ensure better oversight of the relative financial position of local authorities has been set out in the report section.

### Council Summary

5. For 2023/24, the Council has a cash limit of £604.2m, otherwise known as its budget requirement. At quarter two, the Council is forecasting a total underspend against the budget limit of £18.4m (or 3.0%). This is shown in Table A1, and comprises an:
  - Underspend within services (£11.6m or 2.2%)
  - Underspend within other budgets (£3.6m or 3.4%)
  - Over recovery of funding (£3.2m or 0.5%)
6. The overall position reflects an amalgamation of identified over and underspends across the Council. The position for each directorate is considered further on in this section.
7. However, it is important to note that energy related windfall gains and reductions in cost account for approximately £9.1m of the £15.3m forecast service underspend. This relates to:

- the lag effect additional income from the energy from waste plant, reflecting the period of higher energy prices (£6.1m)
- energy costs across street lighting and property for 2023/24 not increasing to the same extent as had been expected (£3m)

In addition, there is forecast to be a significant increase in additional traffic regulation order income and permitting, in excess of the contractual cost and income share arrangement (£2.5m). Each are considered in further detail within the directorate section to which they relate.

8. It should also be noted that other local authorities have experienced lower than expected energy costs and higher than expected energy from waste income. This is due to similar assumptions in budget setting, with energy cost estimates provided by an external body to several local authorities. Therefore, the variances identified are not considered to be Lincolnshire specific.
9. The sum of the exceptional items considered in point 8 equates to approximately £11.6m, which is broadly similar to the total service underspend forecast shown in Table A1, albeit made up of differently and taking into account all reported variances across all services.
10. The budget setting process will consider in depth the permanency of the variances that have emerged during 2023/24. At this stage the energy costs are expected to be permanently lower than forecast, and the additional energy from waste income is expected to be temporary.

Place Directorate: Proposal for Additional Capital Investment

11. There is an opportunity for the Council to amend its financial plans and utilise the forecast underspend primarily caused by exceptional factors. Within the Place directorate, permission is being sought through this report to utilise their forecast underspend to fund additional capital investment as follows:
  - £6.1m Waste Transfer Stations (funded by EfW windfall gain)
  - £1.2m Cross Keys Bridge electrification (extra TRO income funded)
  - £1.5m LED swap out (energy underspend funded)
12. The summary of what each scheme entails is as follows:
  - a. Waste transfer stations – in order to meet the requirements of the Environment Act 2021, the Council needs to be able to separately collect and dispose of food waste from April 2025. This will necessitate changes to the existing five LCC waste transfer stations plus the construction of a new facility in the County to replace a rented facility which cannot be amended. Finally, the proposal is to also replace aging wheeled loading shovels to ensure the efficient operation of WTS sites. This investment is expected to enable significant revenue savings associated with food waste treatment which would be considered through the budget setting process if approved.

- b. Cross Keys Bridge electrification – the proposal is to replace the existing hydraulic systems with a fully electric system, with the bridge being operated via the use of electric motors. There are numerous benefits to making this change, including environmental, financial and resilience of the asset, with no disadvantages identified.
  - c. LED swap out – the proposal is to complete additional works in swapping out existing bulbs to LED light bulbs, which are considered to be more effective and efficient for the parts of the network that remain using older technology bulbs.
13. It should be noted that this report is not seeking permission to undertake the specific works identified in point 12, as this will be sought via separate decision reports. This report is formally seeking approval to make the budget adjustments necessary which would ensure resource availability to support the decision process to undertake the works.
14. The Council is currently working through a process to identify capital investment requirements over the medium and longer-term period, set against affordability limits. The proposal contained here would effectively reduce the need to borrow to fund these schemes, assuming they would be prioritised over other competing schemes.
15. The proposal to transfer £8.8m of Place revenue to capital is a recommendation of this report. If this is approved, the following adjustments would be made:
- £8.8m revenue budget transferred from Place to capital financing charges
  - £8.8m additional cost forecast within capital financing charges (to reflect the additional use of revenue to support capital investment)
16. This would impact the Council summary quarter two forecast position as shown in Table A2:

