

COUNCIL BUDGET 2020/21

APPENDIX I

BUDGET CONSULTATION FEEDBACK – ADDENDUM REPORT

Statements on Budget Proposals for 2020-21 from Overview and Scrutiny Committees

Public Protection and Communities Scrutiny Committee – 28 January 2020

On 28 January 2020, the Public Protection and Communities Scrutiny Committee supported the budget proposals for the Public Protection and Heritage service areas for 2020/21.

The Committee highlighted the following points in relation to Revenue and Capital Budget Proposals for 2020/21:

- (1) The Committee supported the positive work to aid in reducing attendance at unwanted fire signal calls (false alarms) to commercial, non-life risk premises and the £0.055m saving this will yield.
- (2) The Committee queried the £1.737m cost pressure relating to fire pension employer contributions and highlighted that this could be an on-going pressure going forward.
- (3) The Committee queried the reported cost pressure of £0.284m in 2020/21 on ICT provision as part of the Libraries contract, and a reported savings in IT maintenance costs and from leasing smaller vehicles of £0.124m. Officers confirmed the upgrade to new IT equipment would result in savings going forward.
- (4) The Committee highlighted the success of Waddington Fire Training Facility as a high profile asset and in its role generating additional income for Fire and Rescue.

Overview and Scrutiny Management Board – 30 January 2020

On 30 January 2020, the Overview and Scrutiny Management Board supported the budget proposals for 2020/21 for Commercial, Support, Corporate and enabling services within the remit of the Board.

In relation to the 2020/21 details, the following points were clarified for the Board in relation to questions raised by members:

- The cost pressure for the Customer Services Centre was due to increases in both the cost of the contract with Serco when it was extended until 2022 and

the volume of calls being received. The contract had been renegotiated to better reflect the actual cost of delivery being incurred by Serco. The Council's new website could counteract this increase in volume of contacts if customers start accessing services through the website instead.

- The Corporate Plan and the alignment of the budget with the future aspirations of the Council were not mentioned in the budget proposals due to the Corporate Plan only being approved by the County Council at its meeting in December 2019. However, the increased capacity for transformation to meet the Council's aspirations outlined in the Corporate Plan had been included in the proposed budgets.
- The cost pressure of £1.659m for the increased contractual cost for the "back office" processing in Financial Strategy was partially offset by savings such as the £440,000 saving generated from bringing Human Resources back in-house.
- Property rationalisation would result in some savings from reduced maintenance costs in the property capital programme. The One Public Estate programme was also looking at co-location across the county, including with partner organisations, and how to make the best use of the available property.
- The gross capital programme consisted of £170.077m for 2020/21 and a further £364.159m for the next nine years. The 2020/21 budget was considerably higher than subsequent years due to the capital programmes for the Lincoln Eastern Bypass and Grantham Southern Relief Road. The Council's contribution to the net capital programme was approximately £40m per annum over ten years.

The Overview and Scrutiny Management Board also considered the Medium Term Financial Strategy and Council Budget 2020/21 proposals as set out in the report to the Executive on 7 January 2020 and the Provisional Local Government Finance Settlement published 20 December 2019.

The Board supported the Budget proposals put forward by the Executive for 2020/21, with the exception of the Chairman who abstained.

The Board also supported the establishment of the Development Fund as a new Earmarked Reserve.

In relation to the 2020/21 details, the following points were clarified for the Board:

- The significant reduction in total cost pressures from £44.123m in 2020/21, to £17.513m in 2021/22 and then to £7.772m in 2022/23, was due to particular cost pressures in the corporate budget for 2020/21, such as the £8.000m cost pressure for the change in use of capital receipts which would be added into the base budget for 2020/21 and would not be required to be added in future years. The cost pressures reflected known factors such as pay inflation but there were also unknown factors such as the national living wage and the number of looked after children, and these cost pressures were based on assumptions and numbers at the time of setting the budget. However, these could change over time and would be regularly reviewed. Any additional cost

pressures would be built into our medium term financial plan, and could be covered if necessary from the financial volatility reserve.

- In-Depth Reviews of some service areas were being conducted. These areas were identified by the Executive as service areas which it considered needed to have a focused review. Reasons for this included:
 - where there was a significant underspend;
 - where there were changes to the delivery of a service such as from changes in legislation;
 - where there were potential efficiencies;
 - where there were opportunities to transform the service; and
 - where there may be opportunities for income generation.

It was noted that the Children and Young People Scrutiny Committee was aware of the children related deep dives, but it did not appear that other scrutiny committees were. It was suggested that the In-Depth Reviews should be considered by the relevant scrutiny committee. It was also noted that the adults In-Depth Reviews would be through an independent external mechanism and it was suggested that the Adults and Community Wellbeing Scrutiny Committee should receive these.

