

Council Budget 2020/21

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1. BUDGET RECOMMENDATIONS

It is recommended that the Council:

1. has due regard to the responses to the consultation on the Council's budget proposals as contained in the Budget Book (**Appendix D** - Budget Consultation Feedback).
2. has due regard to the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of Reserves as set out in the Budget Book (**Section 11** - Section 151 Officer's Statement on the Robustness of the Budget and Adequacy of Reserves).
3. has due regard to the Impact Analysis relating to increasing the Council Tax by 3.50% in 2020/21 set out in the 'Budget Book' (**Appendix C** – Impact Analysis relating to increasing the Council Tax by 3.50% in 2020/21).
4. approves:
 - 4.1 the service revenue budgets for 2020/21 contained in the Budget Book, (**Table 3** - Net Service Revenue Budget 2020/21);
 - 4.2 the capital programme and its funding contained in the Budget Book (**Section 8** - Capital Programme) and (**Appendix P** - Capital Programme);
 - 4.3 the County Council element of the council tax for a Band D property at £1,337.58 for 2020/21 contained in the Budget Book (**Appendix B** - County Precept 2020/21);

as together being the Council's Budget.

5. approves the Council's Medium Term Financial Strategy contained in the Budget Book (**Appendix E** – Medium Term Financial Strategy);
6. approves the Council's Capital Strategy 2020/21 contained in the Budget Book (**Appendix O** – Capital Strategy 2020/21);
7. approves the Council's Flexible Use of Capital Receipts Strategy 2020/21 contained in the Budget Book (**Appendix G** - Flexible Use of Capital Receipts Strategy);
8. approves the prudential targets and indicators for capital finance contained in the Budget Book (**Appendix N** - Prudential Indicators);
9. approves the Minimum Revenue Provision (MRP) policy as set out in **Section 10** of the Budget Book - Minimum Revenue Provision.
10. approves the transfer of £5.000m from earmarked reserves arising from underspends in Dedicated Schools Grant to the Children's Services capital programme. This will support the Building Communities of Specialist Provision Strategy.
11. approves the establishment of a Development Fund earmarked reserve to fund new initiatives as set out in the appended Budget Book (Section 6 - Reserves, paragraph 6.3).

Councillor M Hill OBE
Leader of the Council

A Crookham CPFA
Executive Director of Resources

2. THE FINANCIAL BACKGROUND

2.1 This report sets out a one year financial plan for revenue and capital budgets for 2020/21. We have faced significant reductions in government funding and continue to experience growing cost pressures from demand led services such as adult and children's social care and our responsibility to pay staff and some contractors the National Living Wage.

2.2 The Government is proposing two funding reforms, which together will change the way funding is distributed to all types of local authorities across the country with effect from April 2021. In addition, the Government is planning to carry out a Comprehensive Spending Review in 2020 to determine how much funding will be provided to each Government department from April 2021, 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 2020/21. For this reason, a one year budget is proposed for 2020/21.

2.3 In developing its financial plan we have considered all areas of current spending, levels of income and council tax to set a balanced budget.

2.4 We have reviewed all areas of service expenditure to identify cost pressures which must be funded and savings which can be made through efficiencies. All savings identified for 2020/21 are considered to have minimal impact on users of our 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 2020/21 the threshold has been set at a 2.00% 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. We are proposing a council tax increase of 3.50% (1.50% for general council tax, plus a further 2.00% for the adult social care 'precept') for the 2020/21 financial year.

The Outlook Beyond 2019/20

2.6 As stated in paragraph 2.2 the Government is proposing two funding reforms. The first is: the Fair Funding Review, which considers how best to assess councils' requirements to spend on delivering services as well as their ability to raise funding themselves e.g. from council tax. The second is: Business Rates Retention 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. Since two consultations on these reforms in late 2018 / early 2019 progress has stagnated somewhat but was re-started following the December 2019 General Election. At this stage, it is not possible to assess how our 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 2020 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 2020/21, received on 29 January 2020, confirmed our level of funding for next year. This was in line with the provisional settlement received in December and rolled forward 2019/20 funding with some inflation and additional grants. It also confirmed the council tax referendum limit (see paragraph 3.9).

TABLE 1: Final Local Government Settlement Funding

	2019/20	2020/21
	£m	£m
Business Rates Top Up Grant	89.838	91.302
Revenue Support Grant	20.139	20.467
Rural Services Delivery Grant	6.935	6.935
Social Care Support Grant (rolled over from 2019/20)	5.754	5.754
Social Care Support Grant (new)	0.000	14.731
Improved Better Care Fund	29.882	33.249
New Homes Bonus	2.144	2.091
TOTAL FUNDING	154.691	174.530

3.2 Although Revenue Support Grant (RSG) has reduced substantially over the last nine years, there is a small inflationary increase for 2020/21.

3.3 The final settlement confirmed Rural Services Delivery Grant for 2020/21 at £6.935m, which is the same level as in 2019/20. This funding is given in recognition of the higher costs of providing services in rural areas.

3.4 The final settlement also confirmed the continuation of £5.754m of Social Care Support Grant for 2020/21 to support both Adults' and Childrens' social care. This grant was first received in 2019/20. A new Social Care Support Grant of £14.731m for 2020/21 was also awarded. It was indicated in the most recent Parliamentary Queen's Speech that this funding would continue for the term of this Parliament.

3.5 In 2019/20 we received £3.368m Winter Pressures grant. This has now been rolled into the Improved Better Care Fund, which has increased to £33.249m for 2020/21.

3.5 New Homes Bonus Grant fell from £2.144m to £2.091m for 2020/21 – this grant is being phased out over the next few years.

Other Revenue Government Grants

3.6 The following grants are either confirmed or assumed for 2020/21:

- Lead Local Flood authority grant was £0.125m for 2019/20 but is now expected to cease;
- Special Education Needs and Disability (SEND) grant award was £0.259m for 2019/20 but will now cease;
- Extended Rights to Free Travel from the Department for Education is assumed to continue at the level of £0.639m for 2020/21;
- Independent Living Fund is assumed to be reducing from £1.594m in 2019/20 to £1,554m in 2020/21;
- It is assumed that the Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs will continue at £0.128m for 2020/21.

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 £32.341m for 2020/21 (£31.800m for 2019/20).

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 an estimated £47.023m in 2020/21 (£46.343m in 2019/20) to fund Adult Care Services.

Council Tax

3.9 The Secretary of State in the "Council Tax referendum principles report 2020/21" confirmed that the referendum threshold for the general Council Tax element would reduce from 3.00% to 2.00%. The regulations regarding the Adult Care Precept have been extended to allow a 2.00% adult care precept to be raised for a further year and our budget proposals include a 2.00% increase in this element of the Council Tax in 2020/21, which follows a 2.00% increase in each of the years 2017/18, 2018/19 and 2019/20, bringing the total amount to be charged to the maximum permissible of 8.00% over four years.

3.10 We propose that Council Tax be increased by 3.50% (1.50% for general council tax and 2.00% for the social care precept) in 2020/21. The Council Tax increase of 3.50% will generate additional income of £10.373m in 2020/21.

3.11 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 2020/21 have been approved and published and provide for a 2.00% increase in council tax for expenditure on adult social care and a 2.00% increase in council tax for other expenditure. Applying those principles the Executive can determine that this recommended council tax increase is not excessive.

3.12 An Equality Impact Analysis has been completed for this increase in Council Tax and is shown at **APPENDIX C**.

Council Tax Base and Council Tax Collection Fund Surplus

3.13 Figures received from the Lincolnshire District Councils show an increase in the tax base and hence the tax yield of 3,422.56 band D equivalent properties or 1.49%. This will provide the Council with additional Council Tax income of £4.578m per annum at the current council tax level. This sum, together with the 3.50% increase in Council Tax yielding £10.373m will provide total additional Council Tax income of £14.951m in 2020/21.

3.14 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 £3.193m. This is a one off addition to income for 2020/21.

Business Rates Pool

3.15 The Council has confirmed that it wishes to remain in a business rates pool with the seven Lincolnshire District Councils as was the case in 2019/20. An assumption of pooling gains to the Council of £2.799m has been built into the budget.

Business Rates Collection Fund and Section 31 Grant

3.16 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 by way of a section 31 grant, as in previous years.

3.17 The value of the section 31 compensation grant is confirmed as £7.138m (£6.313m in 2019/20).

3.18 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. We bear a share of each District Council's Collection Fund, which may carry a surplus or a deficit in total. Last year, the District Councils re-evaluated their provisions set aside for Business Rates appeals, as the number of appeals arising from the 2017 Business Rates revaluation was significantly lower than had previously been estimated following a national change to the appeals process. The reduction in the provisions caused the Business Rates Collection Funds to be in surplus for 2019/20 – our share of the collective surplus position was £6.156m and this one-off gain was set aside in a reserve earmarked specifically for Business Rates Volatility. This year, our share of the collective position is a surplus of £0.277m and this will be treated as a one year only contribution to support the revenue budget.

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 proposed contributions to reserves.

TABLE 2: Summary Revenue Budget

SUMMARY REVENUE BUDGET	2020/21 £m
EXPENDITURE:	
Net Base Budget	461.283
Cost Pressures (<i>including inflation</i>)	44.773
Savings & Additional Income	-14.942
Other Movements (PH Grant & BCF Grant)	-1.221
Total Expenditure	489.893
Contribution to Development Fund	2.572
Transfer to/from General Reserve	0.150
Budget Requirement	492.615
INCOME:	
Business Rates Local Retention	123.270
Revenue Support Grant	20.467
Other Grants	34.017
County Precept	314.862
Total Income	492.616

4.2 We propose to allocate £3.039m of resources in 2020/21 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 budget for 2020/21 are set out in **Appendix R** of this Budget Book.

4.3 Our current budget proposals include a contribution of £0.150m in 2020/21 to maintain our general reserves at 3.5% of the Council's total budget.

4.4 We propose that £2.572m is transferred into the new earmarked reserve called the "Development Fund" referred to in paragraph 6.3.

4.5 A more detailed analysis of the movement in budget for 2020/21 is shown at **APPENDIX K**.

5. REVENUE BUDGETS

5.1 Net revenue budgets for 2020/21 are shown in **TABLE 3** below together with the comparison for 2019/20. **APPENDIX S** provides further details of the services undertaken in each service delivery area.

TABLE 3: Net Service Revenue Budget 2020/21

Revenue Budgets	2019/20 £m	2020/21 £m
Children's Services		
Children's Social Care	72.953	73.453
Children's Education	39.926	41.604
Adult Care and Community Wellbeing		
Adult Frailty & Long Term Conditions	119.933	120.653
Adult Specialities	76.289	80.418
Public Health & Community Wellbeing	29.669	28.788
Public Health Grant Income	-31.800	-32.341
Better Care Funding	-46.343	-47.023
Place		
Communities	47.350	46.532
Lincolnshire Local Enterprise Partnership	0.406	0.413
Growth	3.444	3.509
Highways	23.177	22.534
Fire and Rescue & Public Protection		
Fire and Rescue & Emergency Planning	19.872	21.894
Public Protection	3.391	3.459
Resources		
Resources	20.460	22.547
Commercial		
Commercial	32.068	34.139
Corporate Services		
Corporate Services	2.176	2.490
Other Budgets		
Other Budgets	50.987	69.501
Schools		
Schools Block	428.022	454.764
High Needs Block	84.418	91.983
Central School Services Block	4.257	3.728
Early Years Block	40.708	42.132
Dedicated Schools Grant	-560.080	-595.282
Total Net Expenditure	461.283	489.895
Transfer to/from Earmarked Reserves	-3.087	-
Contribution to Development Fund	-	2.572
Transfer to/from General Reserves	0.200	0.150
Budget Requirement	458.396	492.617

5.2 **Appendix R** sets out a summary of changes to budgets in our service delivery areas. Further detail on the changes is provided in the following paragraphs.

Children's Services

Children's Social Care

5.3 Children's Commissioning and Health service activities are proposing to make savings of £0.234m in 2020/21. Within this area, there are also proposed cost pressures of £1.243m in 2020/21.

5.4 The proposed savings reductions of £0.234m relate to more effective clinic utilisation leading to a reduction in home visiting within the 0-19 Health Services (£0.182m), and a reduction in the costs of commissioned support (£0.052m) from software licences and to support market engagement. These savings have no impact to the services and the budgets are aligned to meet service requirements for 2020/21.

5.5 The proposed cost pressures of £1.243m relate to the delivery of Home to School / College Transport in 2020/21. The government's desire to deliver living wage rises to £9.00 per hour will have a material financial impact on the service, since a large proportion of the individuals delivering transport services are paid on the National Living Wage. An assumption has been made on the living wage hourly rate rise in April 2020 from the current rate of £8.21 to £8.62 using the recommended Low Pay Commissioners recommendation (£0.620m). Further cost pressures have been built in for inflationary costs (using Consumer Price Index measure) due to economic conditions in providing transport services (£0.331m), and an increase in the expected number of eligible pupils, predominantly in the secondary sector (£0.292m).

5.6 Home to School / College Transport is a challenging and volatile budget with unfavourable economic conditions, changing legislation, the impact of school reorganisations, and growth in special school numbers due to increasing complexity of pupils requiring specialist support, 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.

5.7 Children's Early Help Services are proposing to make savings of £0.142m in 2020/21. No cost pressures are being proposed.

5.8 The proposed savings reductions of £0.142m can be made through efficiencies with no or minimal impact on the level of service provided to service users. Savings to reduce budgets to meet service requirements are covered across the service areas, including rationalisation of work activities within the Youth Offending Service and efficiencies through joint delivery of provision within the area of Targeted Support for Young People.

5.9 Children's Safeguarding are proposing to make savings of £0.587m in 2020/21. Within this area, there are also proposed cost pressures of £0.539m in 2020/21.

5.10 The proposed savings reductions of £0.587m relate to mainly to the delivery of supported accommodation (£0.438m) for those young people of 16 and 17 years at risk of homelessness (due in part to case law referred to 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. 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. This

includes in-house provision as a pathway into other accommodation, which is delivering value for money and improved individual outcomes.

5.11 Other savings including utilisation of grant income and budget reductions to meet service requirements across the service areas, which have no or limited impact on service users.

5.12 The proposed cost pressures of £0.539m relate to Special Guardianship Orders and looked after children placements. 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 Special Guardianship Orders and supporting looked after children.

5.13 Special Guardianship Orders (SGOs) continue to be 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) 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 £0.266m in 2020/21.

5.14 The looked after children cost pressure (£0.273m) relates to the anticipated increase in costs across the composition of placement types supporting this vulnerable group. This cost pressure does not however build in costs for increasing complexity and growth in looked after children. The national increase in looked after children numbers is largely caused by the increasing complex nature of family life as a result of substance use, mental health and domestic abuse. Lincolnshire's Early Help Strategy is intended to control the numbers requiring higher cost specialist placement types, however where demand increases for the support of looked after children, in terms of number of children and an increase in complexity, this cost of providing specialist services remains a financial risk to the Council.

5.15 Looked after children services continue to provide value for money as evidenced in the CIPFA benchmarking report due to the high percentage (86%) of looked after children managed through internal foster carers. The foster carer community is highly valued in Lincolnshire, however the Local Authority is finding it more difficult to grow the number of internal foster carers for many reasons, for example aging foster carer community, increased complexity of pupils, and increased competition in the market.

5.16 In addition to the 637 looked after children, Children's Services has 3,260 open social care cases; 400 child protection cases, and 2,405 early help cases at any given point.

Children's Education and SEND services

5.17 Education and SEND services are proposing to make savings of £0.269m in 2020/21. Within this area, there are also proposed cost pressures of £0.529m in 2020/21.

5.18 The proposed savings reductions of £0.269m can be made through efficiencies with no or minimal impact on the level of service provided to service users. Savings to reduce budgets to meet service requirements are covered across the service areas, including utilisation of grant funding and additional income generation.

5.19 The proposed cost pressures of £0.529m relates to additional staffing capacity required to meet the statutory responsibilities for Local Authorities identified in the SEND Code of Practice to co-ordinate the assessment of children and young people (0-25 years) that may

have SEN and may require a statutory Education, Health and Care (EHC) plan. Temporary government reform funding ended in 2018/19, which supported the staffing capacity in locality teams to accommodate the rise in the number of young people with SEN and those requiring statutory plans. The staffing capacity is also important for the service to govern the High Needs block spending of the Dedicated Schools Grant by ensuring spending is aligned to pupils needs.

Adult Care and Community Wellbeing

Adult Frailty & Long Term Conditions

5.20 Adult Frailty and Long Term Conditions identified £5.670m of pressures predominantly relating to demographic growth and the re-procurement of homecare services due September 2020. In recognition of these pressures, Adult Frailty and Long Term Conditions identified £5.270m of efficiencies and increased income.

5.21 The proposed budget for infrastructure is £7.070m; this represents a 3.55% decrease on the 2019/20 outturn. This budget encompasses the Directors Budget, Brokerage, Business Improvement, Quality Assurance, Service Development, and the Mosaic & Performance Teams. The budget also covers contracts including Sensory Impairment & Advocacy.

Adult Specialties and Safeguarding

5.22 This budget includes £6.000m of pressures relating to demographic growth and the need to invest in infrastructure to maintain the current service models. In recognition of these pressures, adult specialties were able to identify £2.050m of efficiencies and income increases.

Care Delivery

5.23 The pressures reflect the annual increases we are experiencing as a result of a combination of demographic growth and eligible needs with £1.600m gross forecast for residential care and £3.000m gross forecast for home-based care.

Mental Health Community Care Services

5.24 Community mental health services are delivered by LPFT through a section 75 agreement (S75). With the S75 due for renewal April 2020 a review of needs and delivery outcomes has been completed in preparation. It is clear that this is an area of continued growth and whilst relatively small in terms of the number of people supported the care costs are high. Delivery of the same model within 2020/21 building in the forecast demand and the staffing implications to meet national expectations will result in a financial pressure and the financial implications of this are provided for within the budget.

Safeguarding

5.25 Currently LPFT deliver the Deprivation of Liberty Standard (DOLS) assessments with trained medical staff under contract to deliver the clinical elements. The standards are to be replaced with Liberty Protection Safeguards (LPS) in October 2020. The budget for 2019/20 included £1.800m from ACCW reserves to ensure demand for assessments was met in year. The current spend is forecasting £1.500m for 2019/20. Given current demand and the

likely delay to implement LPS, £1.700m is allocated within ACCW reserves to meet 2020/21 demand.

Public Health and Community Wellbeing

5.26 The budget process identified a pressure of £0.500m. However this is set against the potential to generate efficiencies of £1.400m by delivering existing services in a different way predominantly through the use of technology.

Integrated Lifestyle Service (ILS)

5.27 This contract was awarded in July 2019 and brought together several individual services into one integrated service. The contract is for 3 years with the option of a 2 year extension to 30 June 2024. The annual cost is £2.700m with a contribution from health of £0.500m. A section 256 agreement is in place with the CCGs to ensure the £0.500m annual contribution is received throughout the life of the contract. To support the cost of the contract whilst existing contracts come to an end and the new one begins, £0.580m is allocated within the public health 2020/21 reserve to ensure delivery of a balanced financial position.

Integrated Community Equipment Service

5.28 An additional £0.400m has been allocated to this service to enable the growth in demand for equipment to be met in 2020/21. A joint (LCC/NHS) review of the recurrent demand for this service will be undertaken given the continued forecast growth in demand and in readiness for the current contract expiry on the 31 March 2021. The service does have the option to continue the current contract through to 31 March 2023.

Sexual Health Service

5.29 The contract for this service currently runs to 31 March 2021. Through the budget 2020 planning process, £0.500m efficiencies have been identified by adopting different ways of delivering the service. The service model will be worked through during 2020/21 in readiness for the re-procurement.

The Better Care Fund (BCF)

5.30 Launched through the spending review in June 2013, the BCF was highlighted as a key element of public service reform with the primary aim to drive closer integration between the NHS and adult social care and improve outcomes for patients, service users and carers. The Lincolnshire Better Care Fund is an agreement between the Council and the four Lincolnshire CCGs, overseen by the Health and Wellbeing Board. The BCF pools funds from the organisations to aid the objective of integrated service provision.

5.31 The total pooled amount in 2019/20 is £254.282m which includes £58.682m allocated to the Lincolnshire BCF from the Department of Health and Social Care. The pooled budget is made up of the minimum CCG contribution and additional iBCF monies received directly from the government. All the required regional support has been given to the 2019/20 BCF Narrative Plan and the budgets have been allocated accordingly. The BCF funding is subsumed within each delivery strategy and is integral to the financial viability of both adult frailty and adult specialties.

5.32 We are expecting to see a roll-over into 2020/21 of the BCF funding for a further year. The national direction would seem to indicate that 2020/21 will be used to review the components of the fund, ensure outcomes are maximised and, potentially agree a 3 year BCF programme 2021-2024 to coincide with an anticipated Comprehensive Spending Review later in 2020.