Table A2: Budget Forecast by Directorate/Area (adjusted for proposal)

Revenue	Budget (£)	Forecast (£)	Variance (£)
<b>Investment in Directorates</b>			
Adult Care and Community Wellbeing	180,796,468	180,414,826	(381,642)
Children's Services	102,692,393	102,116,182	(576,211)
Place	116,714,575	116,069,575	(645,000)
Fire and Rescue	24,305,927	24,343,611	37,684
Resources & Corporate	83,054,409	81,853,920	(1,200,489)
<b>Total</b>	<b>507,563,772</b>	<b>504,798,114</b>	<b>(2,765,658)</b>
<b>Other Budgets</b>			
Contingency	15,924,019	15,924,019	-
Capital Financing Charges	75,769,693	75,769,693	-
Other Budgets	24,188,481	20,588,092	(3,600,389)
<b>Total</b>	<b>115,882,193</b>	<b>112,281,804</b>	<b>(3,600,389)</b>
School Budgets	17,759,847	17,664,565	(95,282)
Transfer to/from Earmarked Reserves	(37,021,435)	(37,021,435)	-
<b>Net Operating Expenditure</b>	<b>604,184,377</b>	<b>597,723,048</b>	<b>(6,461,329)</b>
<b>Funding</b>			
County Precept	(365,554,704)	(365,554,704)	-
Business Rates	(142,258,973)	(145,258,973)	(3,000,000)
Revenue Support Grant	(23,391,916)	(23,391,916)	-
Other Grants	(72,978,784)	(73,138,284)	(159,500)
<b>Total Funding</b>	<b>(604,184,377)</b>	<b>(607,343,877)</b>	<b>(3,159,500)</b>
<b>RESIDUAL DEFICIT (+) / SURPLUS (-)</b>	<b>-</b>	<b>(9,620,829)</b>	<b>(9,620,829)</b>

17. This would have the effect of reducing the total forecast revenue underspend from £18.4m to £9.6m, and represent a 1.6% difference to the total budget limit.

18. If approval is not granted for the adjustment, the overall Council underspend would be £8.8m higher at the end of the financial year all else being equal. Its usage would then be determined through the financial outturn reporting process, which would be considered by Full Council in September 2024.

#### Variance by Directorate

19. Further analysis on the forecast revenue variance by service area is contained within this section.

20. Children's Services (£0.576m underspend):

- The Children's Education service is forecasting an underspend of £0.066m (or 0.5%), a reduction in the underspend from the prior quarter. The change in variance relates to increased Psychology service costs caused by an increase in the number of Education Health Care plans (£0.112m) and support costs relating to the processing of SEND annual reviews (£0.301m). This is largely offset by underspends in the Domiciliary Care contract (£0.290m or 48.5%)

which continues to be unable to access care resources and packages of support due to limited availability within the marketplace and a national shortage of carers for domiciliary care. As a result, there are a number of young people who are waiting for a domiciliary care service. Whilst access to the contract is the preferred option, if that is not possible then the direct payment route or spot purchase package are explored. The other main underspend relates to occupational therapy equipment.