Notes of Budget Consultation Meeting with Businesses held at County Offices, Newland, Lincoln on 23rd January 2020

A list of attendees is detailed below these notes.

Councillor M A Whittington, Executive Support Councillor for Resources and Communications 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 21 February 2020, where the budget would be formally approved.

Michelle Grady, Assistant Director – Strategic Finance, gave a presentation on "Budget Consultation Meeting with Key Stakeholders, 23 January 2020", 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:

- A Comprehensive Spending Review had been expected during the autumn of 2019 unfortunately this has been deferred and was now expected in the autumn of 2020. Instead, a one year spending Round had been proposed, which was generally a rollover of the 2019/20 settlement.
- An extra £1bn had been allocated by the government for social care generally (£14.7m for Lincolnshire), there had also been an uplift in public health funding, and the council tax precept referendum thresholds were set at 2% with an additional 2% adult care precept. An additional towns fund had also been proposed, however, this would impact more on district councils.
- The first graph showed the reducing level of funding for local government since 2012/13. However, the 2020/21 settlement was the highest received over the last few years.
- The Council's biggest source of income was the Dedicated Schools Grant (£590m). However, this was delegated immediately to schools when it was received. The Revenue Support Grant now made up the smallest element of funding at (£20.5m) and Council Tax was the second largest source of income (£314m).
- In terms of expenditure, the largest amount was spent on schools. The second largest area of expenditure was Adult Care, closely followed by Children's Services.
- The current budget strategy had been prevalent in this Council for a number of years, and so with no guarantees of future funding and only a one year funding deal received from government only a one year budget was proposed. A blend of savings and reserves had been used over the last few years to balance the budget. There was also the intention to maintain Lincolnshire in the lower quartile of council tax.
- Funding from central government had reduced from £227m in 2011/12 to £81m in 2019/20. The Council was now more reliant on generating income from fees and charges. However, the authority also received more one-off

grants such as the Better Care Fund, however the current situation was that this funding was not guaranteed in the long term.

- Financial resilience was a strong priority for the Council, and money had been set aside to help assist with the transition to a lower budget base. Analysis of local authorities by CIPFA indicated that Lincolnshire County Council had a reasonable level of financial resilience.
- Whilst budget planning, officers had looked forward a couple of years to assess the Council's future financial position. When this review commenced at the beginning of summer 2019, a range of assumptions were made and it was expected there would be a budget gap of £27m by the end of the next three years. The review undertaken had brought the deficit down to a more manageable number. The 2020/21 budget would be balanced without the use of reserves. However, by 2022/23 the deficit was expected to be £6.1m.
- Cost Pressures for 2020/21 amounted to £44.123m.
- One of the big cost pressures related to the use of capital receipts. During the past few years, the government had allowed councils to use capital receipts to fund revenue expenditure on transformational projects. It was proposed that the Council would cease to use this as a source of revenue funding at the end on 2019/20 and revert to using capital receipts to fund the capital programme.
- Other cost pressures include pay inflation; Adult Care – demography/NLW/contracts; home to school transport due to an increase in numbers; an increase in numbers of Looked After Children and the change of use of capital receipts.
- Proposed savings were fairly modest (£14.842m), and the Directorates had looked at savings they could make without impacting on frontline services. There were no proposed changes to frontline services.
- The Council has two types of reserves, a general reserve which is for funding emergencies or unforeseen events. The other type of reserve is earmarked reserves, of which the Council currently holds £222.594m. This reserve included money which does not belong to the county council (e.g. schools), is a grant or other contribution for a specific purpose. Where the Council does not have discretion on what this can be spent on and this money has to be used for the specific purpose it was originally allocated for, otherwise it will have to be returned to the provider (e.g. Central government). There is £55.769m in the financial volatility reserve which will be used to balance the budget when there is a deficit. In addition £69.569m is earmarked for specific purposes such as insurance claims, adverse weather, health and wellbeing and transformational projects.
- The financial volatility reserve was created a number of years ago, and had been used over the past few years to balance the budget when there has been an overall budget deficit. This has allowed a smoother process for the Council to work at a lower budget base.
- A review of the reserves had been carried out during 2019/20 to ensure that all the reserves were required for the purpose they had been set up for. Through this work around £10m has been released, and was proposed to be used for a development fund.
- The current capital programme approved by Council in February 2019 totals £315m. A new 10 year net programme of £406m had now been costed. This include the provision of new school places, as well as a corporate development budget of £7.500m for bids to be made to. An earmarked

reserve would also be created to manage the volatility of capital financing charges over the medium term.