Place

Communities

5.33 In Environment Services increased contributions from third parties, integration of Countryside Services systems with existing Highways Services systems and realignment of the budget with current service requirements is expected to generate savings in 2020/21 of £0.066m.

5.34 Within Waste Management Services lower levels of material being presented at Household Waste Recycling Centres, lower volumes of composting being collected, reduced repairs and maintenance and haulage costs are budgeted to generate savings in 2020/21 of £0.591m

5.35 There are no other service specific cost pressures for 2020/21 for these activities.

5.36 For Transport services, a reduction in the volume of journeys on which the reimbursement of concessionary travel is now based is expected to generate savings in 2020/21 of £0.425m.

5.37 For Cultural Services, a cost pressure of £0.284m in 2020/21 relates to ICT provision and inflation on the Libraries contract. For the Libraries Service, savings in IT maintenance costs and from leasing smaller vehicles result in budgeted savings for 2020/21 of £0.124m.

5.38 In Heritage Services, staffing efficiencies provide a further saving of £0.077m, making the total saving for Cultural Services £0.201m in 2020/21.

Highways

5.39 The Highways and Transport Services are proposing to make savings of £1.162m in 2020/21.

5.40 A contract saving related to the licencing costs for the Confirm system reverses a previous cost pressures of £0.030m for 2020/21 in Highways Asset Management.

5.41 Savings of £0.188m in 2020/21 in winter maintenance are expected to result from changes to the type of salt used, more localised weather forecasting enabling targeted gritting of individual routes and from lease savings from buying rather than leasing gritters.

5.42 Increased income from the provision of chargeable services and Highways Permitting charges are budgeted to generate savings in 2020/21 of £0.503m.

5.43 Efficiency savings in system maintenance and contract costs are expected to provide £0.046m in 2020/21.

Fire and Rescue & Public Protection

5.44 In Fire and Rescue there are cost pressures for 2020/21: £1.737m relates to fire pension employer contributions and £0.056m is for increased Business Rates arising from revaluation of Fire premises.

5.45 In Fire and Rescue, efficiencies in the Station cover model is expected to yield savings of £0.060m in 2020/21, with a further £0.055m saving derived from reducing attendance to unwanted fire signal calls (false alarms) to commercial, non-life risk premises.

Resources

Human Resources

5.46 Human Resources have a cost pressure of £0.359m in 2020/21 related to the Corporate Support Service contract for HR and payroll services. There are also savings resulting from bringing the HR service back in-house and the subsequent restructuring (£0.440m).

Business Support

5.47 For Business Support, contractual cost increases for the processing of Freedom of Information and Service Action Requests result in a cost pressure of £0.321m for 2020/21. There is a £0.016m saving from reducing paper usage;

Financial Strategy

5.48 Increased contractual cost for the "back office" processing in Financial Strategy creates a pressure of £1.659m. There is a reduction in the cost of the contract for exchequer services and additional income in Strategic Finance from providing services to schools (£0.043m).

Audit & Risk

5.49 A saving due to increased income from the Internal Audit Services provided to District Councils (£0.022m).

Democratic Services

5.50 Providing for election costs over a four year period rather than at the time the election takes place results in a budget pressure in 2020/21 of £0.300m. There are some staffing efficiencies in Democratic Services (£0.015m).

Legal Services

5.51 There is an increased expectation of the income from the delivery of Legal Services under the Legal Services Lincolnshire partnership (£0.450m).

Information Assurance

5.52 In Information Assurance there is an increase of £0.017m in income generation from providing Data Protection advice.

Commercial

Property

5.53 There are some service specific cost pressures for 2020/21 in Corporate Property: £0.628m related to increases in utility charges and business rates for centrally managed properties and an increase to the National Living wage in the property management contract.

5.54 In Commercial Property, reductions in buildings costs and an increase in income from County Farms provide savings of £0.279m.

Commercial Services

5.55 For Commercial Services, a cost pressure of £1.952m in 2020/21 relates to inflationary and volume related increases for the Customer Services Centre contract. In Transformation, the transfer of staff formerly engaged under the Corporate Support Service contract provision to the Council creates a pressure of £0.292m for 2020/21. Greater efficiencies in meeting the service demand in Commercial contribute savings totalling £0.104m in 2020/21.

Information Management and Technology

5.56 Greater efficiencies in meeting the service demand in IMT and Commercial contribute savings totalling £0.567m in 2020/21.

Corporate Services

5.57 The funding of two new Assistant Directors (Transformation and Corporate Services), and a new head of service (Policy) results in a cost pressure of £0.285m for 2020/21.

Other Budgets

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

5.59 Increases in the capital programme have resulted in a cost pressure of £6.032m for capital financing charges.

5.60 The revenue base budget for 2019/20 included an £8.000m income budget for funding the costs of transformation projects. This budget was created in line with our Flexible Use of Capital Receipts Strategy which made use of the Government's temporary flexibility to use capital receipts to fund revenue transformation projects. For 2020/21 this £8.000m budget has been removed, which has caused a cost pressure, and our latest Flexible Use of Capital Receipts Strategy (Appendix G) reflects our intention to revert to using capital receipts to fund new capital expenditure or to repay borrowing from 2020/21.

5.61 Insurance premium and related costs have increased over the past two years, creating a cost pressure of £1.303m.

5.62 The Local Government Pension Scheme has undergone its triennial revaluation and, as a result, there is a cost pressure of £2.860m. This comprises £1.172m to contribute to reducing the pension fund deficit and £1.688m for the increased employer's pension contribution.

5.63 We are proposing a cost pressure of £1.150m to be held corporately to cover any additional costs of pay awards and the National Living Wage over and above those allowed for in service budgets.

5.64 There is a saving in 2020/21 of £0.706m relating to the Corporate Support Service contract, and increased income of £0.206m from our investment in ESPO.

5.65 The Council's contingency budget for 2020/21 will remain at £3.000m. This budget is available to fund any pressures which arise during the financial year.

Schools

5.66 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2020/21, 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.

5.67 Lincolnshire's indicative DSG allocation for 2020/21 is £595.282m, 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.

5.68 The government implemented a new national funding formula in 2018/19 to ensure a fairer settlement for each mainstream 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.

5.69 The government announced an investment of over £14bn in primary and secondary education between 2020/21 and 2022/23. The announcement of additional funding for mainstream schools and national funding formula changes required the Local Authorities to engage in an open and transparent consultation on their 2020/21 funding formula. The Local Authority has undertaken a consultation with its local schools and academies, and has received schools support to continue replicating the national funding formula in 2020/21.

5.70 The government is 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 8% per head in 2020/21, compared to their 2019/20 High Need block, following the government's £700m investment nationally. The High Needs block allocation is £93.077m for 2020/21.

5.71 There are a number of budgets within the High Needs block that are large, demand-led, and can be difficult to estimate (e.g. SEND related budgets, including out of county placements, top up funding for EHC plans for mainstream schools, special school placements, and meeting the education needs for pupils through alternative provision arrangements). There continues to be a growing trend nationally, and this is seen in Lincolnshire, with more young people requiring specialist support which is having a material financial impact on the High Needs block. This remains a financial risk, particularly at a time of increasing demands. It is expected that it will be a much tighter financial environment going forward for high needs services.

5.72 An increasing number of Local Authorities are now incurring a deficit on their overall DSG account, largely because of overspends on the High Needs block. The Government has tightened up the rules under which Local Authorities have to explain to the DfE their plans for bringing the DSG account back into balance. Lincolnshire is currently not in this position; however the position needs to be carefully and prudently managed particularly in light of the growth in demands and complexities of young people.

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 2019 the balance stood at £15.850m. It is estimated that General reserves, at 31 March 2020, will be £16.050m which is 3.3% of the budget requirement for 2020/21.

6.2 The 2020/21 revenue budget includes a contribution to general reserves of £0.150m. This will maintain general reserves at 3.3% of the current estimated budget requirement for 2021/22.

6.3 During this year's budget process we reviewed all earmarked reserves to determine whether or not they were still required, and whether or not any could be amalgamated with other similar reserves. As a result of this exercise the total number of earmarked reserves has reduced, and the sum of £10.180m has been released from reserves no longer required. Council is recommended to approve the setting up of a new earmarked reserve called the "Development Fund" which it is proposed will be used to provide one-off funding to support projects. An indicative list of potential projects is included at **Appendix M**. If this reserve is approved, the sum of £10.180m will be transferred from other reserves to this new reserve together with the £2.572m referred to in paragraph 4.4. This will bring the total of the new reserve to £12.752m.

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 us to sign up to the four year funding deal offered by government for the period 2016/17 to 2019/20. The Efficiency Plan included our Flexible Use of Capital Receipts Strategy. Under a Direction issued pursuant to sections 16 and 20 of the Local Government Act 2003 we were directed to treat as capital, expenditure designed to generate ongoing revenue savings or transform services to reduce costs and 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 For 2020/21 onwards we are proposing to use capital receipts only to repay loans or fund new capital expenditure. Transformation projects will instead be funded by using existing revenue budgets or earmarked reserves.

7.4 The statutory guidance relating to the flexible use of capital receipts requires councils to approve annually a Flexible Use of Capital Receipts Strategy. The proposed strategy for

2020/21 is set out in **Appendix G** and confirms that the Council has not identified any transformation projects in 2020/21 to be funded using this flexibility.

8. CAPITAL PROGRAMME

8.1 The proposed capital programme includes an updated programme for 2019/20, as well as schemes for 2020/21. 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 £223.204m for 2020/21, with grants and contributions of £85.281m giving a net programme of £137.923m 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

	2019/20 £'000	2020/21 £'000	Future Years £'000
Gross Capital Programme	189,173	223,204	375,907
Funded By:			
Grants and Contributions	87,474	85,281	68,524
Revenue Funding	775	30	1,106
Use of Reserve	6,025	0	0
Borrowing	94,900	137,893	306,277
Funding by LCC	101,699	137,923	307,383
Total Funding	189,173	223,204	375,907

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

Children's Services

8.4 For Lincolnshire schools, Children's Services manage and maintain a comprehensive annual capital programme of individual school condition and maintenance projects which is overseen by the Children's Services Capital Programme Board. The service has requested that all capital funding made available by the Department for Education (DfE) for schools is passed on to Children's Services to enable it to manage critical priority issues.

8.5 An allocation for Provision of Schools Place Basic Need Grant is £12.351m in 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.

8.6 An estimated grant award for the Schools Condition Allocation is £4.150m for 2020/21. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2020.

8.7 An estimated allocation for Devolved Formula Capital is £1.100m for 2020/21. This is expected to continue at the current funding level per Local Authority maintained school, namely a lump sum of £4,000 and per pupil funding of £11.25 for nursery / primary and

£16.88 for secondary. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2020.

8.8 The award of the Special Provision Fund allocations of £0.771m will be made in 2020/21. Overall funding received for the period 2018/19 to 2020/21 is £3.929m through the Special Provision Fund. This funding along with earmarked funding from Basic Need and Maintenance Grant is supporting the implementation of The Building Communities of Specialist Provision Strategy. The original £50.637m investment delivered over the next four years will bring significant benefits to Lincolnshire pupils and communities in physical infrastructure, whilst also delivering greater value for money.

8.9 Children's Services capital funding commitments is £0.425m for 2020/21. The first funding commitment includes the creation of two new smaller children's homes to meet more highly complex looked after children within Lincolnshire to reduce the need to make placement of children in external specialist provision. The overall funding commitment for this project is £1.125m.

8.10 The second funding commitment is £0.050m for 2020/21 to support placements requiring more appropriate transport provision to enable placements to take place, whether that is for looked after children with disabilities, or larger sibling groups. This is seen as an investment to save.

Adult Care and Community Wellbeing

8.11 The capital programme budget of £5.300m in 2020/21 will be spent on supporting the Extra Care Housing Programme which commenced in December 2019 with the DeWint build in Lincoln. The right type of housing in the right location enables people to maintain their independence for as long as is appropriate for the individual and provides lower cost provision than residential care.

Place

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

- Addition of a programme of replacement of Household Waste Recycling Centres £2.000m in 2020/21; £2.000m in future years.
- Addition of funding to further develop the Council's Industrial Estate provision, £0.500m in 2020/21; £1.000m in future years.
- Addition of a range of Infrastructure and Economic Development initiatives to support economic and housing growth whilst reducing traffic congestion in and around Boston, £5.500m in future years. These schemes will replace the previous capital scheme for the Boston Barrier.
- North Hykeham relief road, £48.000m in future years - a project to link the Lincoln Eastern Bypass with the existing Western Bypass to create a ring road. It will also form part of the Lincolnshire Coastal Highway. This scheme is reliant on receiving contributions from central government.
- Spalding Western Relief Road - Completion of Spalding West Relief Road - Section 1 and Section 5, £11.000m in 2020/21 and £31.091m in future years.

- Local Highways Improvements (Pinch-points) to support Coastal Route, £3.000m in 2020/21 and £27.000m in future years - this project will improve the transport corridor to the Lincolnshire Coast by improving pinch-points along the route (A57 A46, and A158).
- Addition of a programme of development for the Heritage Service, £2.500m in 2020/21 and £2.500m in future years.

Fire and Rescue & Public Protection

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

- Addition of a further £2.000m in future years for the continuation of a rolling replacement of Fire and Rescue vehicles and associated equipment.

Commercial

8.14 A programme of property maintenance of £3.500m per annum from 2021/22 onwards has been added to the capital programme.

Other Programmes

8.15 This comprises the Development Capital Contingency Fund at £7.500m per annum to fund emerging schemes identified each year.

8.16 We receive 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:

Indicative Funding

- Schools basic needs £12.351m
- SEND Provision Capital Funding for Pupils with EHC Plans £0.771m
- Highways Assets Maintenance Grant £24.955m
- Highways Integrated Transport £3.312m
- Safer Road Fund £2.725m for A631 Louth to Middle Rasen Road scheme

Estimated Funding

- Schools Condition Grant £4.150m
- Schools Devolved Formula Capital Grant £1.100m

8.17 We propose to fund the net capital programme primarily from borrowing £137.893m in 2020/21, £306.277m in future years, and revenue contributions of £0.030m in 2020/21 and £1.106m in future years.

9. PRUDENTIAL INDICATORS

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

9.2 One of our voluntary Prudential Indicators 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 6.6% by 2021/22 from 5.0% in 2019/20.

10. MINIMUM REVENUE PROVISION

10.1 In accordance with the MHCLG requirement to make a prudent 'revenue provision for the repayment of debt', the Council ensures that debt is repaid over a period that is commensurate with the period over which the capital expenditure provides benefit.

10.2 This is achieved by applying the following methodology:

Borrowing	MRP Repayment Basis
Pre 1 st April 2008 Debt	This element of the Capital Financing Requirement is being repaid on a full repayment method based on a standard asset life of 50 years which equates to a flat rate of 2% per year until the debt is fully repaid over 50 years.
Unsupported Debt-2008/09 onwards	This element of the Capital Financing Requirement is being repaid using the Asset Life EIP method . Whereby equal instalments of principal debt repayment are repaid over the asset lives of the assets financed from borrowing.
Debt used to finance assets whose benefit increases as time passes (e.g. Infrastructure - Major New Road Schemes).	This element of the Capital Financing Requirement is being repaid using the Asset Life Annuity method . Whereby a fixed repayment of debt consists of primarily all interest in early years and principal repayment increases in later years. This method therefore has the advantage of linking MRP to the flow of benefits from an asset where the benefits of those assets are expected to increase in later years.
Credit Arrangements	MRP is met by a charge equal to the element of rent/charge that goes to write down the balance sheet liability.
Assets financed by borrowing when, if sold, the income is classed as a capital receipt.	For capital expenditure incurred, financed by borrowing that increased the CFR whose subsequent sale resulted in a capital receipt that reduced the CFR, there will be no revenue provision made for the repayment of the debt liability, unless the receipt fails to meet the expenditure incurred. (Includes: Loans for capital purposes, investment properties, assets acquired for development/resale).
Capitalised Expenditure Under Regulation 16 (2)(b)	The Asset Life method is used to calculate MRP on all capitalised expenditure , using maximum asset lives as stated in Statutory Guidance on MRP .

10.3 Revenue provision is chargeable in the first financial year after the relevant capital expenditure is incurred. The guidance also allows Councils not to start charging MRP until an asset becomes operational.

10.4 Where it is practical or appropriate to do so, the Council may make voluntary revenue provision (VRP), (Make more MRP than is calculated prudent in any given year), or apply capital receipts to reduce debt over a shorter period. Any VRP made can be used to offset MRP in following years.

10.5 The table below shows the estimates for asset lives per type of asset used under the Asset Life MRP policy detailed above. Professional guidance has been used to ascertain these asset lives.

Type of Asset	Estimated Asset Life in Years
Land	50
Construction	50
Matched Funding	25
Repair & Maintenance	20
Infrastructure (New Road Schemes)	120
Road Maintenance	20
Bridges	120
Integrated Transport	20
Waste Transfer Plant	40
Heavy Engineering Equipment	30
Vehicles	4
Long Life Specialist Vehicles	7
Equipment	5
IT	4
IT -Broadband	10
ERP Finance System	10
Mosaic	10
Investment Properties held for Commercial Reasons	50
Capitalised Expenditure:	
Loans & Grants Made for Capital Purposes to Third Parties	Useful Life of Assets which Third Party Expenditure is incurred.
Share Capital	20

11. SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF RESERVES – 2020/21

Background

11.1 Under Section 25 of the Local Government Act 2003 when the Council sets the budget the S151 Officer is required to report on:

- the robustness of the estimates made for the purposes of the calculations, and
- the adequacy of the proposed financial reserves.

11.2 The Council has a statutory duty to have regard to this report when making decisions about the calculations.

11.3 Our Medium Term Financial Strategy (MTFS) has been developed to consider the financial position of the Council to 2022/23. It also considers the funding sources and level of reserves required to demonstrate the financial resilience and sustainability of the Council.

11.4 A 'Budget 2020' project has been undertaken during 2019 with the objective of setting a balanced budget over the medium term with a reducing reliance on our reserves. This has resulted in a more detailed review of our current budgets and reserves with a number of efficiencies identified as available savings for the budget.

11.5 A number of 'deep dive' service areas have also been identified for a more forensic review. Any savings arising from these reviews will feature in future budget proposals alongside potential efficiencies from the emerging transformation plan.

11.6 The Council adopted a new corporate plan in December 2019. Any future budget proposals will need to be aligned with the priorities set out in the plan, and give consideration to any investment required to support their delivery.

Reserves

11.7 Our MTFS sets out our reserves requirement which is based on a full assessment of the Council's potential financial risks. A review of these risks was undertaken in October 2019 with consideration to the current and emerging financial context set out in the MTFS. As a result of this review the strategy for our reserves is that Council will maintain its general reserves within a range of 2.5% to 3.5% of its annual budget requirement.

11.8 Currently the Council's projected year end general reserve stands at £16.050m or 3.3% of the budget requirement (i.e. towards the top of the target range). There is a proposal to increase the general reserves by £0.150m as part of the 2020/21 budget. The budget proposals for 2020/21 have not required the use of any earmarked reserves to deliver a balanced budget.

11.9 In recognition of a number of volatile elements to the income base of the Council, the Council has previously established an earmarked reserve to deal with funding risk. This reserve, known as the Financial Volatility Reserve, is presently estimated to be £55.769m at 31st March 2020.

11.10 The October 2019 risk assessment encompassed a full assessment of the potential financial risks facing the Council included 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

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 remains unchanged at £3m. This budget has underspent for the last three years, so this is considered to be a prudent and adequate level.
- 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.

11.11 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 24th October 2019.

Funding

11.12 The current year is the last in the four year funding deal from government which has seen a significant reduction in core funding. This, coupled with increases in demand (particularly in adult and children's social care), and significant cost increases such as the national living wage has been an ongoing challenge to the Council in balancing its budget.

11.13 In 2019 we expected a comprehensive spending review setting government departmental limits, and a 'Fair Funding' review considering how local authorities are funded. These and the business rates retention review have now been deferred for a year.

11.14 For the 2020/21 budget we have received a one year spending round. This was an inflated roll over of the core elements of our funding and a cash flat rollover of key grants such as the improved better care fund.

11.15 A new un-ringfenced grant for social care has been added to our funding, which has effectively allowed us to balance our budget for 2020/21 with a small surplus. Whilst this additional funding is most welcome, the long term sustainability of the Council's finances would benefit from the certainty of a longer term funding settlement.

11.16 The ability to fund Adult Social Care services through local taxation has continued for 2020/21, with a 2% levy being included in our council tax proposals. The government has also committed to review the funding for adult social care, which could potentially have a significant impact on the council's finances.

Financial Performance

11.17 Our systems and processes allow for effective financial management. Savings identified in previous budgets have been delivered and budget underspends have enabled the council to establish appropriate reserves to manage future budget pressures.