- The number of Children in Care (CiC) has increased further to 747 at the end of August 2023 compared to 727 as at the end of March 2023. There is a continuing need for external placements, leading to overspends on residential placements (£0.294m or 4.2%) and out of county fostering placements (£0.547m or 25.2%). This includes three exceptional secure placements, for welfare reasons, which the revenue contingency is contributing towards (£0.980m), due to its exceptional nature and this cost is not budgeted for within Children's Services. In addition, the authority is seeing fee increases in the unfavourable external market, a situation which is also being experienced nationally and more complex and demanding young people being unable to be placed with our in-house foster carers. The CiC programme continues to have strong oversight and rigour of the budget position of these demand-led and volatile budgets. Within Fostering and Adoption, a forecast underspend on Family Assessments and Regulation 24 (£0.364m) have helped to partly offset these overspends.
- Social care legal costs are currently forecasting an underspend (£0.430m or 10.6%). This demand-led budget position should be treated with caution. A significant amount of work has taken place with key stakeholders to improve processes, however services are seeing higher numbers of children in need; child protection and CiC. The anticipated Children's Services 1% carry forward (£0.968m) from 2022/23 has not been specifically earmarked for particular activities, but rather for use in supporting increased spending on families in crisis, inflationary challenges and supporting emergency external placements.
- It is expected that the additional costs associated with the transport of children and families for family time initially identified in 2022/23, will continue in 2023/24. The Contact Team is forecast to overspend by £0.500m (or 32.1%). This cost will be assumed to be met from the 2023/24 centrally retained education transport budget, which was established to respond to the rising costs in transport delivery.
- Leaving Care and Supported Accommodation is forecasting to overspend by £1.086m (or 19.9%). The majority of this relates to Intense Needs Supported Accommodation (£0.922m or 184.5%) which provides more suitable placements for the young people concerned in addition to being more cost effective when compared to CiC external residential placements.
- The 0-19 children's health service continues to forecast an underspend of £0.700m (or 7.7%). This is mainly due to county-wide Health Visitor vacancies



which are at a similar level to that experienced in 2022/23. Health Visitor recruitment is a national issue, and workforce development and ongoing recruitment remains key priorities for the service.

21. Adult Care and Community Wellbeing (£0.382m underspend):

- ACCW forecast is £0.381m underspent. The key driver influencing this position continues to be the 6% vacancies (47FTE) across the Directorate. The reduction in forecast underspend from last quarter is driven by an increase in AF&LTC short term residential care placements, an increase in interim bed usage during September (26 as at 13/9/23) and a small number of complex physical disability packages of care. This poses a financial risk given the likelihood that these placements will become long term.
- During September, the government announced a second tranche of Market Sustainability and Improvement Funding. In addition to the £7.9m received at the start of the financial year, ACCW received a further £5.1m of funding which must be spent during 2023-24. The grant conditions specify this funding should be used to support one or more of adult social care workforce, reducing adult social care waiting times and/or market sustainability through provider rates. Based upon the market assessments completed across adult social care and the capacity and demand modelling, ACCW DLT is proposing to invest in mental health services to support the forecast increase in demand and cost of residential placements in particular, reablement services and initiatives to recruit and retain the adult social care workforce.

22. Place (£9.445m underspend\*):

- The 2023/24 Highways budget included an additional £3.833m for signals and street lighting energy based on the ESPO energy adviser's forecasts. With a smaller increase now forecast for the next contract year commencing October 2023, there is an expected budget saving for the current financial year of £1.5m.
- In respect of Communities, the income share from electricity generated at the EfW plant has now been agreed and invoiced to the plant operator with forecasts updated to reflect the additional income. This is partially offset by inflation and other contract pressures within the Communities service areas but still provides the opportunity for a substantial (£5m) contribution to the investment required in the county's waste infrastructure to enable operating savings and meet future statutory requirements.
- Growth is showing inflationary pressures arising on energy and insurance costs in the business units. This is exacerbated by income levels currently being affected by voids. As the overall budget variance equates to almost 9% of the service area's net budget, there is limited scope to absorb this pressure and it's expected to remain a challenge for the year.

- In respect of education transport, the Council set aside £9.4m into contingency during the 2023/24 budget setting process to reflect the higher cost base of contracts and emerging risk within education transport. Drawdowns from the contingency will be made in-year, which will take into account the new academic year transport contract agreements. Whilst this work is ongoing, it remains the expectation that the contingency set aside remains sufficient to cover the pressures within this area.

\* The directorate are seeking permission to utilise the forecast underspend to fund additional capital investment in infrastructure.

#### 23. Fire and Rescue (£0.038m overspend):

- At this stage in the financial year, the service is forecasting a modest overspend. It is likely that this will be contained by the end of the financial year.