- In terms of Council Tax, the provisional settlement had set out a threshold for local authorities of a 2% increase with an additional 2% adult social care precept. LCC is proposing a 1.5% general increase, and 2% for adult care, giving a combined proposed rate of 3.5%. It is expected this will maintain Lincolnshire in the lowest quartile for council tax of the English county councils.
- The Fairer Funding Review was deferred during 2019 and it is now expected to be implemented for 2021/22. This review should provide the Council with funding guarantees in the medium term and allow the Council to better plan going forward. It was hoped that there would be an announcement later in 2020.
- Today's meeting was part of the consultation process and any feedback would be put forward to the Executive before they made their final recommendations.

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

- In relation to the council tax increase, it was commented that there was the option of a maximum increase of 4% available, and it was queried why the decision had been taken to propose 3.5% instead. It was noted that this had been a political decision, as while it was understood by some that the increase included a 2% adult care precept, this could be difficult for the general population to understand. The Executive wanted to put forward a general increase that was more affordable. If the full 2% had been proposed, this would have raised a further £2m for the authority.
- It was acknowledged that through council tax, the authority was making demands on local tax payers, as the County Council received the biggest portion of council tax. However, there were also district councils and the Police and Crime Commissioner making their own increases, and in some places, parish council precept as well. Therefore the decision had been taken to recommend an increase not at the maximum level to mitigate some of the impacts on the tax payers of Lincolnshire and also to further push the message to central government that a fairer funding model was needed.
- In relation to fairer funding, it was commented that a lot of work had been done with the LGA and CCN and it was hoped the message was getting through to central government. It was hoped that this time in 2021 the authority would be getting a four year funding deal, hopefully with additional funding for adult social care.
- The Council's auditors were looking at what planning the authority was doing, which was challenging with the uncertainty over what future funding would be received. Therefore building the council tax into the base budget was important.
- It was queried what the policy was around the level of volatility reserve that the council should hold. It was reported that when the budgets had been set over the last few years, the funding base had not been sufficient to cover the budget and therefore the Volatility Reserve would be used to fund any gap, however during each year, a lot of one-off funding was received meaning the use of the reserve was no longer required. In addition, at the year end any remaining surplus was added to the volatility reserve. There was a reluctance to reduce this reserve until there was certainty about the Council's future

funding. There was not a policy which stated that a set amount should be put into this reserve nor the level the reserve should be capped at.

- In terms of grant funding, it was queried what resilience the authority had to respond to opportunities for funding which were time limited. It was highlighted that this was a different type of funding. The authority had core funding which was issued in a way that the authority had no control over, and was based on a formula. There was also funding which could be bid into, for example for infrastructure or economic development projects. As an example, the authority had a fund for Advance Design, which allowed directorates to apply for and prepare design work for future schemes such as the North Hykeham Relief road. The aim was to be ready to bid for investment grants when they became available.
- It was queried what budgets were being put aside for environmental improvements, similar to boiler upgrades in schools or solar panels being fitted to Orchard house in Lincoln. It was highlighted that members were becoming more tuned in to environmental impacts of projects, and with a recent proposal for a new school there had been a lot of questions about carbon impact. It had been suggested that every report which goes to a committee should include an environmental impact assessment. Also, as different teams were doing things slightly differently no central record is being maintained. The Council should address this. Progress in relation to the Council moving towards becoming carbon neutral would be reported to the Full Council on an annual basis.
- Some of the identified transformation projects were about reducing the Council's carbon footprint. It was highlighted that the council was able to draw down funding from the Salix revolving fund which was helping schools with boiler replacements, and the savings made went back into the fund for further investment.
- It was noted that £3m had been allocated in the budget for the cost of living increase, and it was queried what increase was allowed for staff salary increases. It was reported that an allowance of 2% increase for LCC employees was included in the budget proposals. The increase to the national minimum wage for contractors had also been built into this.

The comments made at today's meeting would be reported to the Executive at its meeting on 4 February 2020 and the final budget would be approved at the meeting of Full Council on 21 February 2020.

RESOLVED

That the points made at this meeting be submitted to the meeting of the Executive scheduled to be held on 4 February 2020.

The meeting closed at 2.50pm.

Present	Representing
Councillor M A Whittington	Lincolnshire County Council
R. Wiles	South Kesteven District Council
Helen Stokes	Unison

Kelly Moffat	Unison
Steve Galjaard	Lincolnshire Co-op
Simon Thomas	FBU
Shaun McGarry	Calders and Grandidge
Andrew Crookham	Lincolnshire County Council
Dave Simpson	Lincolnshire County Council
Michelle Grady	Lincolnshire County Council
Sarah Rose	Lincolnshire County Council
Rachel Wilson	Lincolnshire County Council

Notes of Budget Consultation with the Public – via County Council Website

No feedback received from members of the public.