The Budget Proposals

11.18 In relation to the 2020/21 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 modest, do not impact on service delivery 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 savings and have the necessary financial management processes in place to support this.
- Adult Social Care continues to see a growth in demand on their services especially with working age adults with longer reliance on social care and increasingly complex needs. A review of pressures is currently being undertaken to further refine the medium term outlook in this area.
- The increases in National Living Wage rates will have a material impact on the costs of our contracted services, particularly in relation to Adult Care and the Home to School Transport budgets.
- A continuing increased volume and complexity of Children's Social Care needs.
- Increasing demands and legislative changes impacting on the Home to School Transport budgets.
- Increasing demand pressures of the SEND element of the Dedicated Schools Grant (reflecting a national picture).

- Growth in reliance of specific grants to fund core activity, such as the improved better care fund.

11.19 The capital programme has been reviewed as part of the Budget 2020 process. A ten year programme has been proposed and the revenue impact of the programme has been factored into the budget proposals. The programme meets the affordability criteria set out in our capital strategy and allows for future investment as well as continuing to maintain and replace our existing assets

11.20 A £7.5m capital contingency has been established in each year of the programme. This will be the subject of business case bids from service areas and can be used as a source of matched funding in respect of external bids for capital funding.

11.21 The capital strategy has been updated and new processes will be introduced in 2020/21 to strengthen the monitoring and management of the Council's capital programme.

11.22 The capital programme does not allocate any capital funding to commercial type investment activity designed purely to supplement revenue income in future years.

Financial Resilience

11.23 CIPFA has now published the financial resilience index, considering some key measures to assess the financial health of English local authorities. This demonstrates the sound financial position of the Council, and the full results of this index will be reviewed by the Audit Committee during 2020.

11.24 We regularly assess our latest financial performance information for its potential impact on our overall financial resilience. To date, we have not identified any significant negative impacts which would affect our financial resilience in the near future.

Conclusion

11.25 Taking into account all these factors I am satisfied that the budget for 2020/21 is realistic and that the level of reserves is adequate.

11.26 The medium term financial strategy needs to be updated and reviewed to consider the impact beyond 2020/21 of changes to the funding of Council and the continued cost pressures and demands on our services.

Andrew Crookham, CPFA

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 on 4 February 2020.

12.2 Businesses, Trade Unions and other public organisations were consulted at a meeting on 23 January 2020. 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 07 January 2020 Executive report.

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

REVENUE EXPENDITURE

2019/20 BUDGET	REVENUE BUDGETS	2020/21 BUDGET CHANGES	2020/21 ORIGINAL ESTIMATE
£		£	£
SERVICE DELIVERY			
72,954,484	Children's Social Care	498,135	73,452,619
39,925,710	Children's Education	1,678,671	41,604,381
119,932,638	Adult Frailty & Long Term Conditions	720,195	120,652,833
76,290,735	Adult Specialities	4,127,190	80,417,925
29,668,508	Public Health & Community Wellbeing	-881,066	28,787,442
47,350,319	Communities	-818,101	46,532,218
405,724	Lincolnshire Local Enterprise Partnership	6,801	412,525
3,444,013	Growth	64,594	3,508,607
23,176,586	Highways	-642,635	22,533,951
19,872,372	Fire and Rescue & Emergency Planning	2,021,909	21,894,281
3,390,651	Public Protection	67,986	3,458,637
20,459,857	Resources	2,086,767	22,546,624
32,067,532	Commercial	2,071,388	34,138,920
2,175,953	Corporate Services	313,779	2,489,732
-31,800,000	Public Health Grant Income	-540,600	-32,340,600
-46,342,878	Better Care Funding	-680,000	-47,022,878
412,972,204	TOTAL SERVICE DELIVERY	10,095,013	423,067,217
SCHOOLS BUDGETS			
428,021,457	Schools Block	26,742,332	454,763,789
84,417,758	High Needs Block	7,564,677	91,982,435
4,257,228	Central School Services Block	-529,023	3,728,205
40,707,970	Early Years Block	1,423,676	42,131,646
-560,080,328	Dedicated Schools Grant	-35,201,662	-595,281,990
-2,675,915	TOTAL SCHOOLS BUDGETS	0	-2,675,915
OTHER BUDGETS			
3,000,000	Contingency	0	3,000,000
39,661,985	Capital Financing Charges	6,032,192	45,694,177
8,325,108	Other	12,483,701	20,808,809
50,987,093	TOTAL OTHER BUDGETS	18,515,893	69,502,986
461,283,382	TOTAL NET EXPENDITURE	28,610,906	489,894,288
-3,086,943	Transfer to/from Earmarked Reserves	3,086,943	0
0	Contribution to Development Fund	2,572,245	2,572,245
200,000	Transfer to/from General Reserves	-50,000	150,000
458,396,439	BUDGET REQUIREMENT	34,220,094	492,616,533
MET FROM :			
121,292,695	Business Rates Local Retention	1,978,363	123,271,058
20,138,594	Revenue Support Grant	328,124	20,466,718
17,576,806	Other Non Specific Grants	16,439,997	34,016,803
299,388,344	County Precept	15,473,610	314,861,954
458,396,439	TOTAL MET FROM	34,220,094	492,616,533

COUNTY PRECEPT 2020/21

Council Tax Requirement	£
Total Budget Requirement	492,616,532.67
less Government Support	177,754,578.66
County Precept	314,861,954.01
less Net Surplus on Council Tax element of District Council Collection Funds	3,192,745.86
Council Tax Requirement	311,669,208.15

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	24,689.49	33,024,168.03	273,250.00	33,297,418.03
Boston	19,252.90	25,752,293.98	57,334.00	25,809,627.98
East Lindsey	44,971.00	60,152,310.18	668,256.61	60,820,566.79
West Lindsey	29,986.98	40,109,984.71	987,835.00	41,097,819.71
North Kesteven	37,700.00	50,426,766.00	0.00	50,426,766.00
South Kesteven	47,917.40	64,093,355.89	816,435.00	64,909,790.89
South Holland	28,492.00	38,110,329.36	389,635.25	38,499,964.61
Total	233,009.77	311,669,208.15	3,192,745.86	314,861,954.01

**County Council Element of Council Tax
by Property Band**

Property Band	Proportion of Band D	Council Tax per Property £
Band A	6 / 9	891.72
Band B	7 / 9	1,040.34
Band C	8 / 9	1,188.96
Band D	9 / 9	1,337.58
Band E	11 / 9	1,634.82
Band F	13 / 9	1,932.06
Band G	15 / 9	2,229.30
Band H	18 / 9	2,675.16

IMPACT ANALYSIS RELATING TO INCREASING THE COUNCIL TAX BY 3.50% IN 2020/21

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.

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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 2020/21	Person / people completing analysis	Michelle Grady – Assistant Director – Strategic Finance
Service Area	All Council Services	Lead Officer	Andrew Crookham – Director of Resources
Who is the decision maker?	Full Council	How was the Equality Impact Analysis undertaken?	Desktop Exercise
Date of meeting when decision will be made	21/02/2020	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	<p>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 9 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. The level of government grant support to the Council has substantially fallen over the past 10 years and increasing service pressures and costs means the Council needs to establish a more robust and sustainable income base going forward.</p> <p>The council tax system requires each billing authority (ie. 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 (eg. 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.</p> <p>Over the past 9 years the local council tax has increased by just over 20% whereas general price inflation over the same period has been just over 15%. The reason why council tax increases have been above the rate of inflation is because the government has allowed authorities with adult social care responsibilities to charge an additional up to.</p>		

2% per annum for the 4 years between 2017/18 and 2020/21 (an adult social care precept) and the County Council has exercised this option to help fund rising social care costs. If the adult social care precept had not been charged then the increase in general council tax over the past 9 year would have been just over 11%.

The maximum council tax increase which the Council is allowed to approve in 2020/21 without triggering a local referendum is 4.00% (2.00% for general council tax plus 2.00% for the adult social care precept). It is proposed that the general council tax increase for 2020/21 is 1.5%, which recognises the impact on council tax payers of increases which are above inflation, plus the 2.00% adult social care precept and together these total 3.50%.

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 potential cuts in service provision over the wide range of services provided by the Council. Many of those services provide 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.]

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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	<p>The proposed increase in the council tax of 3.50% 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.</p> <p>To the extent to which those with a protected characteristic are council tax payers then they will be potentially impacted by this change. To the extent that any of the protected characteristics impact disproportionately on income generating capacity compared to people without that protected characteristic there is the potential for the council tax increase to impact adversely to a greater extent on individuals with the protected characteristic.</p> <p>As mentioned earlier this differential impact is mitigated by financial support made available from schemes operated by district councils to assist in meeting council tax bills for low income individuals.</p>
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 one of the proposals to enable the Council to set a balanced budget for 2020/21. The other key aspect is a range of across the board efficiency savings totalling £14.8m. 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 that though there may be a differential impact between those people with a protected characteristic and those who do not share that characteristic this impact is mitigated..
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 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.
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Actions required Include any actions identified in this analysis for on-going monitoring of impacts.	Action	Lead officer	Timescale
	NONE		
Signed off by	Michelle Grady	Date	24/01/2020

BUDGET CONSULTATION FEEDBACK

This Appendix provides details of the budget consultation events which took place in December 2019 and January 2020.

Councillor Budget Briefings: 2 and 4 December 2019

On 2 December and 4 December 2019, presentations had been arranged for members of the County Council. Ten members of the Council attended each session, with senior officers and finance officers present to offer insight into specific budget areas.

The presentation pack, which comprised 33 slides, was circulated to those members of the Council who had attended. The pack provided detailed information on the background to the overall budget, including identified savings for each service area, as well as a programme of 'in depth' ('deep dive-') reviews.

No specific comments were agreed at either session by the members present for passing on into the budget process. However, a number of points of fact and clarifications were made, which included the following topics:

- Broadband Connectivity
- Winter Maintenance
- Highway Asset Management – Managing assets
- Street Works
- Home to School Transport
- Services for People with Dementia
- Suicide Prevention Strategy
- Sustainability of Rural Fire Stations
- Reclaiming Costs of Response to Flooding Incidents under the Bellwin Scheme and Contingency Reserves
- Raising Income from Property

Overview and Scrutiny Committees

The following statements have been received from Scrutiny Committee meetings which have taken place during January 2020:

Environment and Economy Scrutiny Committee – 14 January 2020

On 14 January 2020, the Environment and Economy Scrutiny Committee supported the budget proposals for the Environment and Economy services for 2020/21.

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

- A member of the Committee highlighted the £5.500m addition to the capital programme in relation to the addition of a range of Infrastructure and Economic Development initiatives to support economic and housing growth in and around Boston. The Committee member

queried the figure of £5.500m and sought clarification on the amount as this was understood to be a reduction on £11.000m previously allocated.

- Members expressed their concerns over the limited budgets for rural and countryside services, as a growing service offering a range of benefits.
- The Committee highlighted the work of the Council as Lead Local Flood Authority and the need to be proactive in relation to flood risk. The Committee recommended the need to ensure funding matched the increasing demand in this area.

Adults and Community Wellbeing Scrutiny Committee – 15 January 2020

On 15 January 2020, the Adults and Community Wellbeing Scrutiny Committee recorded its support for the budget proposals for Adult Care and Community Wellbeing for 2020/21 and concluded that the proposals for 2020/21 were cogent. In addition to senior officers, the Executive Councillor for Adult Care, Health and Children's Services was also in attendance at the Committee's meeting.

The Committee is pleased to record its congratulations to Adult Care and Community Wellbeing for consistently balancing its budget for the last seven completed financial years and there is an expectation that 2019/20 will represent an eighth year. Given the challenges and demands facing the service, and the overall reduction of funding from local government, this represents a significant achievement.

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

- The grouping of the 2020/21 Adult Care and Community Wellbeing budget into three strategies (instead of the five used in 2019/20) does not materially affect the proposed levels of funding for each particular service.
- An additional Government allocation for adults and children's social care of £14.7 million had been confirmed (and this will for apply each year of the current Parliament).
- There is continued funding of £5.7 million for social care support grant and the winter pressures grant; the latter of which will be consolidated into the improved Better Care Fund and will continue at 2019/20 levels.
- Confirmation from the Government on the level of public health grant was awaited, but it was expected to contain a real terms increase of one per cent.
- Technological developments referred to will predominantly be funded via capital monies or existing funds used differently. Grant monies may also offer opportunities.
- Regulations and statutory guidance issued under the Care Act 2014 specified the charging structure for adult social care services. It was emphasised to the Committee that the County Council had to follow this legislation in developing its charging policy.
- Some large contracts, which were due for renewal during 2020/21, have increased the scale of financial pressure and these are included in the proposed 2020/21 budgets.

The Committee also reflected on the longer term budgetary challenges for adult social care, from 2021/22 onwards, which will be considered as part of the Government's comprehensive spending review during 2020. When there is more detail on the Government's plans, this will be considered by the Committee.

Children and Young People Scrutiny Committee – 17 January 2020

On 17 January 2020, the Children and Young People Scrutiny Committee supported the budget proposals for Children's Services for 2020/21.

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

- There would be no impact on service delivery from the changes to the Children's Services budget.
- The approach across the Council this year was to identify any savings by removing flexibilities from within the budgets, that could be given up to help with balancing the Council's budget to avoid making cuts to services and staffing.
- The Home to School/College Transport budget would be directly impacted by any major increases in fuel prices and assurance could not be provided that there would be no cost pressure arising from fuel price rises. The budget had been reviewed and cost increases were considered and built within the 2020/21 requirements. This budget was monitored on a monthly basis, due to it being a volatile and demand-led budget. If a cost pressure arose, it would be reported through the budget monitoring process, and considered corporately on how it could be managed.
- The budget for the Building Communities of Specialist Provision Strategy consisted mainly of government grant funding. The government's Special Provision Fund allocations to transform SEND capital infrastructure was however small compared to what was actually required. The financial needs of this programme of works (£50.637m) were being regularly reviewed as surveys and requirements to the schemes progress, including the completion of capital appraisals for Executive approval and exploring alternative funding streams that come available.
- All schools would be receiving a gain in per pupil funding under the schools national funding formula for 2020/21. There was a government review commencing on how to make small schools more sustainable which may lead to greater certainty for small schools. It was suggested that the Committee considers the government review of school funding for small schools once it had been published.

Highways and Transport Scrutiny Committee – 20 January 2020

On 20 January 2020, the Highways and Transport Scrutiny Committee supported the budget proposals for the Highways and Transport services for 2020/21.

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

- A member of the Committee highlighted the reduction in the volume of concessionary travel journeys which is expected to generate savings of £0.425m in 2020/21. Officers confirmed that decreasing volume of journeys was a national trend and that changes in the state pension age meant that the demand for concessionary bus passes had reduced.

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.

Meeting with businesses, trade unions and other public bodies

Budget proposals were presented to representatives from business, trade unions and other public bodies on 23 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 includes 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 will 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 was 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

Public Consultation via the Council website

Following consideration of the budget proposals 2020/21 by the Executive on 7 January 2020, a public consultation was published on the Council website and closed on 25 January.

No feedback was received from members of the public.

THE MEDIUM TERM FINANCIAL STRATEGY

1. Introduction

- 1.1. Local government has been in a period of austerity since 2010 and has seen its funding reduced in real terms over this time. We will reach the end of a four year funding deal from the Government in 2019/20 which has seen a reduction in General Grant funding and more reliance on one-off specific grants and on local taxation to fund essential services. Council Tax income now represents almost 65% of our net expenditure (it was 51% in 2010/11).
- 1.2. In this context, it is essential that we plan for the future to ensure our financial sustainability, and this Medium Term Financial Strategy (MTFS) aims to help us do this.
- 1.3. This Medium Term Financial Strategy covers the next three years (2020/21 to 2022/23) and provides an update on the current financial context for the Council. The MTFS will be refreshed annually to take account of changing circumstances affecting our finances. The purpose of this strategy is to set out how we intend to manage the financial resources available to deliver our priorities for our communities.
- 1.4. In December 2019 the Council approved a new Corporate Plan. This MTFS will underpin the Corporate Plan by ensuring that financial resources are identified and made available to deliver its ambitions. The work to link these resources to priorities will be done over the next few months. The Corporate Plan sets out four key priorities, which are that People and Communities will have:
 - a) High aspirations;
 - b) The opportunity to enjoy life to the full;
 - c) Thriving environments; and
 - d) Good value Council services.
- 1.5. It must be recognised that over the past few years funding to all councils has been constrained. There is therefore a need to balance our aspirations with affordability and this is a key principle of our financial strategy.
- 1.6. As detailed within this strategy, there is still a large element of uncertainty over our future funding from Government, which makes it difficult to plan for the future. The financial year 2019/20 was the final year of a four year funding settlement and it had been hoped that a new multi-year settlement would be delivered by Government for 2020/21 onwards. We now know that this will not be in place for 2020/21; nevertheless, it is important that we do make plans using our best estimates of future funding as these plans will support the achievement of our ambitions and objectives as set out in the Corporate Plan. The principles within this strategy will apply over the longer term however the current uncertainties around future Government funding mean that it is not practicable to prepare a financial plan for a long term period, so our financial plans cover the medium term at this point in time. We aim to extend our financial planning to cover a longer term period once funding reforms are in place.

1 The Objectives of the Medium Term Financial Strategy

1.1 The MTFs is a flexible strategy which will allow us to forecast our future financial resources and then plan to use these to both deliver core services and to invest in future improvements to service delivery. The objectives of the strategy are to:

- a) Ensure that we are financially resilient now and in the future and can respond positively to adverse financial impacts;
- b) Support the provision of Value for Money services to our communities;
- c) Support sustainable service delivery using a combination of Revenue and Capital Budgets and Reserves;
- d) Maintain Council Tax in the lowest quartile for county councils;
- e) Support other Council strategies;
- f) Deliver assets to improve and maintain services and also to achieve future savings;
- g) Enable the setting of an annual balanced budget. The annual Revenue Budget must be affordable and can be supported by the use of Reserves, but only as part of a medium term plan moving towards a future budget which is balanced without the support of reserves;
- h) Support good decision making;
- i) Recognise financial risks and identify how these will be managed; and
- j) Allow for emerging opportunities to be exploited within the affordable budget.

2 The Current Financial Context

2.1 The past ten years have been a period of austerity for councils, with Government funding reducing significantly over this period. Councils like ours, with Social Care responsibilities, have seen new Government grants introduced to help deal with increasing Social Care pressures, but, over this time, the balance of our sources of funding has changed – we are now more reliant on Council Tax and Business Rates funding to support the provision of services, and less reliant on Government grants, than we were ten years ago (see section 6 for details on funding).

2.2 The table below shows a summary of how our funding has changed since 2011/12 and the cost pressures built into our budget and savings achieved over this same period:

Financial Trends							
Year	General Government Grant £m	Other Govt. Grants received £m	Total Govt. Grant income £m	Savings £m	Cost Pressures £m	Council Tax Increase	Planned Use of Reserves £m
2011/12	211	16	227	57	52	0.00%	0
2012/13	195	17	212	51	23	0.00%	0
2013/14	146	19	165	28	61	0.00%	12
2014/15	125	22	147	40	22	0.00%	8
2015/16	95	25	120	31	31	1.90%	22
2016/17	70	28	98	42	31	3.95%	20
2017/18	48	42	90	39	26	3.95%	18
2018/19	34	49	83	23	30	4.95%	5
2019/20	20	61	81	16	26	4.95%	3

2.3 The current regime for funding councils has been in place since 2013 and is now out-dated. The Government is proposing two major reforms to the system: the Fair Funding Review and Business Rates Retention. Reforms were due to be implemented from April 2020 but have now been deferred until April 2021.

2.4 A Government Spending Review will take place in 2020 to determine the amounts to be allocated to each Government spending department. It is not yet known what period of time the Spending Review outcomes will cover, but this review will certainly influence the overall total amount to be allocated to the local government sector.

2.5 The economic outlook is currently uncertain, with the United Kingdom's exit from the European Union now in a transition period and a new Government in place following the General Election on 12 December 2019. In the context of this uncertainty the Government announced in October that funding for Councils in 2020/21 would be "rolled forward", meaning that it would be largely in line with that in 2019/20 plus some additional grants. Economic forecasts show that inflation is likely to remain close to 2% over the next two years although wage inflation is currently running above this level. Economic growth is expected to remain at a low level and all of these forecasts assume that a Brexit deal will be achieved following the transition period.

3 The Forward View

3.1 With regard to the proposed funding reforms, we have lobbied Government to increase the total amount of funding coming to the sector as a whole and have specifically requested that Government look at the distribution of funding to this Council with a view to addressing past inequalities between authorities. Whilst we believe that the Government understands the challenges of delivering services in a large rural county, we are still cautious about future funding levels given the amount of uncertainty outlined above.