#### 24. Resources and Corporate (£1.200m underspend):

- The property budget included a cost pressure of £4.388m in respect of energy inflation, which were based on the ESPO energy adviser's forecasts. With a smaller increase now forecast for the next contract year commencing October 2023, there is an expected budget saving for the current financial year of £1.5m.
- There are a series of variances within IT which have emerged during the year. This part reflects additional interventions made to strengthen the operation of the service, in addition to other pressures proposed to be funded via carry forward. The net effect reflects a cost pressure, which primarily relates to new IT priority projects. There is the potential that the Council might not be able to progress priority areas in the timescales currently envisaged, and therefore the cost profile may require amending.
- There are forecast underspends across the directorate due to the continued financial impact of higher than budgeted vacancy levels. This has the potential to increase further if recruitment activity is not in line with current expectations.
- The cost of transactional financial services is forecast to be lower during 2023/24 due to lower contract volumes and a forecast reduction in cost of the move from net to gross.

#### 25. Other Budgets (£3.600m underspend):

- Insurance liability premiums are forecast to be approximately £1m lower than budget. The insurance contract was reprocured with effect from 1<sup>st</sup> April 2023 with full details known after the conclusion of the budget setting process where inflationary increases had been assumed. This in part reflects that the

Council increased its level of self-insurance, as well as recognising a reduction in the level of claims against the insurance budget. This is expected to be an ongoing gain and will be reflected through the budget setting process.

- During the 2023/24 budget setting process, a provision was made for the anticipated increase in pay and pension costs. The former was in recognition of an estimate of the pay award, and the latter was concerned with an adjustment to primary and secondary pension rates following the triennial review. The cost of the pay award is expected to be higher than the initial estimate, due to the offer being in excess of the level assumed. In respect of pension costs, the increase assumed did not materialise as had been expected, in part due to the recent triennial review reporting that the pension fund was assessed to be fully funded. Overall, the two pay related costs net to an in year saving of approximately £2.6m. There will be a short-term benefit in the medium term financial plan, with higher costs expected further into the plan based on a higher pay baseline and a higher primary pension contribution rate.
- The new financial system provides enhanced reporting capabilities in respect of the staffing establishment, which will support improvements to future forecasting when fully operational.
- In respect of capital financing charges, the Council is anticipating an in year underspend. This is due to a combination of factors:
  - o Slippage from the 2022/23 capital budget was higher than anticipated, which results in a lower than budgeted minimum revenue provision charge this year.
  - o In turn, this has reduced the short-term need for the Council to borrow simultaneously increasing the Council's cash balances.
  - o Higher interest rates reflecting economic volatility has given rise to a period of successive increases in the Bank of England base rate. This increases the cost of borrowing and the interest rate received. For the Council, it has not needed to borrow and has higher cash balances, which have incurred a higher rate of interest.
- The forecast underspend has not been built into the figures shown in Table A1. In line with the adopted policy, we are likely to implement a voluntary revenue provision at the end of this year equivalent to the underspend. The voluntary revenue provision can be used in future years to help manage any increases in capital financing charges.

#### 26. Schools (£0.095m underspend):

- In respect of the High Needs block, the Alternative Provision (AP) free school place funding is forecast to underspend by £1.443m. This is a temporary underspend assuming that the Department for Education will not fully recoup funding from the Local Authority for this financial year.

- There are several demand-led and volatile areas within the High Needs Block which are forecasting overspends. One of those areas relates to top up funding to mainstream schools for Lincolnshire children and young people with Education and Health Care (EHC) plans which is forecasting an overspend by £1.513m (or 5.0%). This is due, once again, to increased demand, although Lincolnshire's is experiencing lower growth of 6.5% compared to 9% nationally (2021). The SEND transformation programme will continue to have a role in supporting the financial sustainability of the Dedicated Schools Grant.
- Non-Maintained Schools placements, independent mainstream placements and placements with other Local Authorities are overall forecasting an overspend (£0.478m or 2.4%). This is due to increased demand for those pupils with more complex needs, along with insufficient places within Lincolnshire special schools. The Building Communities of Specialist Provision Strategy is delivering an increase in the number of places within Lincolnshire to support the forecast trajectory of growth. These overspends are offset by available funding that remained earmarked for cost growth.

27. Funding (£3.159m over recovery of funding):

- The quarter two forecast is that the Council will over recover funding by circa £3.2m. This primarily relates to business rates funding, and reflects a higher than budgeted estimate of the Council's pooling gain. This is based on the factors that supported a better than expected 2022/23 outturn, and specifically assumes that business rate collection across Lincolnshire will continue to be higher than the baseline, and due to pooling this benefit will be retained and shared locally amongst the County and Districts. Enhanced modelling has been established for business rates to support the 2024/25 budget setting process.
- The other increase in funding relates to a higher than expected extended rights to free travel grant. This is held within funding, and is a net in year gain to the budget if transport costs can be contained within the limits set, which is currently the expectation.

Monitoring of Cost Base Reductions

28. When the Council approved its 2023/24 revenue budget in February, it approved total efficiency savings of £12.2m spread across the Council. As part of regular monitoring, services also measure progress of delivery against planned cost reductions. At quarter two, the planned saving per directorate and the revised estimate is shown in the table below:

Table A3: Monitoring of Planned Cost Reductions

<b>Directorate</b>	<b>Planned Saving</b>	<b>Revised Estimate</b>	<b>Variance</b>
Adult Care and Community Wellbeing	3,862	3,862	-
Children's Services	1,331	1,147	(184)
Fire and Rescue	70	70	-
Other Budgets	2,430	2,430	-
Place	3,076	3,076	-
Resources	1,461	1,461	-
<b>Total</b>	<b>12,230</b>	<b>12,046</b>	<b>(184)</b>

29. There is currently one initiative that has been identified as not on-target. Whilst modest, this relates to the savings associated with the opening of two new children's homes, which have been delayed. The first of the home opened in September 2023 with second home expected to open in January 2024, therefore impacting the savings profile for 2023/24.

Impact on Reserves

30. The current forecast underspend for the Council would be expected to reduce reliance on reserves during 2023/24, with £7.5m having been assumed to support a balanced budget in 2023/24. The current reserve statement is shown in Appendix B.

Financial Planning Process

31. There is a causal relationship between the current year forecast and the potential impact on the Council's budget over the medium term. For instance, permanent cost pressures are likely to require a permanent solution during budget setting for 2024/25. The same applies for permanent cost reductions.
32. The Council is currently progressing its detailed review of budgets as part of the 2024/25 budget setting process. This process will consider a detailed review of service budgets, anticipated future need and price levels. It will also consider anticipated changes to the funding base, together with further transformation and efficiency opportunities as the Council works to maintain its strong financial position.
33. The Government have confirmed that the Autumn Statement will be held on 22<sup>nd</sup> November, which is prior to the meeting of Overview and Scrutiny Management Board. The Autumn Statement will outline the national approach to Local Government financing in 2024/25 and hopefully beyond, although this remains uncertain. The Autumn Statement will set control totals for the Local Government finance settlement, which is the fiscal event where the Government translate national allocations into specific funding envelopes for individual local authorities. The settlement is not expected to be published until mid-to-late December. As Parliament is provisionally expected to rise for Christmas recess on 19<sup>th</sup> December 2023, the settlement will need to be published prior to this.

34. At the Executive meeting on 9<sup>th</sup> January 2024, Members will have the opportunity to consider the budget proposal for 2024/25. This will then be taken forward for consultation and scrutiny during January, before the Executive re-consider an updated budget proposal on 6<sup>th</sup> February 2024. This provides an opportunity for the Executive to recommend that the budget is taken forward to Full Council on 23<sup>rd</sup> February 2024 for the full budget setting meeting.