3.2 We expect that next Autumn (2020) will see the release of more information about the impact of the funding reforms on individual councils, which will enable us to have a clearer picture of our future Government support over the medium term period. In the

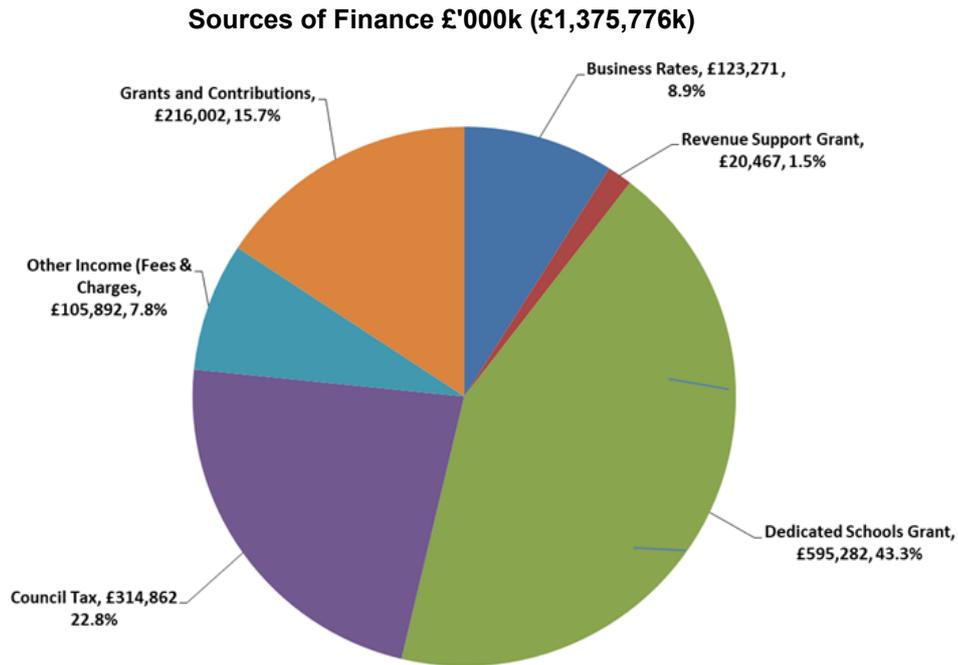
meantime, we are setting a budget for one year only, whilst still planning for the medium term. MTFs Table 1 below sets out our expected medium term budgetary position and proposed budget requirement for each year:

MTFS TABLE 1 - Summary Revenue Budget 2020/21 Onwards

SUMMARY REVENUE BUDGET	2020/21 £m	2021/22 £m	2022/23 £m
EXPENDITURE:			
Net Base Budget	461.283	489.894	501.660
Cost Pressures (<i>including inflation</i>)	44.773	16.964	7.772
Savings & Additional Income	-14.942	-5.198	-0.628
Other Movements (PH Grant & BCF Grant)	-1.221	0.000	0.000
Total Expenditure	489.893	501.660	508.804
Use of Reserves	-	-13.037	-6.096
Contribution to Development Fund	2.572	-	-
Transfer to/from General Reserve	0.150	0.200	0.200
Budget Requirement	492.615	488.823	502.908
INCOME:			
Business Rates Local Retention	123.270	124.267	126.454
Revenue Support Grant	20.467	20.870	21.246
Other Grants	34.017	18.316	18.446
County Precept	314.862	325.370	336.762
Total Income	492.616	488.823	502.908

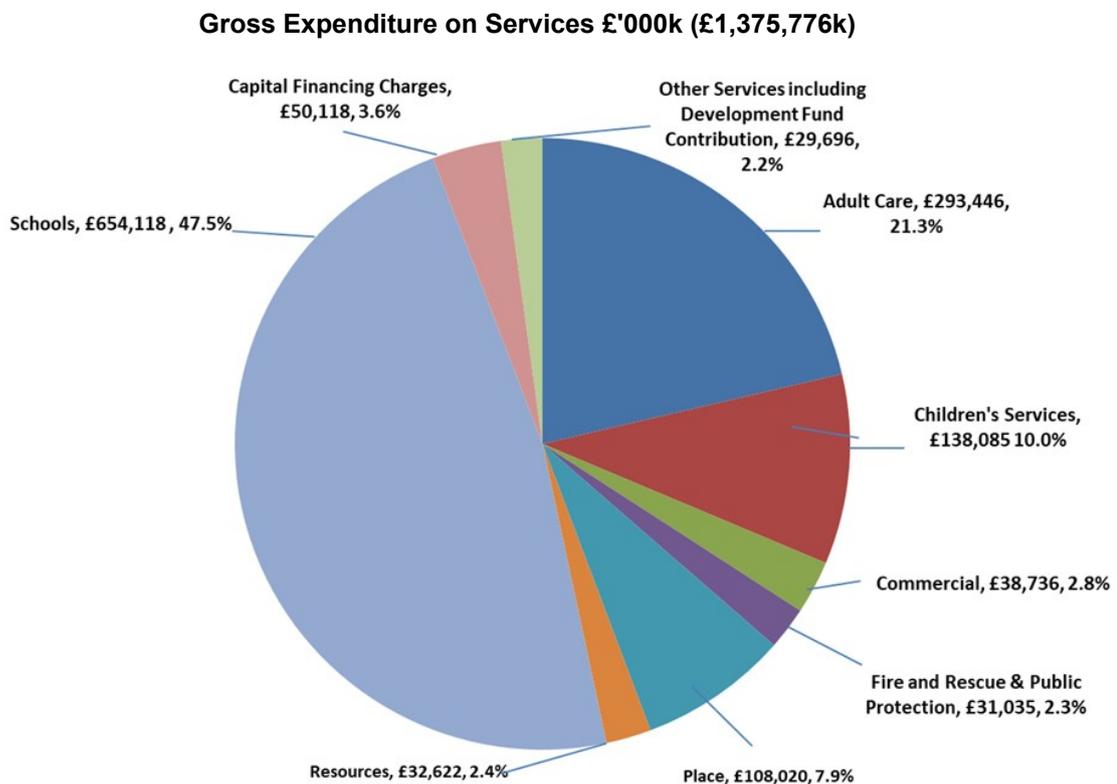
- 3.3 Our funding for 2020/21 was confirmed by the Final Local Government Finance Settlement 2020/21 which was released on 29 January 2020. Our funding beyond 2020/21 is based on assumptions about the future and our original assumptions for 2020/21 are shown in MTFs Appendix I together with a sensitivity analysis which shows the impact of our assumptions on the budget.
- 3.4 We have been through a detailed budget exercise this year which aimed to resolve the forecast deficit over the next three years. As contracts are renewed over the next two to three years we will need to continue to review cost pressures for Adult Social Care.
- 3.5 The table above shows how our base budget each year is increased by cost pressures and reduced by savings or additional income. The Budget Book Appendix J provides more detail to support the total amount of cost pressures added to our budget in 2020/21, and the total amount of savings or additional income added to our budget in the same year.
- 3.6 We expect our total funding next year to be £1,375.776m. MTFs Pie Chart 1 below shows where this funding will come from.

MTFS PIE CHART 1 - Sources of Funding Revenue Budget 2020/21



3.7 The following pie chart shows how this total of £1,375.776m will be used to fund our services.

MTFS PIE CHART 2 - Gross Expenditure on Services – Revenue Budget 2020/21



MTFS Table 2 below shows our proposed Revenue Budget by service delivery area:

MTFS TABLE 2 - Net Service Revenue Budgets

Revenue Budgets	2019/20 £m	2020/21 £m
Children's Services		
Children's Social Care	72.953	73.453
Children's Education	39.926	41.604
Adult Care and Community Wellbeing		
Adult Frailty & Long Term Conditions	119.933	120.653
Adult Specialities	76.289	80.418
Public Health & Community Wellbeing	29.669	28.788
Public Health Grant Income	-31.800	-32.341
Better Care Funding	-46.343	-47.023
Place		
Communities	47.350	46.532
Lincolnshire Local Enterprise Partnership	0.406	0.413
Growth	3.444	3.509
Highways	23.177	22.534
Fire and Rescue & Public Protection		
Fire and Rescue & Emergency Planning	19.872	21.894
Public Protection	3.391	3.459
Resources		
Resources	20.460	22.547
Commercial		
Commercial	32.068	34.139
Corporate Services		
Corporate Services	2.176	2.490
Other Budgets		
Other Budgets	50.987	69.501
Schools		
Schools Block	428.022	454.764
High Needs Block	84.418	91.983
Central School Services Block	4.257	3.728
Early Years Block	40.708	42.132
Dedicated Schools Grant	-560.080	-595.282
Total Net Expenditure	461.283	489.895
Transfer to/from Earmarked Reserves	-3.087	-
Contribution to Development Fund	-	2.572
Transfer to/from General Reserves	0.200	0.150
Budget Requirement	458.396	492.617

3.8 We have a ten year Capital Programme, which is a budget set aside to deliver new or improved assets and to maintain existing assets used to deliver services. The proposed

Capital Programme is affordable over the longer term, within the context of our budget assumptions and in line with our Capital Strategy, which also covers a longer term period up to ten years. The table below is a summary of our proposed Capital Programme and its proposed funding:

	2019/20 £'000	2020/21 £'000	Future Years £'000
Gross Capital Programme	189,173	223,204	375,907
Funded By:			
Grants and Contributions	87,474	85,281	68,524
Revenue Funding	775	30	1,106
Use of Reserve	6,025	0	0
Borrowing	94,900	137,893	306,277
Funding by LCC	101,699	137,923	307,383
Total Funding	189,173	223,204	375,907

3.9 The Capital Programme is shown in Appendix P of the Budget Book 2020/21.

3.10 The Medium Term Financial Plan shows that we can balance the budget in 2020/21, but this is mainly because we will receive an additional grant of £14.732m next year to support Social Care pressures. Beyond 2020/21 we do not expect to be able to set a balanced budget without using our reserves to bridge the deficit each year; however, this is subject to change depending on the future of Government funding for Social Care and for local government generally. We believe our funding assumptions to be realistic, but cautious. The Government was due to have published a green paper on the reform of Adult Social Care funding by now but there is still no prospect of this in the near future.

3.11 We still have to plan to bridge the budget gap in the event that additional Social Care funding does not transpire. A programme of transformation is starting now, with a number of fundamental service reviews and some development initiatives to be identified in the budget setting reports during the life of this MTFs. It is expected that this programme will start to deliver savings by 2021/22 onwards.

4 Delivering the Medium Term Financial Strategy

4.1 The Strategy provides a framework within which we can manage the financial resources available to deliver our priorities for our communities over the medium term. To deliver this successfully requires a culture of good financial management within the Council, which is led by the Executive Director of Resources (the Section 151 Officer) and the Leadership Team, which includes our elected Members as well as Chief Officers. The Section 151 Officer has certain responsibilities for financial management which are set out in regulations, and must follow CIPFA's Codes of Practice.

4.2 To support this culture we have a set of financial regulations and procedures, as well as schemes of authorisation, which give guidance to Officers about their financial responsibilities.

4.3 The Strategy supports the Council's other key strategies, by setting the financial context for the Council and by clarifying the levels of investment that we can make in the future to deliver services and improve and maintain our assets.

- 4.4 We have an Earmarked Reserve, called the Financial Volatility Reserve, which can be used to support the Revenue Budget in any given year if the requirement to spend is higher than the resources available. Our strategy is that this will only be a temporary solution to balance the budget whilst we work towards finding budget savings or increased funding to ensure that our budgetary position is sustainable. We also have General Reserves which can be called upon to meet any unexpected financial pressures in the year, if these cannot be funded from any other source.
- 4.5 The Strategy is supported by financial performance indicators, which are shown in Appendix F of the Budget Book 2020/21. These are monitored during the year and performance is reported at the end of the year.
- 4.6 During each financial year, the approved Revenue Budget and the approved Capital Programme are monitored and performance against each is regularly reported to the Corporate Leadership Team and the Executive, with scrutiny applied by the Overview and Scrutiny Management Board.

5 Key Considerations for the Medium Term Financial Strategy

Council Tax

- 5.1 As part of its Technical Consultation released on 9 October, the Government has proposed a referendum limit for general Council Tax of 2%, and is once again allowing the raising of local tax to support Adult Social Care with an additional 2% precept. This gives a potential total Council Tax increase of 4%.
- 5.2 We are proposing to implement the Adult Social Care precept at 2.00% in addition to a 1.50% general Council Tax increase, giving a total increase of 3.50% for 2020/21 (i.e. 0.5% lower than the proposed referendum limit). Our modelling assumes that beyond 2020/21 our Council Tax increases will be 2% each year.

Business Rates

- 5.3 Our Business Rates funding is made up of two elements, an amount actually collected by the seven District Councils in Lincolnshire, and a top up Grant from central Government, as the total Business Rates collected in Lincolnshire are not sufficient to cover Local Authority spending in the area.
- 5.4 Any surpluses or deficits on the Business Rates element of the Collection Fund are received from the Lincolnshire District Councils by 31 January each year. In 2019/20 this was a surplus of £6.157m for the County Council, for one-off reasons, but was a deficit in the previous year. The surplus from 2019/20 was transferred to a Business Rates Volatility Earmarked Reserve and will be used to cover any deficit in future years. In 2020/21 the total surplus was £0.277m. It is worth noting that only 10% of the Business Rates collected locally are passed to Lincolnshire County Council and any share of surpluses or deficits will also be on this basis.
- 5.5 In addition to the above Business Rates funding in previous financial years, the Council receives Section 31 Grant as compensation of central Government RPI cap, and reliefs offered to small and rural businesses. This is continuing in 2020/21 and it is anticipated that Government will continue to compensate local authorities in full for the extension of Small Business Rate Relief and new Rural Rate Relief.
- 5.6 After participating in a Business Rates Pilot scheme during 2018/19, we were unsuccessful in our bid to continue as a pilot authority during 2019/20. There are no new

pilot schemes in 2020/21 so we have reverted to being in a Business Rates Pool. Pooling provides us with additional Business Rates growth income and we have assumed that this will be £2.800m for 2020/21.

Government Funding

- 5.7 We receive General Grant from the Government in the form of Revenue Support Grant and this has reduced substantially from its level of £70.351m in 2016/17. The future of Revenue Support Grant is uncertain given the Government's funding reform agenda, but for 2020/21 it will be £20.467m.
- 5.8 In addition to Revenue Support Grant we receive a number of other specific Government grants to support our expenditure, the largest of these being the Better Care Fund and the Public Health grants.

Fees and Charges

- 5.9 The charges made to service users form a significant part of our total gross income, and therefore make an important contribution to the funding of services. MTFS Pie Chart 1 (paragraph 4.6 above) shows that fees, charges and other income is expected to be £105.892m in 2020/21. This income relates to a number of our services, with over half of it coming from users of Adult Social Care services.

Reserves

- 5.10 We hold two types of reserves: General Reserves, which are held as a fund of last resort to cover unexpected and unbudgeted costs which cannot be funded from our Revenue Budget, and Earmarked Reserves, which are funds held for specific purposes and to cover future costs relating to those purposes. Earmarked Reserves are either created from grants and financial contributions received by the Council, or from underspends in the Revenue Budget at year end.
- 5.11 Our General Reserves currently stand at £15.850m, and our strategy is to maintain these reserves at a level which is between 2.5% and 3.5% of the budget requirement each year. The current level is 3.5% of the 2019/20 budget requirement. We carry out an annual risk assessment to ensure that the General Reserves are at a level which is appropriate to cover known risks and the financial risk register used for this assessment is at MTFS Appendix II.
- 5.12 We will budget for an estimated contribution to or from General Reserves each year to ensure that the level of these reserves keeps pace with the budget requirement and the updated risk assessment.
- 5.13 Our Earmarked Reserves are currently valued at £189.234m, which includes an Earmarked Reserve which is ring-fenced for Schools of £12.540m. The Council approves the creation of any new Earmarked Reserves. Our strategy is to regularly review Earmarked Reserves so that they are used for the purposes originally intended, or removed if no longer required, with the funding diverted for a new agreed purpose.
- 5.14 Within Earmarked Reserves there is a Financial Volatility Reserve which exists to deal with volatility in costs and to support the budget whilst savings are being delivered. There are a number of other Earmarked Reserves which are also used to cover volatility in costs and these support our financial resilience.

5.15 The Financial Volatility Earmarked Reserve currently stands at £55.769m. The MTFP in MTFFS Table 1 (paragraph 4.2) indicates that we will need to draw down £13.037m from this reserve in 2021/22 and a further £6.096m in 2022/23. This will leave a balance in the Financial Volatility reserve of £36.636m by the end of the medium term period. Proposed Earmarked Reserves are shown in the Budget Book Appendix L.

Flexible Use of Capital Receipts

5.16 In September 2016 the Council approved the Efficiency Plan, and the 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 to the four year funding deal offered by Government for the period 2016/17 to 2019/20. 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.

5.17 From next year, 2020/21, our Flexible Use of Capital Receipts Strategy (Appendix G of the Budget Book 2020/21) states that we no longer plan to use Capital Receipts to fund transformation projects. Instead, we plan to use our Earmarked Reserves for this purpose. This will allow us to revert to using Capital Receipts to repay borrowing or to finance new Capital expenditure.

Financial Performance

5.18 We have a strong financial foundation upon which to build future years' budgets. Indicators of this are:

- We have prepared for this eventuality by setting aside money in reserves to help smooth the transition to a lower budget base;
- We have a culture of financial management which generally results in expenditure being contained within budgets;
- Prompt action has been taken to reduce budgets in the early years of austerity;
- A prudent approach has been taken to budgeting and this often results in underspends at the end of the year. This in turn has allowed for Earmarked Reserves levels to be increased;
- The CIPFA Financial Resilience Index has been published, and early indications are that this Council has a reasonable level of financial resilience;
- The Leader of the Council is the Executive Portfolio Holder for finance and has a good understanding of financial issues. The Executive is involved in the budget process.

Governance, Risk and Opportunities

5.19 As set out in section 5 above, we have a strong culture of good financial management and this is supported by a governance framework as follows:

Constitution and Financial Regulations

All Council business is conducted in accordance with the policies and procedures set out in our Constitution, which defines how we operate, how decisions are made, and the procedures that must be followed.

Financial Procedures

In order to conduct our business efficiently, we need to ensure that we have sound financial management policies and procedures in place and this is done through our Financial Procedures. These set out the financial accountabilities of individuals and the procedures to be followed.

Council

The Council's financial affairs are operated through a number of Member committees which have delegated powers. Decisions that cannot be delegated are taken at meetings of full Council.

The Executive

Each year, the Council agrees a policy framework and budget, and it is the responsibility of the Executive to implement the framework and budget.

The Executive has special responsibilities for financial matters.

Scrutiny Committee

The Overview and Scrutiny Management Board reviews and scrutinises any decision made by the Executive, Executive Councillor or key decision made by an officer.

The key aim of scrutiny is to:

- Provide healthy and constructive challenge
- Give voice to public concerns
- Support improvement in services
- Provide independent review

Audit Committee

The Council's Audit Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done.

It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done and make sure the right processes are in place. It works closely with both internal audit and senior management to continually improve the Council's governance, risk and control environment.

Internal Audit

The Council maintains an adequate and effective system of internal audit of the accounting records and the systems of internal control in line with the requirements of the Accounts and Audit (Amendment) (England) Regulations 2015.

External Audit

An external audit service to the Council is currently provided by Mazars, who report on an annual basis to the Audit Committee on their findings in respect of the Statement of Accounts and on the Council's Value for Money arrangements.

Chief Finance Officer

The Council has designated the Executive Director – Resources as the Chief Finance Officer under Section 151 of the Local Government Act 1972. He leads and directs the financial strategy of the Council. He is a member of the Leadership Team and has a key responsibility to ensure that the Council controls and manages its money well. He is able

to operate effectively and perform his core duties, complying with the CIPFA Statement on the role of the Chief Finance Officer.

Monitoring Officer

The Chief Legal Officer is the designated Monitoring Officer, with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the Constitution.

The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by Members and co-opted Members of the authority.

Risk Management Strategy

The Audit Committee has overall responsibility for ensuring that the Council's risk management framework is robust, and provides assurance that strategic and operational risks which the Council faces have been identified and managed. Our financial risk register is at MTFS Appendix V.

5.20 Our strategy is to take account of risk when preparing the MTFP. We have a number of budgets which are volatile because the amount we spend in each year depends on either demand for services or on other factors which we do not control e.g. the weather. We forecast the amount required for such budgets based on the most likely scenarios and hold amounts in contingencies and earmarked reserves to support these budgets if expenditure is higher than expected.

5.21 Our MTFP is supported by assumptions about a number of factors affecting the budget, and we model scenarios based on differing levels of risk for each major assumption: high risk (the outcome which results in a higher risk to our financial position); medium risk (the most realistic outcome); low risk (the outcome which results in a lower risk to our financial position). This provides us with a range of possible financial positions for the future, which we can take account of when making major decisions. We update the MTFP as detailed information about our future costs, income and funding is confirmed.