## Reserve Statement

## APPENDIX B

RESERVE STATEMENT	2022/23 (Actual)	2023/24 (Estimate)	2024/25 (Estimate)	2025/26 (Estimate)	2026/27 (Estimate)
<b>GENERAL FUND</b>	<b>16,400</b>	<b>16,400</b>	<b>16,400</b>	<b>16,400</b>	<b>16,400</b>
<b>EARMARKED RESERVES:</b>					
<b>Corporate Reserves</b>					
Financial Volatility Reserve	46,922	46,922	48,076	44,341	39,357
Development Fund	34,426	6,607	1,504	1,504	1,504
Insurances	6,775	6,775	6,775	6,775	6,775
Other Services	2,390	-	-	-	-
Total	90,513	60,305	56,355	52,619	47,635
<b>Adult Care &amp; Community Wellbeing</b>					
Community Safety Reserve	50	50	50	50	50
Community Engagement Reserve	59	59	59	59	59
Total	108	108	108	108	108
<b>Children's Services</b>					
Schools Sickness Insurance Scheme	958	593	593	593	593
Families Working Together	599	485	371	257	142
Music Service Reserve (carry forward)	281	84	-	-	-
All Other	151	-	-	-	-
Total	1,989	1,162	964	849	735
<b>Place</b>					
Energy from Waste Lifecycles	3,877	3,127	2,377	1,627	877
Traffic Management Reserve	1,713	1,713	1,713	1,713	1,713
Growth Reserve	1,037	962	962	962	962
Cultural Services Reserve	295	123	123	123	123
All Other	948	928	928	928	928
Total	7,870	6,853	6,103	5,353	4,603
<b>Resources</b>					
Procurement	1,357	1,042	714	374	-
Legal	811	811	811	811	811
CSSC Transformation	564	0	0	0	0
Purchase of Employee Leave Scheme Reserve	305	203	129	54	-
Elections	288	588	-	300	600
All Other	25	25	25	25	25
Total	3,349	2,669	1,679	1,564	1,436
<b>TOTAL EARMARKED RESERVES</b>	<b>103,830</b>	<b>71,097</b>	<b>65,209</b>	<b>60,494</b>	<b>54,518</b>
<b>REVENUE GRANTS:</b>					
Children's Services	19,729	9,408	8,068	6,751	5,188
Place	8,972	7,191	6,191	6,191	6,191
ACCW	74,429	62,518	62,491	62,477	62,477
Other Budgets	1,628	1,628	1,628	1,628	1,628
Fire & Rescue	384	333	288	288	288
<b>TOTAL GRANT RESERVES</b>	<b>105,142</b>	<b>81,077</b>	<b>78,666</b>	<b>77,335</b>	<b>75,771</b>
<b>SCHOOL BALANCES</b>	<b>29,148</b>	<b>13,927</b>	<b>9,702</b>	<b>6,050</b>	<b>2,695</b>
<b>TOTAL RESERVES</b>	<b>254,520</b>	<b>182,501</b>	<b>169,977</b>	<b>160,279</b>	<b>149,384</b>

## Monitoring of Development Fund

## Appendix C

Revenue/ Capital	Directorate - Service	Project	Total Budget	2020/21 (Actual)	2021/22 (Actual Spend)	2022/23 (Actual Spend)	2023/24 (Planned Spend)	2024/25 (Planned Spend)	Residual Balance	Ref*
Revenue	Place - Environment	Green Masterplan	<b>350</b>	34	37	131	147	1	-	
Revenue	Place - Communities	Anaerobic digestion Facilities - Business Case Viability	<b>150</b>	12	63	-	75	0	-	
Revenue	Place - Highways and Growth	Highways Advance Design/Economic Development Pipeline Projects	<b>2,713</b>	484	105	693	500	931	-	1
Revenue	Place - Highways	Traffic signals - Wireless communications	<b>5</b>	-	-	-	5	-	-	
Revenue	Fire and Rescue	Research study - LFR prevention work	<b>10</b>	8	-	-	-	-	<b>2</b>	
Revenue	Resources - Transformation	Digital	<b>280</b>	167	-	-	113	-	-	
Revenue	Place - Growth	Broadband - 4G	<b>135</b>	-	-	-	-	135	-	
Revenue	Place - Highways	Drainage Investigation and Flood Repairs	<b>200</b>	30	135	-	35	(0)	-	
Revenue	Resources - Transformation	Transformation Programme	<b>7,394</b>	136	92	1,015	1,953	2,688	<b>1,510</b>	2
Revenue	Councilwide	Emergent council priorities	<b>10,045</b>	-	-	-	10,045	-	-	3
Capital	Place - Communities	Education Transport links to School (Route sustainability)	<b>440</b>	-	-	-	100	340	-	
Capital	Place - Highways	Community Maintenance Gangs	<b>3,981</b>	3,981	-	-	-	-	-	
Capital	Place - Highways	Drainage Investigation and Flood Repairs	<b>3,444</b>	646	561	890	1,347	(0)	-	4
Capital	Place - Highways	Works on B class roads and lower	<b>10,000</b>	-	-	10,000	-	-	-	
Capital	Fire and Rescue	Flood Management Pumps	<b>116</b>	116	-	-	-	-	-	
Capital	ACCW - Public Protection - Trading Standards	Replacement Trading standards Metrology equipment	<b>50</b>	-	-	-	50	-	-	



Revenue/ Capital	Directorate - Service	Project	Total Budget	2020/21 (Actual)	2021/22 (Actual Spend)	2022/23 (Actual Spend)	2023/24 (Planned Spend)	2024/25 (Planned Spend)	Residual Balance	Ref*
Capital	Place - Highways	Traffic signals - Wireless communications	80	80	-	-	-	-	-	
Capital	Place - Growth	Broadband - 4G	800	-	-	-	-	800	-	5
Capital	Place - Highways	Highways initiatives/works	12,000	-	-	-	12,000	-	-	6
Capital	Place - Highways	Lines and signage	1,000	-	-	-	1,000	-	-	7
Capital	Place - Various	Minor infrastructure works, skills development and public rights of way	658	-	-	-	448	210	-	8
			<b>53,851</b>	<b>5,696</b>	<b>993</b>	<b>12,729</b>	<b>27,819</b>	<b>5,104</b>	<b>1,512</b>	

\* further information provided on next page where number reference stated (i.e. to see further information in respect of item 1, please refer to point 1 on the following page)

## Analysis of Development Fund

The Development Fund has been utilised to support investment within Council priorities and includes transformation of the Council to a lower cost base. The Development Fund is specifically monitored to consider progress against approved investment.

The table on the previous page references numbers in the far right hand column, which correspond to the explanations set out below:

Ref	Project	Narrative
1	Highways Advance Design/Economic Development Pipeline Projects	<p>This funding is being utilised to supplement the Advance Design Block budget to accelerate development of Traffic Models, Transport Strategies and Feasibility Studies while still investing the previous level of revenue funding into developing detailed designs for highway based projects and capital funding bids to third parties (e.g. DfT, DLUHC, etc).</p> <p>In addition, it has enabled the development of a pipeline of Economic Infrastructure schemes to bid against emerging government, LCC and other funding opportunities. During 2022/23, 26 Transport Strategies, Models, Feasibilities and Highway Designs were progressed with oversight from the Capital Programme Steering Group. In 2020/21 and 2021/22, 7 Economic Infrastructure feasibility studies were completed and a further 4 progressed during 2022/23 including proposals at Sutton Bridge and Kirton Business Park.</p>
2	Transformation Programme	<p>The Transformation Programme is made up of highly complex programmes of change which require a new way of working. Existing projects and programmes help to drive financial savings, consider opportunities from optimisation and digitalisation within processes and systems, deliver good value services and improved outcomes for all, whilst demonstrating a return on investment.</p> <p>To date, investment has been spent on the delivery of the: Digital Programme, Smarter Working, Children in Care Transformation, Educational Travel, People Strategy, and Corporate Support Optimisation. Each project within the programme delivers a range of budget and cash savings, cost avoidance and non-cashable benefits.</p> <p>Over the past 3 years, recurrent budget savings in excess of £4m have been delivered, with plans for a further £7.2m over the next two years whilst also improving the experience for our customers.</p>
3	Emergent council priorities	<p>The £10.045m balance represents the residual underspend from 2022/23, which Full Council approved to be allocated to the Development Fund to get allocated to priority projects further on in the financial year.</p>
4	Drainage Investigation and	<p>Schemes totalling £700k were commissioned in 2020/21 with an in-year spend of £646k. A further £561k was spent in 2021/22 with</p>