5.22 We need to ensure that we can grow and develop as a Council, as well as maintain existing core services. To do this we need to be able to make the most of opportunities when they arise. The MTFS allows us to do this by establishing funding for investing in new ideas. Examples of this are:

- Budget holders can bid for investment in new opportunities (either revenue or capital) as part of the annual budget process. These will be considered in the context of the business case and affordability.
- Council Directorates can carry forward up to 1% of their budgets to the following year to the extent that they have delivered a budget underspend..
- We have a New Development Capital Fund of £7.5m each year. Budget Holders can bid for funding from this to spend on new capital schemes.
- There are a number of earmarked reserves which can be used to fund investment in new opportunities.

Funding / Expenditure Area	Assumption	2020/21 £000's	Impact of 1% Change £000's	Impact of 5% Change £000's
Funding				
Revenue Support Grant	2019/20 level plus 1.8% inflation pa	-20,501	-205	-1,025
Rural Services Delivery Grant	2019/20 level plus 1.8% inflation pa	-7,060	-71	-353
New Homes Bonus Grant	2019/20 level plus 1.8% inflation pa	-2,182	-22	-109
Independent Living Fund	Reduction of 2.5% pa	-1,554	-16	-78
Public Health Grant	2019/20 level plus 1.8% inflation 2020/21, then flat-lined	-32,341	-323	-1,617
Better Care Funding	2019/20 level plus £680,000 for 2020/21, then flat-lined	-47,023	-470	-2,351
Council Tax Collection Fund Surplus	2019/20 surplus with no growth	-2,670	-27	-133
Council Tax	Taxbase growth 1.5% pa * Band D increase 3.5% / 2% / 2%	311,709	N/A	N/A
BR Collection Fund Surplus	Deficit can be eliminated using volatility reserve	0	0	0
BR collected locally	2019/20 plus growth of 1.8% pa	-21,437	-214	-1,072
BR Top Up Grant	2019/20 plus growth of 1.8% pa	-91,456	-915	-4,573
BR S31 Grant	2019/20 plus growth of 1.8% pa	-6,427	-64	-321
BR Pooling Gain	£2.799m pa based on latest estimate	-2,799	-28	-140
Social Care Grant	2019/20 amount rolled forward for 3 years	-5,754	-58	-288
Social Care Grant (New)	New grant confirmed for 2020/21 only	-14,732	N/A	N/A
Expenditure			-2,412	-12,060
Pay Inflation	2% pa	3,287	33	164
LGPS Employers Contribution	1.1% increase pa	1,688	17	84
LGPS Lump Sum Deficit	18% increase per annum	1,172	12	59
Total			61	307

Financial Risk Register 2020/21

Risk	Consequences	Controls & Contingencies	Residual Risk			Estimated value of reserve needed £m	
			Impact - Annual Cost £m	Likelihood			
Inflation							
Pay	Pay awards are 1.0% higher than assumed in the budget.	leading to increased costs	There is a 2.0% provision in 2020/21 budgets for pay awards. The Council has also made a budget provision for the National Pay Spine negotiations.	3.3	2	35%	1.155
Price Increases	Inflation for general price increases is 1.0% more than allowed in budget.	leading to increased costs	There is a 0.0% provision in 2020/21 budgets for price increases.	4.4	3	75%	3.300
Income	Increase is 1.0% less than provided for in budget.	leading to reduced income	There is some provision in 2020/21 for certain income increases e.g. Adult Social Care. In other areas there is no provision for increases.	1.8	3	75%	1.350
Interest rates	Longer term interest rates are 1.0% higher than assumed in the budget.	leading to increased costs on long term borrowing	The budget assumes longer term rates of 2.525% for 2020/21.	1.2	2	35%	0.420
Other Budget Assumptions							
Demand-led Services	Demand for social care, waste disposal, home to school transport, property repairs and maintenance, highways winter maintenance, fire and rescue, coroners: increase in total cost terms by (say) £15m more than budget.	leading to increased costs	Budget prepared on latest projections, but, for example, a bad winter could lead to significant additional winter road maintenance or social care.	15.0	3	75%	11.250
Fair Funding Review and Business Rates Retention Reforms are less advantageous than anticipated from April 21	The Fair Funding Review and Business Rates Retention reforms were due to be implemented from April 20 and have been pushed back to April 21 amid great political uncertainty. Assumptions about increased funding may not be realistic. One-off social care funding of £5.7m has been repeated for 20/21 but may then cease.	leading to less government funding	Assumptions about increases have been fairly cautious.	8.3	3	75%	6.229
Estimated savings	Target savings not achieved fully in 2020/21.	leading to increased costs	Achieving fully the high level of savings required within the year will be very challenging. The Council's 2020/21 budget includes an estimated savings target of £16.3m. Monthly budget monitoring arrangements should highlight any potential budget pressures to allow corrective actions to be taken. Savings are generally low impact.	16.3	2	35%	5.720
Income budgets	Income from charges is 10% less than estimated.	leading to reduced income	Budgets are set on past experience and future expectations.	16.2	2	35%	5.670
Costs of change	A provision has been made within the Council's budget for redundancy costs. The Council will no longer use Capital Receipts flexibly to fund transformation in 2020/21. Some transformation costs are included within service budgets, and earmarked reserves can be used to fund transformation. However the full cost of transformation is not yet known. Provision for service transformation is insufficient by (say) £2m.	leading to increased costs	The current budget savings required for the 2020/21 budget are unlikely to lead to significant redundancies; however service transformation is expected to happen in some areas. If costs are in excess of the current budget the additional costs could be funded from the Council's Contingency Budget, Financial Volatility Reserve or from other earmarked reserves.	2.0	3	75%	1.500
Capital Programme	The programme exceeds by (say) £10m the funding available, leading to use of additional revenue funding.	leading to increased costs	It is normal for the Capital Programme to be underspent, not overspent. An overspend would be funded by taking additional borrowing.	10.0	1	10%	1.000

Risk	Consequences	Controls & Contingencies	Residual Risk			Estimated value of reserve needed £m	
			Impact - Annual Cost £m	Likelihood			
Financial Management Arrangements							
Current financial management arrangements	Overspend of 2% in Budget Requirement.	leading to increased costs	There are clear, written financial management procedures; regular staff training; good financial systems including monitoring information; and regular reporting to budget-holders, directorate management teams and the Executive. There have not been substantial overspendings in recent years other than on demand led services; however, as budgets are tightened, overspending may be more	9.7	3	75%	7.268
Schools Expenditure	Overspend of 1% in Schools budget expenditure.	leading to increased costs	Schools expenditure covered by Dedicated Schools Grant. The County Council could be required to provide financial support if there were a major problem.	4.3	1	10%	0.430
Potential Losses							
General Claims against the Council	Claims total £5m more than provided for in budget.	leading to increased costs	Extent of loss is limited by insurance arrangements. There is also an Insurance Reserve; the balance of this stood at £5.237m at 31 March 2019.	5.0	3	75%	3.750
Bad Debts	Write-off of debts of 1%.	leading to reduced income	The Council has a good record of income collection with a low level of debt write-offs.	1.3	1	10%	0.130
Treasury management	Default on loans from the Council.	Reduction in the Council's cash balances	Authorised lending for Treasury Investments list restricted to lowest risk institutions with individual limits. The Council's lending policy is low risk.	25.0	1	10%	2.500
Loans to Other Bodies for Service Purposes	Default on loans from the Council.	Reduction in the Council's cash balances	The Council has made loans to other bodies for service purposes and these carry a higher risk of default than Treasury loans, particularly given IFRS9 implications.	2.4	2	35%	0.840
Major emergencies or disasters	Such an event with a cost of (say) £5m	leading to increased costs	The government provides financial support under the Bellwin scheme for major emergencies or disasters. However, there is no automatic entitlement to financial assistance and where it is given it will not normally cover all the costs incurred.	5.0	1	10%	0.500
						53.011	
Provisions Against Financial Risk							
Contingency Provision	The contingency provision may offset some of the increased costs noted above e.g. price increases above that allowed in budgets.		Budgets include a contingency provision of £3.0m p.a.	-3.0	4	100%	-3.000
Financial Volatility Reserve	At the end of 2011/12 the Council established a financial volatility reserve to help the Council deal with the future uncertainties around local government funding.		At the end of 2019/20 it is estimated that the balance in the FVR will stand at £55m. It is currently estimated that we will need around £7m from the reserve to balance future years' budgets, which means that there will be approximately £48m left to fund these risks. In addition, there may be an underspend in the current year which could be applied to the FVR at the year end.	-48.0	3	75%	-36.000
						-39.000	
Net Total Value of Risks						14.011	
Key To Likelihood Scores:							
1	Very unlikely	10% of impact					
2	Possible but unlikely	35%					
3	Possible for example in view of current higher levels of risk	75%					
4	Very probable or certain	100%					

KEY FINANCIAL PERFORMANCE MEASURES: FINANCIAL HEALTH AND PERFORMANCE

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2019/20 Estimate	2020/21 Estimate
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 26 county councils)	Yes	Yes
2	Government grants	Lobby for annual increases in general government grants to be above the county average	Yes	Yes
3	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	5.68%	5.61%
4	Accounting	Unqualified external audit opinion	Yes	Yes
5	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%
6	Internal control	None of the processes audited receive a "no assurance" opinion from internal audit	Yes	Yes
7	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	90%	90%
8	Treasury management	Risk adjusted return comparison	Weighted Benchmark	Weighted Benchmark

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY FOR 2020/21

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."

Strategy for 2020/21

The Council will not take advantage of the flexibility to use capital receipts to fund revenue transformation projects in 2020/21. Instead such projects will be funded from either revenue budgets or earmarked reserves, and capital receipts in 2020/21 will be used to fund new capital assets or to repay debt.

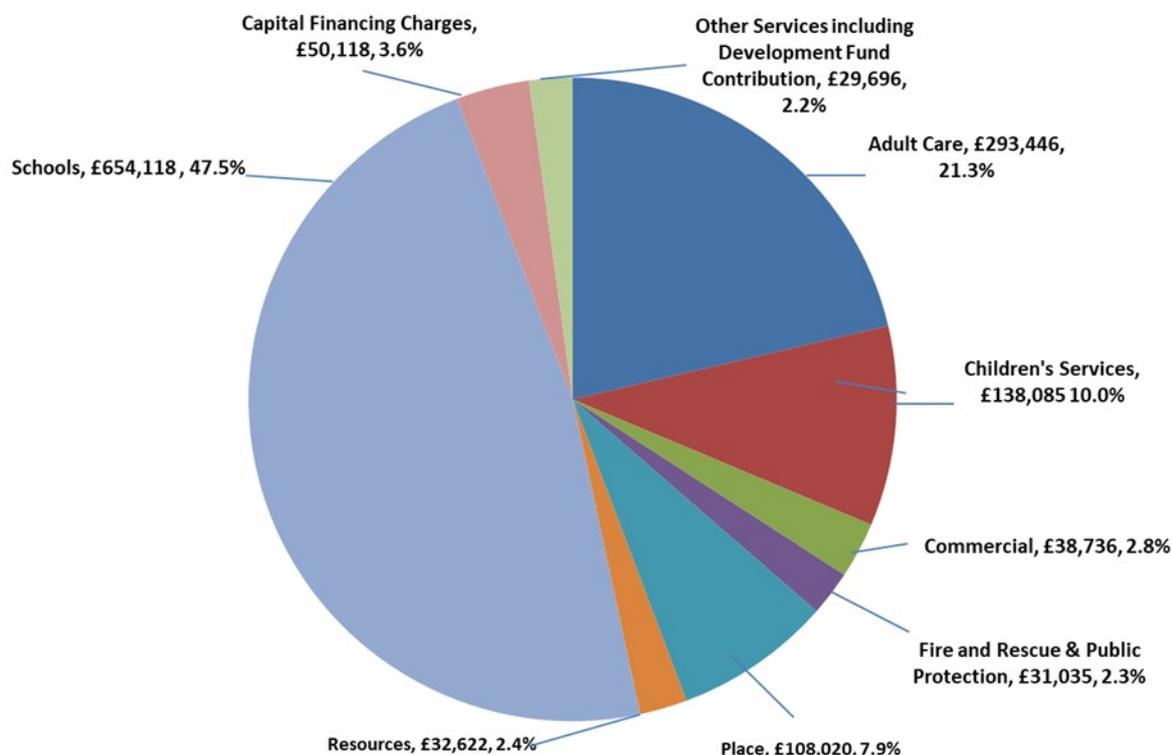
There is therefore no schedule of projects to be funded by capital receipts for 2020/21.

Impact on Prudential Indicators 2020/21

As the Council will not be using capital receipts to fund revenue transformation projects in 2020/21, there is no impact of the strategy on Prudential Indicators. Details on the Council's Prudential Indicators are set out at **APPENDIX M** to this report and they demonstrate that the capital programme and associated financing remain affordable for the County Council.

GRAPHICAL REPRESENTATION OF THE REVENUE BUDGET 2019/20

Gross Expenditure on Services £'000k (£1,375,776k)



Children's Services includes: Children's Education and Children's Social Care.

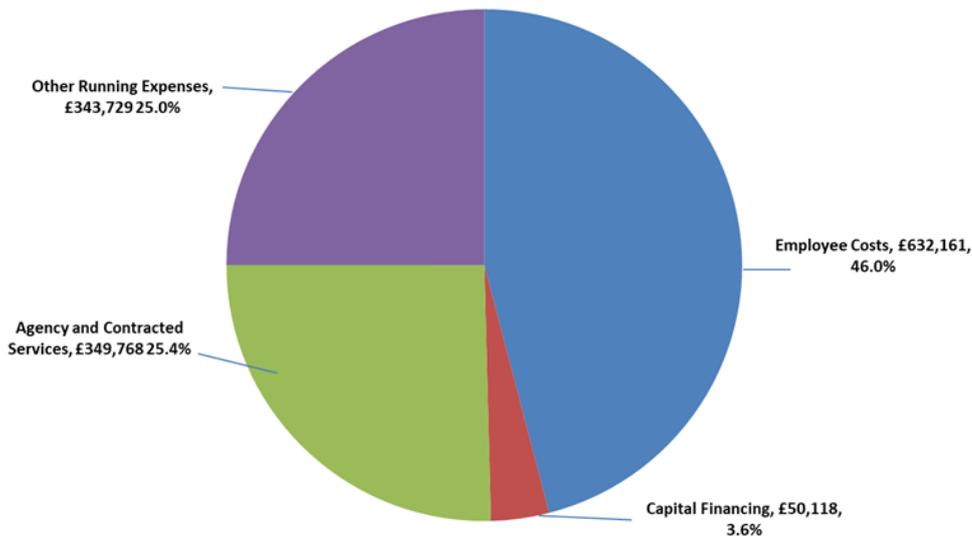
Adult Care and Community Wellbeing includes: Adult Frailty & Long Term Conditions, Adult Specialities, Public Health & Community Wellbeing.

Place includes: Communities, Lincolnshire Local Enterprise Partnership, Growth and Highways.

Fire and Rescue & Public Protection includes: Fire and Rescue & Emergency Planning and Public Protection.

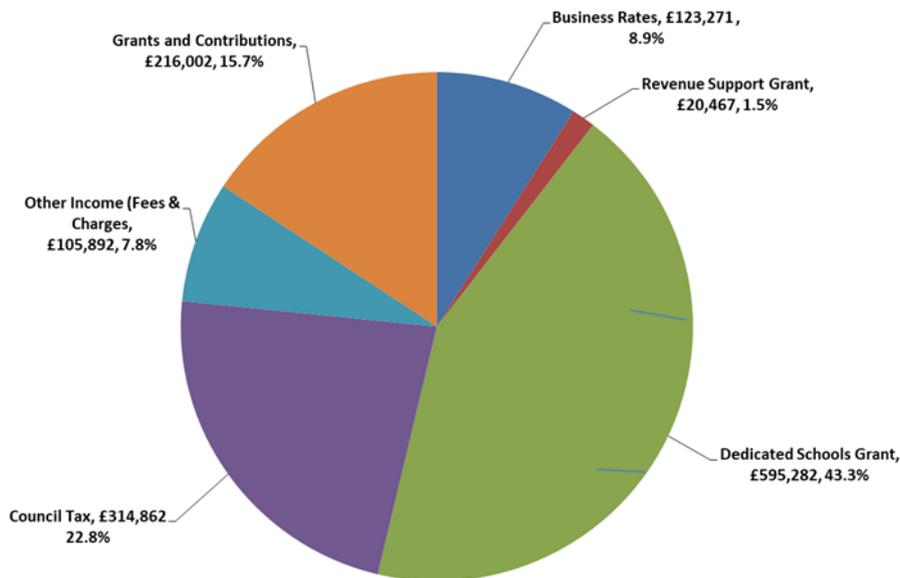
Other Services includes: Corporate Services, Development Fund Contribution, Contingency and Other Budgets.

Gross Expenditure Subjective Analysis £'000k (£1,375,776k)



The distribution of budget differs significantly between different services. For example employee expenses comprises 66% of budgeted expenditure in schools, for other (non-schools) budgets it is only 28% of budgeted expenditure. Conversely, Agency and Contracted expenses comprises only 7% of budgeted expenditure in schools, whilst for other (non-schools) budgets it is over 47% of budgeted expenditure.

Sources of Finance £'000k (£1,375,776k)



Dedicated Schools Grant. Lincolnshire has been awarded £595.282m, which is for all schools in Lincolnshire including local authority schools and Academies. Approximately 69% 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.

REVENUE GOVERNMENT GRANTS 2020/21

The revenue budget for 2020/21 includes the following government grants which have been allocated to the County Council:

	£'000
Council's Non-Specific Grants	
Social Care Support Grant	20,486
Revenue Support Grant	20,467
Rural Services Delivery Grant	6,936
New Homes Bonus Grant	2,091
Independent Living Fund	1,554
Fire Pensions Grant	1,437
School Improvement Grant	747
Extended Rights to Free Travel	639
Inshore Fisheries Conservation Authorities	127
Schools Budgets	
Dedicated Schools Grant (ring-fenced) (*1)	595,282
Pupil Premium (*2)	30,719
PE and Sport Grant	3,321
Service Budgets	
Public Health Grant (ring-fenced)	32,341
Better Care Fund - Improved Element	33,249
Better Care Fund - Supplementary Improved Element	13,774
Total Revenue Grants	763,170

(*1) Dedicated Schools Grant. Lincolnshire has been awarded £595.282m, which is for all schools in Lincolnshire including local authority schools and academy schools. Approximately 69%+ of all pupils attend academy schools, therefore it is expected that this figure will be revised down as this funding will be paid directly to academy schools. DSG 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 2020/21 (£30.719m) is currently an estimate, based on the grant expected to be received in 2019/20, as there have been no changes to grant allocation methodology. The final allocation for 2020/21 is not expected to be announced until later in 2020.

APPENDIX J

REVENUE BUDGET COST PRESSURES AND SAVINGS BY DELIVERY SERVICES

	2020/21 Cost Pressures (*1) £'000	2020/21 Savings/ Additional Income £'000
Children's Social Care	1,408	-909
Children's Education	2,003	-324
Adult Frailty & Long Term Conditions	5,988	-5,268
Adult Specialities	6,177	-2,050
Public Health & Community Wellbeing	508	-1,390
Communities	465	-1,283
Lincolnshire Local Enterprise Partnership	7	0
Growth	65	0
Highways	94	-737
Fire and Rescue & Emergency Planning	2,137	-115
Public Protection	68	0
Resources	3,091	-1,004
Commercial	3,022	-950
Corporate Services	314	0
Total Delivery Budgets	25,347	-14,030
Other Budgets	19,428	-912
Total Expenditure	44,775	-14,942

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

CHANGES IN BUDGET BETWEEN 2019/20 & 2020/21 FINANCIAL YEARS

	Impact on budget requirement	
	£'000	%
COST PRESSURES:		
Pay Inflation	3,040	0.62%
Children's Social Care	539	0.11%
Children's Education		
Additional school transport contract costs associated with NLW rises, inflationary costs and increase in eligible pupils.	1,772	0.36%
Adult Frailty & Long Term Conditions		
Demographic Growth pressures and inflation in rates for Residential/Nursing and Homecare	3,161	0.64%
Broadening the Service of Homecare within the re-procurement of the Homecare service in 20/21	2,500	0.51%
Adult Specialities		
Demographic Pressures & increase in National Living Wage Residential and Nursing Care (LD)	1,614	0.33%
Demographic Pressures & increase in National Living Wage Community Based Services (LD)	3,026	0.61%
Demographic Pressures Residential Care & Community Based Services	1,400	0.28%
Public Health & Community Wellbeing	449	0.09%
Communities	284	0.06%
Highways	-30	-0.01%
Fire and Rescue & Emergency Planning		
Increase in employer pension contributions for Firefighter scheme in line with government actuary requirements.	1,793	0.36%
Resources		
The additional cost for financial services, Human Resources and Business Support.	2,339	0.36%
Resources - Other Cost Pressures	300	0.36%
Commercial		
The additional cost of the Customer Services Centre	2,245	0.36%
Commercial - Other Cost Pressures	628	0.36%
Corporate Services	286	0.36%
Other Budgets		
Increase in the cost to finance the capital programme.	6,032	1.22%
Removal of the flexible use of capital receipts.	8,000	1.62%
Increase in insurance premium costs.	1,303	0.26%
Increase in employer's contribution towards pension deficit.	2,860	0.58%
Other Budgets - Other Cost Pressures	1,233	0.25%
TOTAL COST PRESSURES:	44,774	9.09%

CHANGES IN BUDGET BETWEEN 2019/20 & 2020/21 FINANCIAL YEARS (Cont.)

	Impact on budget requirement	
	£'000	%
SAVINGS:		
Children's Social Care	-909	-0.18%
Children's Education	-324	-0.07%
Adult Frailty & Long Term Conditions		
Growth in Service User Contributions	-1,595	-0.32%
Increase in Income	-1,000	-0.20%
Adult Frailty & Long Term Conditions- Other Savings	-2,674	-0.54%
Adult Specialities		
Additional CHC Funding from CCG's	-1,800	-0.37%
Adult Specialities- Other savings	-250	-0.05%
Public Health & Community Wellbeing		
Contract re-procurement and reduction in service requirements	-1,390	-0.26%
Communities	-1,283	-0.26%
Highways	-737	-0.15%
Fire and Rescue & Emergency Planning	-115	-0.02%
Resources	-1,004	-0.20%
Commercial	-950	-0.19%
Other Budgets	-912	-0.19%
TOTAL SAVINGS:	-14,943	-3.03%
OTHER MOVEMENTS:		
	£'000	%
Use of Earmarked Reserve (change over previous year)	5,659	1.15%
Release of Funding from the General Fund Balance (change over previous year)	-50	-0.01%
Other Movements (PH Grant & BCF Grant)	-1,221	-0.25%
TOTAL OTHER MOVEMENTS:	4,388	0.89%
TOTAL CHANGE IN BUDGET REQUIREMENT:	34,219	6.95%
General Funding:		
	£'000	%
Business Rates Local Retention	1,978	0.40%
Revenue Support Grant	327	0.07%
Increase in other council general grants	16,916	3.43%
Reduction in other council general grants	-476	-0.10%
Increase in Council Tax Base and Council Tax Collection Fund Surplus	15,474	3.14%
TOTAL CHANGE IN GENERAL GRANT AND COUNCIL TAX INCOME:	34,219	6.95%

EARMARKED RESERVES

Reserve	Actual Balance as at 31 March 2019 £'000	Transfer from Earmarked Reserve - Approved by Council £'000	Actual Use / Contribution in 2019/20 £'000	Transfer from Existing Reserve to Amalgamated Reserve £'000	Amount to be released to Development Fund £'000	Estimated Balance as at 31 March 2020 £'000	Planned Use / Contribution in 2020/21 £'000	Estimated Balance on reserve as at 31 March 2020 £'000
Balances from dedicated schools budget including those held by Schools under a scheme of delegation	12,540	20,638	-14,059	0	0	19,119		19,119
Schools	12,540	20,638	-14,059	0	0	19,119	0	19,119
Other Earmarked Reserves								
Schools Sickness Insurance Scheme	519	362	0	0	0	881		881
S77 Poplar Farm School Project	0	344	0	0	0	344		344
Children's Services - Education	519	706	0	0	0	1,225	0	1,225
Health and Wellbeing	473	0	0	-473	0	0		0
Adults and Community Wellbeing	473	0	0	-473	0	0	0	0
Youth Service Positive Activities Development Fund	20	0	0	0	-20	0		0
Youth Offending Service	512	0	0	0	-312	200		200
Adoption Reform Reserve	35	0	-35	0	0	0		0
Young People in Lincolnshire	252	0	0	0	0	252		252
Families Working Together	599	0	0	0	0	599		599
Music Service Reserve (carry forward)	148	0	0	0	0	148		148
Children's Services	1,566	0	-35	0	-332	1,199	0	1,199
Adverse Weather	67	433	0	0	-500	0		0
Museum Exhibits	133	0	0	0	0	133		133
Growth Reserve	215	0	0	665	0	880		880
Development - Lincs Coastal Country Park	49	0	-2	0	-47	0		0
Carbon Management Reserve	40	0	170	0	0	210		210
Civil Parking Enforcement	856	23	-128	-751	0	0		0
Flood and Water Risk Management	558	96	0	0	-494	160		160
Lincoln Eastern Bypass (LEB)	500	0	0	0	-500	0		0
Enterprise Schemes	108	0	0	-108	0	0		0
Street Lighting Earmarked Reserve	100	0	0	0	-100	0		0
Cultural Services Reserve	262	0	-11	94	0	345		345
Highways Advanced Design	834	0	0	0	-834	0		0
Environmental Improvements Sustainability Reserve (Environment)	1,000	0	-250	0	-750	0		0
Environmental Improvements Sustainability Reserve (Infrastructure)	4,000	0	0	0	-4,000	0		0
Traffic Management Reserve	394	0	0	751	0	1,145		1,145
Heritage Service	50	0	0	-50	0	0		0
Place	9,166	552	-221	601	-7,225	2,873	0	2,873
Community Safety Reserve	556	0	0	310	0	866		866
Co-Responders Services	450	0	0	0	-31	419		419
Domestic Homicide Reviews	71	0	0	0	-71	0		0
DAAT Pooled Budget	248	0	0	-248	0	0		0
Fire and Rescue and Public Protection	1,325	0	0	62	-102	1,285	0	1,285

Reserve	Actual Balance £'000 as at 31 March 2019	Transfer from Earmarked Reserve - Approved by Council £'000	Actual Use / Contribution in £'000 2019/20	Transfer from Existing Reserve to Amalgamated Reserve £'000	Amount to be released to Development Fund £'000	Estimated Balance as at 31 March 2020 £'000	Planned Use / Contribution in £'000 2020/21	Estimated Balance on reserve as at 31 March 2020 £'000
Procurement	1,063	52	0	65	-162	1,018		1,018
CSSC Transformation Including BW Rebuild and Development	2,295	0	-11	1,100	0	3,384		3,384
Property Management	130	0	-130	50	-25	25		25
Asbestos Pressure	50	0	0	-50	0	0		0
Corporate Property Business Case	100	0	0	0	-100	0		0
Agresso Milestone 6 Finance Staffing	100	0	0	-100	0	0		0
Contract Development	1,000	0	0	-1,000	0	0		0
Commercial	4,738	52	-141	65	-287	4,427	0	4,427
Legal	843	738	-769	0	0	812		812
Purchase of Employee Leave Scheme Reserve	264	0	0	0	-120	144		144
Resources	1,107	738	-769	0	-120	956	0	956
Health and Wellbeing Operating Cost Reserve	43	0	0	-43	0	0		0
Community Advisors Reserve	33	0	-33	0	0	0		0
Community Engagement Reserve	15	0	0	43	0	58		58
Corporate Services	91	0	-33	0	0	58	0	58
Other Services	0	3,473	-3,473	0	0	0		0
Earmarked Reserves - Pre-Council Confirmation	36,834	-36,834	0	0	0	0		0
Insurances	5,237	500	0	0	0	5,737		5,737
Financial Volatility Reserve	42,508	10,175	0	0	0	52,683		52,683
Financial Volatility Reserve - Budget Shortfall	3,087	0	-3,087	0	0	0		0
Business Rates Volatility Reserve	1,683	0	-1,683	0	0	0		0
Energy from Waste Lifecycles	4,987	0	0	0	0	4,987		4,987
Development Fund	0	0	0	0	10,181	10,181	2,572	12,753
Other Budgets	94,336	-22,686	-8,243	0	10,181	73,588	2,572	76,160
Total Other Earmarked Reserve	113,321	-20,638	-9,442	255	2,115	85,611	2,572	88,183
Revenue Grants and Contributions Unapplied								
Schools Grant & Contribution Reserve	6,075	0	-5,960	0	0	115		115
Children's Services - Education	6,075	0	-5,960	0	0	115	0	115
ASC Carers Grant & Contribution	334	0	0	-334	0	0		0
ASC LD - Supporting People	990	0	0	0	-990	0		0
Public Health 2070153 Healthy Group 161	85	0	0	-85	0	0		0
Public Health 2070155 Smoke Free Alliance	244	0	0	-244	0	0		0
Public Health 2070154 Healthy Schools 1	349	0	0	-349	0	0		0
BETTER CARE FUND AC CCG G&C Earmarked Reserve	7	0	0	-7	0	0		0
BETTER CARE FUND AC LCC G&C Earmarked Reserve	27,685	0	0	-27,685	0	0		0
BETTER CARE FUND - LCC/CCG G&C RESERVE	2,019	0	0	-2,019	0	0		0
Personal Health Budgets	288	0	0	0	-288	0		0
Care Act Implementation Grant	255	0	0	0	-255	0		0
Public Health Grant	3,746	0	0	1,152	0	4,898		4,898
BCF - CoResponder	400	0	-400	0	0	0		0
Adult Care ILF Grants and Con Earmarked Reserve	5,000	0	0	-5,000	0	0		0
Adult Care Reserve	0	0	0	35,045	0	35,045		35,045
Adults and Community Wellbeing	41,404	0	-400	473	-1,534	39,943	0	39,943

Reserve	Actual Balance as at 31 March 2019 £'000	Transfer from Earmarked Reserve - Approved by Council £'000	Actual Use / Contribution in 2019/20 £'000	Transfer from Existing Reserve to Amalgamated Reserve £'000	Amount to be released to Development Fund £'000	Estimated Balance as at 31 March 2020 £'000	Planned Use / Contribution in 2020/21 £'000	Estimated Balance on reserve as at 31 March 2020 £'000
Children's Grant & Contribution	8,455	0	-401	0	-389	7,664		7,664
SEND Reform 2018 G & C	76	0	0	0	0	76		76
LSCB Grants & Contributions	335	0	0	0	0	335		335
SEN Grant for SEND	1,069	0	0	0	-192	877		877
Children's Services	9,934	0	-401	0	-581	8,952	0	8,952
Section 38 Agreement G & C Reserve	2,068	0	0	0	0	2,068		2,068
Growth Points Lincoln	73	0	0	0	0	73		73
Growth Points Grantham	1,001	0	0	0	0	1,001		1,001
Road Safety - Lincs Police	56	0	0	0	0	56		56
Culture Services Grant & Contribution	44	0	0	-44	0	0		0
Highways & Transport Grants & Contributions	447	0	-261	0	0	186		186
Environment, Planning & Cust Services	262	0	0	-50	0	212		212
Economic Regeneration 2070151	68	0	0	-68	0	0		0
Economic Regeneration Grant & Contributions	438	0	0	-438	0	0		0
Traffic Commissioner Threshold	0	0	261	0	0	261		261
Place	4,458	0	0	-601	0	3,857	0	3,857
Public Health Migrant Workers Grant and Contribution	62	0	0	-62	0	0		0
Fire & Rescue USAR General	183	0	0	-183	0	0		0
Emergency Planning Grants & Contributions	18	0	0	-18	0	0		0
Safer Communities Revenue Grant & Contribution	172	0	0	0	0	172		172
Fire and Rescue Grant	51	0	0	399	0	450		450
Fire & Rescue Transformation Grant	198	0	0	-198	0	0		0
TSEM G&C Earmarked Reserve	448	0	0	0	0	448		448
Fire & Rescue and Public Protection	1,133	0	0	-62	0	1,070	0	1,070
Procurement Lincolnshire LCAT	65	0	0	-65	0	0		0
Commercial	65	0	0	-65	0	0	0	0
Community Resilience Grant and Contribution Earmarked Reserve	215	0	-2	0	0	213		213
Corporate Services	215	0	-2	0	0	213	0	213
EU Exit Fund	88	0	0	0	0	88		88
Other Budgets	88	0	0	0	0	88	0	88
Total Revenue Grants and Contributions Unapplied	63,370	0	-6,763	-255	-2,115	54,237	0	54,237
Total Earmarked Reserves	189,231	0	-30,263	0	0	158,968	2,572	161,540

DEVELOPMENT FUND INITIATIVES

FINANCIAL STRATEGY		DEVELOPMENT INITIATIVES		
SERVICE AREA	DEVELOPMENT INITIATIVES	Summary of Proposals	Total One-off Investment (Revenue) required £000's	Total One-off Investment (Capital) required £000's
CHILDREN'S SERVICES DEVELOPMENT INITIATIVES				
Children's Services - Strategic Commissioning	Education Transport Links to School (Route Sustainability)	Improvements to footways and public rights of way to enable four routes to schools which are currently identified as unavailable routes for use by children to access school, resulting in transport being provided. The projects would also have wider benefits than simply reducing transport costs in terms of enhancing access to amenities for local communities and businesses, meeting public health priorities, and promoting sustainable modes of transport. Proposed implementation period: 18 months.		440
SUBTOTAL CHILDREN'S SERVICES DEVELOPMENT INITIATIVES			0	440
PLACE DEVELOPMENT INITIATIVES				
Place - Environment	Green Masterplan	Specialist advice and implementation of initial projects to develop Green Masterplan for Lincolnshire, and to facilitate engagement with Lincolnshire partners and public consultation to drive forward wider programmes and projects to work together to achieve target of net zero carbon by 2050.	350	0
Place - Communities	Anaerobic Digestion Facilities - Business Case Viability	Development of full business case to investigate potential for construction of specialised Anaerobic Digestion facilities to enable significant improvements to food waste disposal and potential generation of income from production of biomethane fuel and renewable heat initiative (RHI) in Lincolnshire.	150	
Place - Highways & Communities	Highways Advance Design/ Economic Development Pipeline Projects	To bring forward completion of Traffic Models and Transport Strategies for 8 key Lincolnshire locations and to provide funding to enable feasibility studies to be brought forward on a number of strategic, place-based and thematic Growth priorities across the County; accelerating them to a position to enable timely bids against future government funding rounds and increase ability to identify and respond quickly to other funding opportunities arising.	2,713	0
Place - Highways	Traffic Signals - Wireless Communications	Programme of preparatory work and installation of wireless communications at traffic signals, reducing reliance on fixed broadband and achieving long term savings on monthly rental costs.	5	80
Place - Highways	Community Maintenance Gangs	Provision of maintenance gangs in each Local Highways Area to carry out non-safety works such as street scene maintenance and signage; enhancing the experience of local communities and visitors to/ investors in Lincolnshire, and releasing capacity to complete improvements to footways and drainage facilities more swiftly.	0	3,981
Place - Highways	Drainage Investigation and Flood Repairs	Investment to significantly increase capacity to carry out drainage investigation and repair works; reducing deterioration and improving prevention of localised flooding issues. Anticipated additional benefits of reducing insurance claims and complaints.	200	2,000
SUBTOTAL PLACE DEVELOPMENT INITIATIVES			3,418	6,061

FINANCIAL STRATEGY		DEVELOPMENT INITIATIVES		
SERVICE AREA	DEVELOPMENT INITIATIVES	Summary of Proposals	Total One-off Investment (Revenue) required £000's	Total One-off Investment (Capital) required £000's
FIRE AND RESCUE & PUBLIC PROTECTION DEVELOPMENT INITIATIVES				
Fire Rescue & Public Protection - Fire and Rescue	Research Study - LFR prevention work	To commission independent research study through Lincoln University to measure impact of LFR's Home Fire Safety Checks and Safe and Well visits, and to evidence whether current prevention activities are effective in reducing fires and fire related incidents.	10	0
Fire Rescue & Public Protection - Fire and Rescue	Flood Management Pumps	Investment in additional Betsy Pumps (x 2) and 4 x4 vehicles (x 2) to be based at strategic locations near East Coast of County to enhance response to flooding incidents and release fire appliance capacity to attend other incidents. Proposal based on learning from recent events.	0	116
Fire Rescue & Public Protection - Public Protection	Replacement Trading Standards Metrology Equipment	To replace computer support system for Metrology Equipment, enabling Trading Standards to more effectively carry out statutory duties, and to support offer to local businesses for calibration of weighing and measuring equipment.	0	50
SUBTOTAL FIRE AND RESCUE & PUBLIC PROTECTION DEVELOPMENT INITIATIVES			10	166
COMMERCIAL DEVELOPMENT INITIATIVES				
Commercial - Transformation	Transformation Programme (Business Process Re-engineering)	External support for Business Process Re-engineering Programme to review processes supporting and impacting customer interaction, operational running of the Council, and day to day delivery of external services; identifying any changes required in staffing, processes and technologies.	280	0
Commercial - IMT	Broadband - 4G	Planning costs, capital investment and project management costs for joint venture programme with 4G provider, to enable extended 4G coverage to rural areas and provide a fast broadband option to more areas.	135	800
SUBTOTAL COMMERCIAL DEVELOPMENT INITIATIVES			415	800
TOTAL DEVELOPMENT INITIATIVES			3,843	7,467

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATORS		2018-19 Actual	2019-2020 Original Estimate	2019-2020 Updated Estimate	2020-21 Estimate	2021-22 Forecast	2022-23 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	188.308	178.500	189.173	223.204	64.549	100.286
Capital Financing							
Borrowing	£m	70.080	118.353	94.900	137.893	50.303	83.496
Grants & Contributions	£m	99.044	59.547	87.474	85.281	14.175	16.675
Capital Receipts, Reserves & Revenue	£m	19.184	0.600	6.799	0.030	0.071	0.115
Total Capital Financing	£m	188.308	178.500	189.173	223.204	64.549	100.286
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	554.638	606.566	556.484	633.239	749.599	770.711
Add Additional Borrowing	£m	19.971	118.353	94.900	137.893	50.303	83.496
Add Additional Credit Liabilities (PFI & Finance Leases)	£m	0.000	0.000	0.000	1.613	0.000	0.000
Less Revenue Provision for Debt Repayment (MRP)	£m	18.125	19.119	18.145	23.146	29.191	31.580
Capital Financing Requirement	£m	556.484	705.920	633.239	749.599	770.711	822.627
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 medium term borrowing will only be for a capital purpose.							
Medium Term Forecast of Capital Financing Requirement	£m	601.681	760.695	770.711	822.627	816.018	802.738
Forecast of Long Term External Borrowing and Credit Arrangements	£m	477.242	602.615	512.134	628.398	649.422	701.252
Headroom	£m	124.439	167.980	258.577	194.229	166.596	101.486
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	628.558	696.847	621.421	715.305	742.576	779.032
Other Long Term Liabilities	£m	12.771	12.026	12.270	11.488	11.964	10.728
Total Authorised Limit	£m	641.329	708.873	633.691	726.793	754.540	789.760
Operational Boundary for External Debt							
Borrowing	£m	613.558	681.847	606.421	700.305	727.576	764.032
Other Long Term Liabilities	£m	10.771	10.026	10.270	9.488	9.964	8.728
Total Operational Boundary	£m	624.329	691.873	616.691	709.793	737.540	772.760
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 revenue stream (NRS) including dedicated schools grant (DSG).							
Proportion of Financing Costs to NRS (Incl DSG)	%	5.00%	5.68%	4.97%	5.60%	6.59%	6.92%
Proportion of MRP & Interest Costs to NRS (Incl DSG) -Limit 10% (Voluntary Indicator)	%	5.12%	5.52%	5.23%	5.78%	6.91%	7.29%

PRUDENTIAL INDICATORS		2018-19 Actual	2019-20 Original Estimate	2019-20 Updated Estimate	2020-21 Estimate	2021-22 Forecast	2022-23 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	15.850	14.600	16.050	16.200	16.400	16.680
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.292	0.298	0.316	0.231	0.193	0.191
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	1.84%	2.04%	1.97%	1.43%	1.18%	1.15%
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 dependency of non-treasury investment income to deliver core services.							
Income from Non-Treasury Investments (Including County Farms)	£m	2.545	2.364	2.409	2.276	2.151	2.040
Net Service Expenditure	£m	429.809	463.960	463.959	492.570	504.336	511.481
Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	%	0.59%	0.51%	0.52%	0.46%	0.43%	0.40%
Treasury Indicators							
8) Interest Rate Exposures (Variable)							
The Council will set for the forthcoming year and the following two financial years, an upper limit 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	10.000	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	%	3.11%	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	%	6.43%	50.00%	50.00%	50.00%	50.00%	50.00%
5 years and within 10 years	%	13.04%	75.00%	75.00%	75.00%	75.00%	75.00%
10 years and above	%	74.32%	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 expected increase in CFR over 3 year budget period	%	0.00%	25.00%	25.00%	25.00%	25.00%	25.00%
(Voluntary Indicator)	£m	0.000	13.719	34.368	18.257	11.327	-4.972

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.
- 2.4 In November 2019 the Chartered Institute of Public Finance and Accountancy published a guidance document entitled Prudential Property Investment, which reinforces the principle that Councils must not borrow more than or in advance of their needs purely in order to profit from the

investment of the extra sums borrowed. The guidance covers technical and legal issues relating to investment in commercial property. Appendix B sets out our approach to such investments in our Commercialisation Strategy.