Ref	Project	Narrative
	Flood Repairs	<p>the remaining budget from the original £2m funding allocation spent in 2022/23 on schemes at Scothern and Kirton.</p> <p>Following the successful interventions made utilising this funding, Council approved a further allocation of £1.444m as part of the 2022/23 Budget to continue the programme for a further two years. £97k of this additional funding was used in 2022/23 to complete delivery of the Scothern and Kirton schemes. The remaining £1.347m is planned to be utilised in 2023/24 to deliver a larger scheme of flood alleviation works at Cherry Willingham and a programme of approximately 33 localised schemes / works packages to address localised flooding issues that have emerged as a result of recent rainfall events.</p>
5	Broadband - 4G	<p>We are working with Building Digital UK (BDUK) to understand the specific details of where they will invest in the next stage of the rural broadband programme. Once we fully understand that detail, which should be no later than autumn 2023, then we will assess whether there is the need for 4G and 5G fixed wireless access enabled broadband to augment BDUK's own investment or whether this expenditure should be adapted to meet the same objectives but through a different route.</p> <p>Our priorities are to foster business growth and to tackle the viability gap which deters communities and businesses from having the best possible digital services. This is a particular problem for our rural, farming, and tourism businesses.</p>
6	Highways initiatives/works	<p><u>Applicable to reference 6, 7 and 8:</u>  During the budget setting process for 2023/24, the Council identified £8.7m of reserve balances which were re-allocated to the development fund following a comprehensive review of earmarked reserves. It is proposed that this be utilised to support investment in local highways schemes (£7m), highways lines and signage works (£1m) as well as investment in a series of smaller schemes incorporating minor infrastructure works, skills development and public rights of way. Where any specific expenditure proposals require formal decision-making they will go through the appropriate constitutional procedures.</p> <p><u>Specific to reference 6:</u>  This is in addition to the previously approved £5m which is also to be spent on local highways work.</p>
7	Highways Lines and signage	Please see commentary for reference 6.
8	Minor infrastructure works, skills development and public rights of way	Please see commentary for reference 6. This is planned to be spent against adult skills development (£0.250m), castle infrastructure and equipment (£0.200m), and public rights of way (£0.208m).

**Budget Transfers (Quarter Two 2023/24)**

**Appendix D**

Revenue

SERVICE FROM	SERVICE TO	REASON	Approved by	AMOUNT
Highways	Growth	Virement - Highways to Growth for research study at Belton Lane / Newark Rd junction	Head of Highways Infrastructure and Laboratory Services	0.030m

Capital

SERVICE FROM	SERVICE TO	REASON	Approved by	AMOUNT
Corporate Property	Children's Education	Transfer of budget from Property Area Review to SEMH Schools for Myle Cross	Head of Property Strategy & Business Operations	0.300m

Revenue to Capital

SERVICE FROM	SERVICE TO	REASON	Approved by	AMOUNT
(Revenue) Highways	Chief Finance Officer - Capital Financing	To move Executive approved budget given to fund capitalised maintenance.	Deputy Chief Executive & Executive Director of Resources	12.360m
(Capital) Capital Funding	Highways Asset Protection			
(Revenue) Highways	Chief Finance Officer - Capital Financing	Transfer budget for Salix national loan repayments 23/24	Head of Highway Design Services	0.161m
(Capital) Capital Funding	Highways Asset Protection			