- 2.5 The Council's first Capital Strategy was for 2019/20. This Capital Strategy is the second iteration.

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.

Definitions

- 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 previous years. From 2020/21 onwards, the Council's strategy will be to use capital receipts only to either repay loans or to finance new capital expenditure.

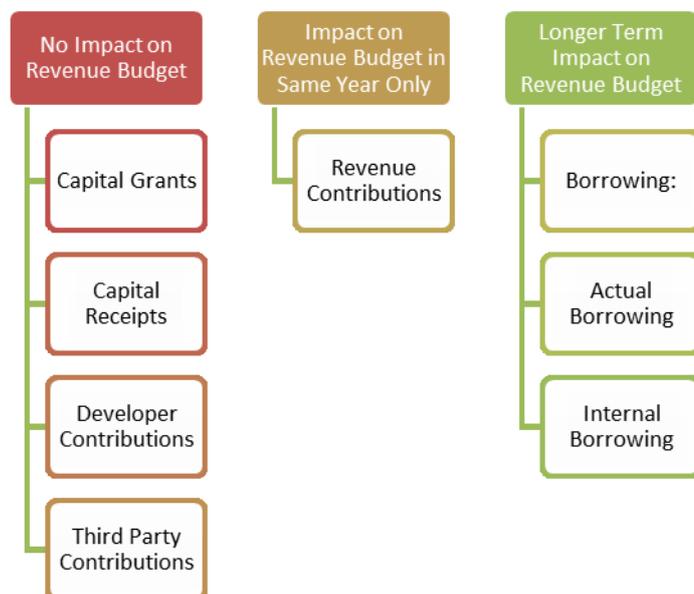
Accounting Policy on Capitalisation

- 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 be 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 a need which would require Capital Expenditure. This should be recorded in a Full or Outline 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. The results should be included in the Full or Outline Business Case.
3. Review of Full or Outline Business Cases by **Directorate Leadership Teams**.
4. Presentation of Full / Outline Business Cases to an **Officer Capital Challenge Group**.
5. The **Officer Capital Challenge Group** will review and, if required, challenge business cases. The **Executive Director for Resources** will then determine whether to refer the business cases for consultation with the **Executive Councillor for Finance and Communications**.
6. Annually in June, the **Officer Capital Challenge Group** will consider Full / Outline Business Cases prepared in respect of projects for the following year's Capital Programme.
7. Annually in September, the **Officer Capital Challenge Group** will consider programmes of work prepared in respect of bids for annual "block" funding in the following year's Capital Programme.
8. Throughout the year, the **Officer Capital Challenge Group** will monitor the delivery of capital projects and this will feed into the capital budget monitoring process.
9. Earmarking of funding in the Capital Programme. The opportunity to do this will be during the autumn of each year as part of the budget setting process. Following feedback on bids from the **Officer Capital Challenge Group** and in the light of consultation with the **Executive Councillor for Finance and Communications**, a draft Capital Programme will be prepared by the **Executive Director of Resources** and its cost calculated. As the Capital Programme covers three years, planning for Capital Projects should be forward-looking. Alternatively, if funding approval is required urgently, Business Cases can be presented to the **Executive Director of Resources** (in consultation with the **Executive Councillor for Finance and Communications**) for

approval. Such approval will allow the project to be allocated budget from the capital programme's New Developments Capital Contingency fund.

10. 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.
11. If the capital projects identified by **Departmental Leadership Teams** exceed what is affordable over the longer term, the **Executive** will be asked to prioritise capital projects for presentation to full **Council** to ensure that an affordable capital programme can be approved. In this case, some projects will have to be deferred or removed altogether.
12. 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 budget monitoring process.
13. Before a capital project which has funding earmarked in the Capital Programme can start there will need to be separate executive level approval to commence, and a detailed Capital Scheme Appraisal report including a Full Business Case must be approved, normally by the **Executive Councillor for Finance and Communications** if the value of the project is over £500,000. If the value of the project is less than £500,000 the project may be approved by **the relevant Executive Director** following consultation with the appropriate **Executive Councillor(s)**. This may be done by an individual report or as part of a wider programme of works.
14. 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.

15. 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, an Outline Business Case should be completed with sufficient information included to allow the feasibility and affordability of the project to be assessed by the **Officer Capital Challenge Group**. If it is deemed to be a desirable and affordable project then a full business case must be completed and considered before approval to commence a project is given.
- 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 business case, 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 Business cases should be considered by **Directorate Leadership Teams** to ensure that they align to the **Corporate Plan**. If identified as a project the **Directorate Leadership Team** wishes to progress then they must be submitted to the **Officer Capital Challenge Group** for inclusion in the Capital Programme as part of the budget setting process, by the end of May each year.
- 8.8 Projects requiring urgent (in-year) funding approval can be taken for approval by the **Executive Director of Resources** in consultation with the **Executive Councillor for Finance and Communications**. 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 Scheme Appraisal will be required to be approved, normally by the **Executive Councillor for Finance and Communications**.

9. Capital Expenditure Approval and Monitoring Process

- 9.1 The **Corporate Leadership Team (CLT)** will review the draft future Capital Programme in October and consider its affordability. If it is deemed to be unaffordable, **CLT** 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 **CLT** 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** quarterly. 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 £108.7m, which is just below 8% of the total value of all property plant and equipment assets owned by the Council as at 31st March 2019. The estimated annual income from investment properties is £2.2m, 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 2020/21 and future years up to 2028/29 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 2021, but a prudent estimate can be made going forwards which allows for a 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 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.
- 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 2020/21, 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 11.3 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 2020/21, 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 2020/21 is affordable over the longer term.

Council Priorities

People and Communities will have:

- High aspirations;
- The opportunity to enjoy life to the full;
- Thriving environments;
- Good value Council services.

Links to Other Strategies

A. Medium Term Financial Strategy

The Medium Term 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. 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.
- b. We have a ten year Capital Programme, which is a budget set aside to deliver new or improved assets and to maintain existing assets used to deliver services. The proposed Capital Programme is affordable over the longer term, within the context of our budget assumptions and in line with our Capital Strategy, which also covers a longer term period up to ten years.
- c. The Strategy provides a framework within which we can manage the financial resources available to deliver our priorities for our communities over the medium term. To deliver this successfully requires a culture of good financial management within the Council, which is led by the Executive Director of Resources (the Section 151 Officer) and the Leadership Team, which includes our elected Members as well as Chief Officers. To support this culture we have a set of financial regulations and procedures, as well as schemes of authorisation, which give guidance to Officers about their financial responsibilities.
- d. The Strategy supports the Council's other key strategies, by setting the financial context for the Council and by clarifying the levels of investment that we can make in the future to deliver services and improve and maintain our assets.
- e. During each financial year, the approved Revenue Budget and the approved Capital Programme are monitored and performance against each is regularly reported to the Corporate Leadership Team and the Executive, with scrutiny applied by the Overview and Scrutiny Management Board.

- f. Budget holders can bid for investment in new opportunities (either revenue or capital) as part of the annual budget process. These will be considered in the context of the business case and affordability.
- g. We have a New Development Capital Fund of £7.5m each year. Budget Holders can bid for funding from this to spend on new capital schemes.

B. Flexible Use of Capital Receipts

In September 2016 the Council approved the Efficiency Plan, and the 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 to the four year funding deal offered by Government for the period 2016/17 to 2019/20. 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.

From next year, 2020/21, we no longer plan to use Capital Receipts to fund transformation projects. Instead, we plan to use our Earmarked Reserves for this purpose. This will allow us to revert to using Capital Receipts to repay borrowing or to finance new Capital expenditure.

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 Committee 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 20% of total external borrowing for market loans and 10% of total external borrowing for Lender Option Borrower Option loans (which are also market loans).
- 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 2020/21, 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 Portfolio Holder for Finance and Communications**. 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 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.

- Highways Asset Management Strategy
<https://www.lincolnshire.gov.uk/directory-record/61684/highways-asset-management-strategy>
- Integrated Risk Management Plan 2016-2020 (which includes a section on Fire and Rescue asset management)

<https://www.lincolnshire.gov.uk/performance-plans-reports/service-planning-values>

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?		<i>(Finance to provide)</i>
▪ Interest charge?		<i>(Finance to provide)</i>
▪ 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?		<i>If more than 1 year, please phase the capital costs over Year 1, Year 2, Year 3 etc.</i>
○ 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		

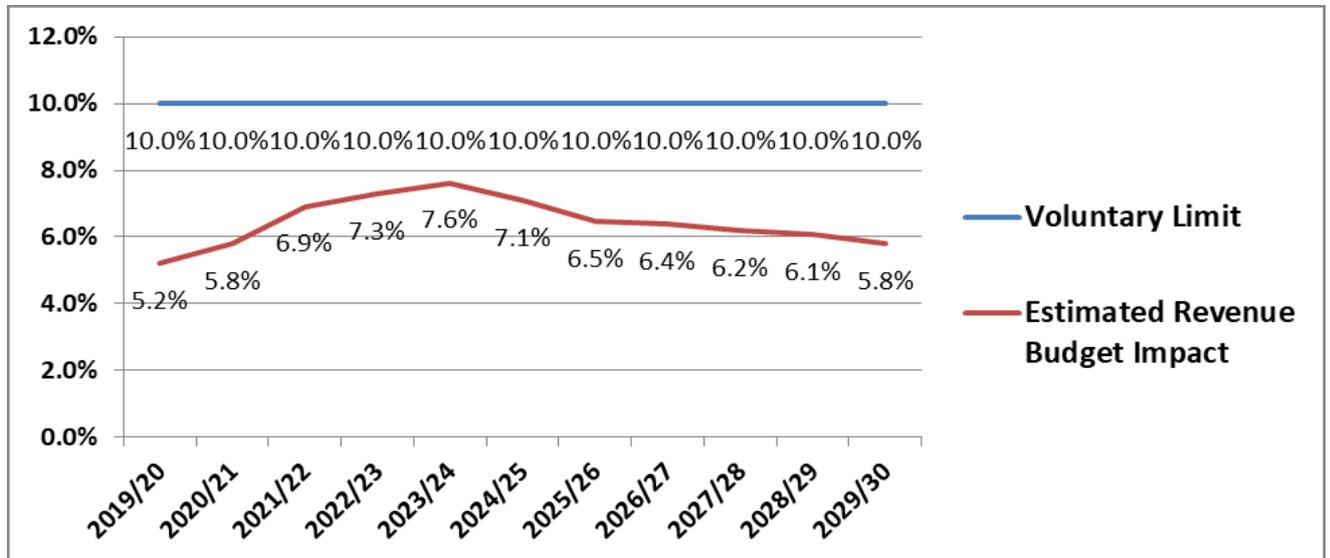
<p>be undertaken and a Project Closure report completed.</p> <p>Please add any further information which you think may support the decision-making process.</p>		
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Funding of the Capital Programme

Capital Programme (2019/20 plus Future Years)	Revised Gross Programme	Gross Programme	Gross Programme
	2019/20 £'000	2020/21 £'000	Future Years £'000
ADULT CARE AND COMMUNITY WELLBEING			
Adult Care and Community Wellbeing	6,149	2,800	0
SCHOOLS			
Schools	29,816	33,132	114,125
CHILDREN'S SERVICES			
Children's Services	946	889	1,425
PLACE COMMUNITIES			
Communities	2,836	7,194	9,685
Growth and Economy	11,461	15,001	1,500
Highways	104,348	129,833	134,852
FIRE AND RESCUE AND PUBLIC PROTECTION			
Public Protection	98	0	0
Fire and Rescue & Emergency Planning	7,178	8,068	6,489
COMMERCIAL			
Property	7,484	8,241	30,227
ICT	10,929	6,408	17,604
OTHER BUDGETS			
Other Budgets	7,929	11,638	60,000
Total Budget	189,173	223,204	375,907

	2019/20 £'000	2020/21 £'000	Future Years £'000
Gross Capital Programme	189,173	223,204	375,907
Funded By:			
Grants and Contributions	87,474	85,281	68,524
Revenue Funding	775	30	1,106
Use of Reserve	6,025	0	0
Borrowing	94,900	137,893	306,277
Funding by LCC	101,699	137,923	307,383
Total Funding	189,173	223,204	375,907

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



Schedule of Non-Treasury Investments

Loans To Other Bodies for Service Reasons	Classification	Risk Level	Original Term of Loan in Years	Principal Outstanding as at 31/03/2019 £000's	Estimated Interest Income 2020/21 £000's
B20050 Police Loan Debt	Loan	Low	25	52	0
B14080/B20065 School Academies	Loan	Low	Various	1,218	-38
B14020 Lincs Community Foundation Ltd - Soft Loan	Loan	Medium	24	169	-1
B14075 TransportConnect Fixed Loan	Loan	High	3	603	-13
B20040 TransportConnect Revolving Credit Facility	Loan	High	3	79	-14
Total				2,121	-66

Commercial Investments for Non Service Reasons (including loans to 3rd Parties)	Classification	Risk Level	Fair Value as at 31/03/2019 £000's	Estimated Rental Income 2020/21 £000's
B11005 County Farms	Investment Properties	Low	106,971	-2,174
B11005 Other Non-Farm Properties	Investment Properties	Low	1,734	-35
Total			108,705	-2,209

Equity Purchase for Service Reasons	Classification	Risk Level	Fair Value as at 31/03/2019 £000's	Estimated Dividend Income 2020/21 £000's
Investors in Lincoln Shares	Non-Specified Investment	Low	294	0
Total			294	0

Prudential Limits Relating to Non-Treasury Investments

PRUDENTIAL INDICATORS		2018-19 Actual	2019-20 Original Estimate	2019-20 Updated Estimate	2020-21 Estimate	2021-22 Forecast	2022-23 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	15.850	14.600	16.050	16.200	16.400	16.680
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.292	0.298	0.316	0.231	0.193	0.191
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	1.84%	2.04%	1.97%	1.43%	1.18%	1.15%
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 dependency of non-treasury investment income to deliver core services.							
Income from Non-Treasury Investments (Including County Farms)	£m	2.545	2.364	2.409	2.276	2.151	2.040
Net Service Expenditure	£m	429.809	463.960	463.959	492.570	504.336	511.481
Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	%	0.59%	0.51%	0.52%	0.46%	0.43%	0.40%

CAPITAL PROGRAMME

Capital Programme (2019/20 plus Future Years)	Description	Revised Net Programme	Grants and Contributions	Revised Gross Programme	Net Programme	Grants and Contributions	Gross Programme	Net Programme	Grants and Contributions	Gross Programme
		2019/20 £'000	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	Future Years £'000	Future Years £'000	Future Years £'000
ADULT CARE AND COMMUNITY WELLBEING										
Extra Care Housing	Contribution towards De Wint Extra Care Housing Scheme.	0	0	0	0	-2,800	2,800	0	0	0
Better Care Fund - Disabled Facility Grants	Integration and Better Card Fund Disabled Facilities Card Grant Programme 2018-19.	0	-6,149	6,149	0	0	0	0	0	0
Subtotals: Adult Care and Community Wellbeing		0	-6,149	6,149	0	-2,800	2,800	0	0	0

Capital Programme (2019/20 plus Future Years)	Description	Revised Net Programme	Grants and Contributions	Revised Gross Programme	Net Programme	Grants and Contributions	Gross Programme	Net Programme	Grants and Contributions	Gross Programme
		2019/20 £'000	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	Future Years £'000	Future Years £'000	Future Years £'000
SCHOOLS										
Devolved Capital	Capital funding devolved to schools for improvements to buildings and school sites or investment in ICT hardware.	0	-1,136	1,136	0	-1,100	1,100	0	0	0
Provision of School Places (Basic Need)	A programme of expansion and new build construction of school buildings.	245	-22,971	23,216	0	-12,351	12,351	0	0	0
Provision of School Places (Basic Need) - New	A programme of expansion and new build construction of school buildings.	0	0	0	0	0	0	58,300	-19,000	77,300
Provision of School Places (Basic Need) - New Section 106 expectation	Developer Contribution to fund a programme of expansion and new build construction of school buildings.	0	0	0	0	0	0	-4,200	0	-4,200
Schools Modernisation / Condition Capital	Programme to improve the condition of the school estate.	472	-4,293	4,765	0	-4,150	4,150	0	0	0
SEND Provision Capital Funding for Pupils with EHC Plans	A programme of major investment in SEND provision.	0	-771	771	1,085	-14,446	15,531	0	-41,025	41,025
Other Education & Send Services	Capital funding for CWD short breaks and other education services	25	91	-65	0	0	0	0	0	0
Academy Project		-8	0	-8	0	0	0	0	0	0
Subtotals: Schools		734	-29,081	29,816	1,085	-32,047	33,132	54,100	-60,025	114,125

Capital Programme (2019/20 plus Future Years)	Description	Revised Net Programme	Grants and Contributions	Revised Gross Programme	Net Programme	Grants and Contributions	Gross Programme	Net Programme	Grants and Contributions	Gross Programme
		2019/20 £'000	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	Future Years £'000	Future Years £'000	Future Years £'000
CHILDREN'S SERVICES										
Phase 1 & 2 Childrens' IT	Investment in upgrading the ICT hardware for Children's Services staff.	164	0	164	0	0	0	0	0	0
Childrens Services - Childrens Homes	Two new small children's homes for children who are looked after.	0	0	0	375	0	375	1,125	0	1,125
Early Help Services	A programme to improve the Youth Centre buildings and to provide early years sufficiency	205	30	175	350	0	350	0	0	0
Safeguarding	Capital funding for in-house provision and other safeguarding services including foster carers and supported accommodation	607	0	607	64	0	64	300	0	300
Commissioning & Health	Capital funding for the 0-19 Health Services	0	0	0	100	0	100	0	0	0
Subtotals: Children's Services		976	30	946	889	0	889	1,425	0	1,425

Capital Programme (2019/20 plus Future Years)	Description	Revised Net Programme	Grants and Contributions	Revised Gross Programme	Net Programme	Grants and Contributions	Gross Programme	Net Programme	Grants and Contributions	Gross Programme
		2019/20	2019/20	2019/20	2020/21	2020/21	2020/21	Future Years	Future Years	Future Years
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PLACE COMMUNITIES										
Waste										
Equipment & Vehicles for Waste Transfer Stations	Replacement programme for vehicles and plant used for winter maintenance and in waste transfer stations.	0	0	0	465	0	465	885	0	885
Waste - Fire Suppression Systems at Transfer Station	Installation of fire suppression systems.	30	0	30	794	0	794	0	0	0
Waste - replacement of HWRC x2	Replacement programme for 2 Household Waste Recycling Centres.	0	0	0	2,000	0	2,000	2,000	0	2,000
Waste Total		30	0	30	3,259	0	3,259	2,885	0	2,885
Environment										
Flood Defence	Major project to alleviate flood risk.	1,100	0	1,100	0	0	0	0	0	0
Flood & Water Risk Management	A range of projects to alleviate flood and water risks.	594	77	517	0	0	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	0	1,300	0	1,300	4,300	0	4,300
Other Environment and Planning (prev Other protecting & sustaining the environment)	Block of small projects.	46	0	46	135	0	135	0	0	0
Environment Total		1,740	77	1,663	1,435	0	1,435	4,300	0	4,300
Culture										
Historic Lincoln	Improvement programme for Lincoln Castle.	72	0	72	0	0	0	0	0	0
Libraries	RFID replacement kiosks and library hub capital works.	1,072	0	1,072	0	0	0	0	0	0
Heritage / Archives	Future development of the Heritage service.	0	0	0	2,500	0	2,500	2,500	0	2,500
Culture Total		1,144	0	1,144	2,500	0	2,500	2,500	0	2,500
Subtotals - Communities		2,913	77	2,836	7,194	0	7,194	9,685	0	9,685
GROWTH & THE ECONOMY										
Lincolnshire Enterprise Partnership Contribution	Lincolnshire Enterprise Partnership funding for capital projects.	7,864	0	7,864	14,001	0	14,001	0	0	0
Head of Economic Infrastructure	Investment in Business Parks and Lincs. Coastal Observatory.	41	0	41	0	0	0	0	0	0
Economic Development - Business Unit Development	Development of business units.	1,000	0	1,000	500	0	500	500	0	500
Economic Development - Horncastle Industrial Estate Extension	Extension of Horncastle Industrial Estate Extension.	0	0	0	500	0	500	1,000	0	1,000
Holbeach Food Enterprise Zone	Contribution towards Holbeach Food Enterprise Zone.	470	0	470	0	0	0	0	0	0
LEP Skills Investment Programme	This project is aimed at increasing new apprenticeships and training places by refurbishing existing and creating new learning spaces.	1,698	-387	2,085	0	0	0	0	0	0
Subtotals - Growth and Economy		11,073	-387	11,461	15,001	0	15,001	1,500	0	1,500

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Capital Programme (2019/20 plus Future Years)	Description	Revised Net Programme	Grants and Contributions	Revised Gross Programme	Net Programme	Grants and Contributions	Gross Programme	Net Programme	Grants and Contributions	Gross Programme
		2019/20 £'000	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	Future Years £'000	Future Years £'000	Future Years £'000
HIGHWAYS										
Highways Asset Protection	Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.	5,830	-29,938	35,768	0	-24,955	24,955	0	0	0
Lincoln Eastern Bypass	Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.	42,863	0	42,863	20,707	0	20,707	0	0	0
Lincoln East-West Link	Completion of the new East-West link in Lincoln.	-2	0	-2	0	0	0	0	0	0
Spalding Relief Road section 5	Completion of Spalding Relief Road Section 5.	-6	-2,500	2,494	10,000	-10,500	20,500	3,291	0	3,291
Grantham Southern Relief Road	Completion of Grantham Southern Relief Road.	1,322	-5,000	6,322	40,163	-5,692	45,855	24,817	-8,499	33,316
Corringham Road (development with WLDC)	Major scheme development of Corringham Road, in partnership with West Lindsey District Council.	0	0	0	716	-1,000	1,716	0	0	0
Sleaford Rugby Club (Sleaford Growth Scheme)	Improvement to ease congestion and improve the traffic flow at the Sleaford Rugby Club junction.	165	-400	565	0	-750	750	0	0	0
A1084 Safer Road Fund	Improvement on A1084 under Safer Roads Funds.	0	-1,245	1,245	0	0	0	0	0	0
A631 Middle Rasen to Bishops Bridge Safer Road Fund	Improvement on A631 Middle Rasen to Bishops Bridge, under Safer Roads Funds.	0	-645	645	0	0	0	0	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	-2,725	2,725	0	0	0
A16/A1073 Spalding to Eye Road Improvement	Completion of A16/A1073 Spalding to Eye Road Improvement.	14	0	14	0	0	0	0	0	0
Holdingham Roundabout	Improvement on Sleaford Holdingham Roundabout.	488	0	488	2,115	-1,500	3,615	0	0	0
A46 Welton Roundabout (Integrated Transport/NPIF)	Improvement on A46 Welton junction.	0	-3,635	3,635	1,304	0	1,304	0	0	0
Other Highways and Transportation	Block of smaller Highways projects.	506	0	506	655	0	655	0	0	0
Network Resilience	Replacement programme of gritter vehicles.	617	0	617	120	0	120	4,833	0	4,833
A46 Roundabouts	Improvements to Riseholme and Nettleham roundabouts by extending/adding extra lanes to increase capacity and reduce congestion.	331	-4,194	4,525	0	0	0	0	0	0
Integrated Transport	Schemes including minor capital improvements, rights of way, road safety, public transport and town/village enhancements.	929	-3,267	4,197	100	-3,312	3,412	0	0	0
Transforming Street Lighting	Programme of street lighting improvement.	158	0	158	150	0	150	150	0	150
Energy Efficiency Street Lighting Schemes	Replacement of SOX lanterns with more efficient LED bulbs to enable longer-term savings on energy.	248	0	248	209	0	209	683	0	683
Head of Highways Services - Minor Works	Block of miscellaneous small projects including drainage.	70	8	62	159	0	159	0	0	0
Boston Development Schemes (Infrastructure & Economic)	A range of initiatives to support economic and housing growth whilst reducing traffic congestion in and around Boston.	0	0	0	0	0	0	5,500	0	5,500
North Hykeham relief road (Scheme total £148m, DfT bid £100m)	A project to link the Lincoln Eastern Bypass with the existing Western Bypass to create a ring road. It will also form part of the Lincolnshire Coastal Highway.	0	0	0	0	0	0	48,000	0	48,000
Spalding Western Relief Road - section 1	Completion of Spalding Western Relief Road - Section 1.	0	0	0	0	0	0	27,800	0	27,800
Spalding Western Relief Road - section 1 S106 income expectation	Development Contribution towards completion of Spalding Western Relief Road - Section 1	0	0	0	0	0	0	-5,520	0	-5,520
Spalding Western Relief Road - section 5 S106 income expectation	Development Contribution towards completion of Spalding Western Relief Road - Section 5	0	0	0	0	0	0	-4,200	0	-4,200
Local Highways Improvements(Pinchpoints) to support Coastal Route (between £2m-£5m p.a)	This project will improve the transport corridor to the Lincolnshire Coast by improving pinchpoints along the route (A57, A46, and A158).	0	0	0	3,000	0	3,000	21,000	0	21,000
Subtotals - Highways		53,532	-50,817	104,348	79,399	-50,434	129,833	126,353	-8,499	134,852
Subtotals Place		67,518	-51,127	118,645	101,594	-50,434	152,028	137,538	-8,499	146,037

Capital Programme (2019/20 plus Future Years)	Description	Revised Net Programme	Grants and Contributions	Revised Gross Programme	Net Programme	Grants and Contributions	Gross Programme	Net Programme	Grants and Contributions	Gross Programme
		2019/20	2019/20	2019/20	2020/21	2020/21	2020/21	Future Years	Future Years	Future Years
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FIRE AND RESCUE AND PUBLIC PROTECTION										
PUBLIC PROTECTION										
Registration Celebratory & Coroners Service	Coroners IT system for case management, and improvement to Gainsborough celebratory premises.	98	0	98	0	0	0	0	0	0
Subtotals - Public Protection		98	0	98	0	0	0	0	0	0
FIRE AND RESCUE AND EMERGENCY PLANNING										
Fire & Rescue and Emergency Planning	Refurbishment of fire and rescue properties.	1,482	5	1,477	858	0	858	0	0	0
Fire Fleet Vehicles and Associated Equipment	Rolling programme for the replacement of fire and rescue fleet vehicles and associated equipment.	5,700	0	5,700	7,210	0	7,210	6,489	0	6,489
Subtotals - Fire and Rescue & Emergency Planning		7,183	5	7,178	8,068	0	8,068	6,489	0	6,489
Subtotals Fire and Rescue & Public Protection		7,281	5	7,276	8,068	0	8,068	6,489	0	6,489

Capital Programme (2019/20 plus Future Years)	Description	Revised Net Programme	Grants and Contributions	Revised Gross Programme	Net Programme	Grants and Contributions	Gross Programme	Net Programme	Grants and Contributions	Gross Programme
		2019/20 £'000	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	Future Years £'000	Future Years £'000	Future Years £'000
COMMERCIAL PROPERTY										
Property	Maintenance and improvement programme for council properties, asbestos works and improvements to the County Farm estates.	3,604	0	3,604	6,201	0	6,201	0	0	0
Property Improvement Programme	Improvement to council properties including County Farms and upgrade of school mobiles.	525	0	525	650	0	650	2,227	0	2,227
Property Rationalisation Programme	Property rationalisation programme project.	3	3	0	0	0	0	0	0	0
Property Area Reviews	Programme of works for leased properties.	160	0	160	390	0	390	0	0	0
Lexicon House	Refurbishment of Lexicon House for office accommodation.	0	0	0	1,000	0	1,000	0	0	0
Bluelight - wider estates (other funding will support this)	Programme of works to support dual and tri service occupation throughout Lincolnshire.	1,508	-1,186	2,695	0	0	0	0	0	0
County Emergency Centre	Modernisation of the County Emergency Centre.	500	0	500	0	0	0	0	0	0
Property maintenance	Maintenance and improvement programme for council properties.	0	0	0	0	0	0	28,000	0	28,000
Subtotals - Property		6,300	-1,184	7,484	8,241	0	8,241	30,227	0	30,227
ICT										
Broadband	Provision of superfast broadband across the county.	4,747	0	4,747	2,500	0	2,500	704	0	704
Replacement ERP Finance System	Improvements to the ERP Finance system.	322	0	322	0	0	0	0	0	0
Care Management System (CMPP)	Installation of the Mosaic system.	14	3	11	0	0	0	0	0	0
Windows 10 Refresh 2018	Upgrade of hardware to Windows 10 system.	3,900	0	3,900	0	0	0	0	0	0
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	825	29	797	2,908	0	2,908	5,900	0	5,900
Cloud Navigator & ICT Innovation	Development of Cloud Navigator to enable digital transformation of services to citizens.	0	0	0	0	0	0	8,000	0	8,000
Improvement Transformation		0	0	0	1,000	0	1,000	3,000	0	3,000
ICT Development Fund	Improvements to ICT infrastructure and network.	1,153	0	1,153	0	0	0	0	0	0
Subtotals - ICT		10,960	31	10,929	6,408	0	6,408	17,604	0	17,604
Subtotals Commercial		17,260	-1,152	18,413	14,649	0	14,649	47,831	0	47,831

Capital Programme (2019/20 plus Future Years)	Description	Revised Net Programme	Grants and Contributions	Revised Gross Programme	Net Programme	Grants and Contributions	Gross Programme	Net Programme	Grants and Contributions	Gross Programme
		2019/20 £'000	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	Future Years £'000	Future Years £'000	Future Years £'000
OTHER BUDGETS										
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.	7,929	0	7,929	11,638	0	11,638	60,000	0	60,000
Subtotals Other Budgets		7,929	0	7,929	11,638	0	11,638	60,000	0	60,000
Total Budget		101,699	-87,474	189,173	137,923	-85,281	223,204	307,383	-68,524	375,907

CAPITAL GOVERNMENT GRANTS 2020/21

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

CAPITAL GOVERNMENT GRANTS	
	2020/21
	£'000
Schools Basic Needs	12,351
Schools Condition Allocation	4,150
Schools Devolved Formula Capital	1,100
SEND Provision Capital Funding for Pupils with EHC Plans	771
Children's Services	18,372
Highways Asset Maintenance	24,955
Highways Integrated Transport	3,312
Safer Road Funds	2,725
Place	30,992
Total Capital Grants	49,364

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

SUMMARIES OF DELIVERY SERVICES REVENUE ESTIMATES

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REVENUE EXPENDITURE - CHILDREN'S EDUCATION

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	41,009,822		
	BUDGET CHANGES:	- 1,084,112		
2.0	<u>Inflation</u>	230,026	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Home to School/College Transport	1,243,136	Ref 3.1	Additional school transport contract costs associated with National Living Wage rises, inflationary costs and an increase in the expected numbers of eligible pupils.
3.2	Special Educational Needs & Disability	529,350	Ref 3.2	Staffing restructure relating to the increased demands on the service relating to Education & Health Care plan assessments.
4.0	<u>Savings</u>			
4.1	Home to School/College Transport	- 8,106	Ref 4.1	Budget reductions to meet service requirements.
4.2	Special Educational Needs & Disability	- 6,312	Ref 4.2	Additional income generation and budget reductions for training materials and legal costs.
4.3	Education Support Services	- 16,975	Ref 4.3	Additional income generation, a reduction in the cost of software and budget reductions to meet service requirements.
4.4	School Improvement	- 6,924	Ref 4.4	Budget reductions to meet service requirements.
4.5	Statutory Regulatory Duties	- 285,525	Ref 4.5	Removal of peripatetic social worker vacant posts, a reduction in the cost of software licences, a reduction in funding required to support market management as part of service reviews and budget reductions to meet service requirements.
5.0	2020/21 BUDGET	41,604,380		

REVENUE EXPENDITURE - CHILDREN'S EDUCATION

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	HOME TO SCHOOL/COLLEGE TRANSPORT	25,827,217	1,248,989	27,076,206
2.0	SPECIAL EDUCATIONAL NEEDS & DISABILITY	6,635,384	950,967	7,586,351
3.0	EDUCATION SUPPORT SERVICES	772,233	127,744	899,977
4.0	SCHOOL IMPROVEMENT	1,154,828	41,782	1,196,610
5.0	STATUTORY REGULATORY DUTIES	5,536,048	-690,812	4,845,236
			0	
6.0	NET TARGET BUDGET	39,925,710	1,678,670	41,604,380

REVENUE EXPENDITURE - CHILDREN'S SOCIAL CARE

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	71,742,652		
	BUDGET CHANGES:	1,211,832		
2.0	<u>Inflation</u>	867,850	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Looked After Children	273,450	Ref 3.1	Estimated growth in looked after children services placement costs.
3.2	Special Guardianship Orders	265,451	Ref 3.2	Estimated growth in Special Guardianship orders which is seen as an important option for permanency for children who need to be removed from their birth parents.
4.0	<u>Savings</u>			
4.1	0-19 Health Services	- 180,000	Ref 4.1	A more effective clinic utilisation leading to a reduction in home visiting.
4.2	Early Help Services	- 85,342	Ref 4.2	Budget reductions to meet service requirements.
4.3	Family Assessment and Support Team	- 103,200	Ref 4.3	Utilisation of grant income and budget reductions to meet service requirements.
4.4	Adoption and Fostering Services	- 3,480	Ref 4.4	Budget reductions to meet service requirements.
4.5	Leaving Care Services	- 438,320	Ref 4.5	Savings from the new supported accommodation pathway in meeting 16-17 year olds and care leavers.
4.6	Targeted Support for Young People	- 42,599	Ref 4.6	Efficiencies as a result of the joint delivery of provision.
4.7	Youth Offending	- 55,675	Ref 4.7	Rationalisation of work activities with the Performance Team and budget reductions to meet current service requirements.
5.0	2020/21 BUDGET	73,452,619		

REVENUE EXPENDITURE - CHILDREN'S SOCIAL CARE

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	0 - 19 HEALTH SERVICES	10,775,751	-129,807	10,645,944
2.0	EARLY HELP SERVICES	11,668,733	-821,739	10,846,994
3.0	FAMILY ASSESSMENT AND SUPPORT TEAM	16,543,788	438,250	16,982,038
4.0	ADOPTION AND FOSTERING SERVICES	13,927,850	-92,931	13,834,919
5.0	RESIDENTIAL HOMES AND PLACEMENTS	10,811,973	1,511,830	12,323,803
6.0	LEAVING CARE SERVICES AND SUPPORTED ACCOMMODATION	5,971,703	-894,150	5,077,553
7.0	TARGETED SUPPORT FOR YOUNG PEOPLE	1,333,043	-27,636	1,305,407
8.0	YOUTH OFFENDING	1,921,643	514,318	2,435,961
			0	
9.0	NET TARGET BUDGET	72,954,484	498,135	73,452,619

REVENUE EXPENDITURE - ADULT FRAILTY & LONG TERM CONDITIONS

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	120,804,125		
	BUDGET CHANGES:	- 871,487		
2.0	<u>Inflation</u>	327,424	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Demographic Growth & Inflation	3,160,993	Ref 3.1	Demographic Growth pressures and inflation in rates for Residential/Nursing and Homecare
3.2	Service Development	2,500,000	Ref 3.2	Broadening the Service of Homecare within the re-procurement of the Homecare service in 20/21
4.0	<u>Savings</u>			
4.1	Budget 2020 Savings Programme	- 209,715	Ref 4.1	Reduction in Director's Consolidated Running Costs
4.2	Growth in Service User Contributions	- 1,594,578	Ref 4.2	Proportionate increase in Service User Contributions from increase in benefits
4.3	Home Based Service	- 319,929	Ref 4.3	Reablement Service efficiencies
4.4	Increase in Income	- 575,000	Ref 4.4	Increase in Direct Payment Refund Income
4.5	Increase in Income	- 1,000,000	Ref 4.5	Increase in Debtor Income
4.6	Peak Demand Efficiencies	- 800,000	Ref 4.6	Improvement in Peak Demand efficiencies
4.7	Assessment & Care Management Frail	- 579,000	Ref 4.7	Savings from gaps in posts being filled from staff turnover
4.8	Transport	- 100,000	Ref 4.8	Reduction in service demand
4.9	Residential/Nursing Placements	- 500,000	Ref 4.9	Reduction in service demand as more requirement for Community Based Services
4.10	Other Expenditure Budget - Frailty	- 90,000	Ref 4.10	Reduction in service demand
4.11	Adult Care Charging	500,000	Ref 4.11	Impact of legislative changes
5.0	2020/21 BUDGET	120,652,833		

REVENUE EXPENDITURE - ADULT SPECIALITIES

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	75,865,468		
	BUDGET CHANGES:	425,267		
2.0	<u>Inflation</u>	137,814	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Demography and National Living Wage	1,613,822	Ref 3.1	Demographic Pressures & increase in National Living Wage Residential and Nursing Care (LD)
3.2	Demography and National Living Wage	3,025,554	Ref 3.2	Demographic Pressures & increase in National Living Wage Community Based Services (LD)
3.3	Demography	1,400,000	Ref 3.3	Demographic Pressures Residential Care & Community Based Services (MH)
4.0	<u>Savings</u>			
4.1	<u>Increased Income</u>	- 250,000	Ref 4.1	Increase in Direct Payment Audit Income
4.2	CHC Income	- 1,800,000	Ref 4.2	Additional CHC Funding from CCG's
5.0	2020/21 BUDGET	80,417,925		

REVENUE EXPENDITURE - ADULT SPECIALTIES

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	LONG AND SHORT TERM CARE	24,485,460	884,572	25,370,032
2.0	HOME BASED CARE SERVICES	25,549,262	679,343	26,228,605
3.0	DIRECT PAYMENTS	8,520,790	348,885	8,869,675
4.0	DAY CARE SERVICES	3,891,542	706,304	4,597,846
5.0	LD FIELDWORK	3,147,153	75,535	3,222,688
6.0	MENTAL HEALTH	6,468,000	1,400,000	7,868,000
7.0	SAFEGUARDING FIELDWORK	1,449,158	27,149	1,476,307
8.0	BEST INTEREST ASSESSMENTS	2,718,990	0	2,718,990
9.0	SAFEGUARDING BOARD	60,380	5,402	65,782
9.0	NET TARGET BUDGET	76,290,735	4,127,190	80,417,925

REVENUE EXPENDITURE - PUBLIC HEALTH & COMMUNITY WELLBEING

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	29,668,508		
	BUDGET CHANGES:			
2.0	<u>Inflation</u>	59,549	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Mosaic Costs	449,385	Ref 3.1	Transfer of costs from Serco to LCC in respect of Mosaic costs
4.0	<u>Savings</u>			
4.1	Contract re-procurement and reduction in service requirements	- 1,390,000	Ref 4.1	Agreed reduction in budget based on current service requirements, and savings based on contract re-procurement
5.0	2020/21 BUDGET	28,787,442		

REVENUE EXPENDITURE - PUBLIC HEALTH & COMMUNITY WELLBEING

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	HEALTH IMPROVEMENT, PREVENTION AND SELF MANAGEMENT	2,812,316	-495,216	2,317,100
2.0	PUBLIC HEALTH STATUTORY SERVICE	3,590,256	679,648	4,269,904
3.0	WELLBEING SERVICE	6,340,642	0	6,340,642
4.0	SEXUAL HEALTH	5,362,138	-65,498	5,296,640
5.0	HOUSING RELATED SERVICE	3,756,644	-1,000,000	2,756,644
6.0	PREVENTION AND TREATMENT OF SUBSTANCE MISUSE	5,417,020	0	5,417,020
7.0	ADULT AND YOUNG CARERS SERVICE CONTRACTS	1,639,492	0	1,639,492
8.0	CARERS PERSONAL BUDGETS	750,000	0	750,000
9.0	NET TARGET BUDGET	29,668,508	-881,066	28,787,442

REVENUE EXPENDITURE - COMMUNITIES

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	47,271,613		
	BUDGET CHANGES:	78,706		
2.0	<u>Inflation</u>	181,000	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Cultural Services - Library provision	284,000	Ref 3.1	Library provider (GLL) taking on the delivery of information and communications technology (£242,000) plus contract inflation pressure (£42,000)
4.0	<u>Savings</u>			
4.1	Transport Services	- 425,000	Ref 4.1	Contract payments reviewed to provide more emphasis on the reducing actual passenger numbers as eligibility age for a concessionary pass rises
4.2	Heritage and Archive Services	- 201,050	Ref 4.2	Budget revision to library vehicles, staffing and associated expenses
4.3	Environmental Services	- 66,151	Ref 4.3	Budget revisions to meet current service requirements.
4.4	Waste Services	- 590,900	Ref 4.4	Reduction in repairs, maintenance and transport costs together with contract savings and reduced tonnages of compost and other materials at Household Waste Recycling Centres (HWRC)
5.0	2020/21 BUDGET	46,532,218		

REVENUE EXPENDITURE - COMMUNITIES

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
			-	
1.0	GROUP MANAGER - TRANSPORT	14,137,699	-373,808	13,763,891
2.0	HEAD OF CULTURE	7,051,204	143,662	7,194,866
3.0	HEAD OF ENVIRONMENT	3,092,499	-40,667	3,051,832
4.0	PLANNING	736,641	21,572	758,213
5.0	HEAD OF WASTE	22,235,896	-570,679	21,665,217
6.0	HEAD OF COMMUNITIES	96,380	1,819	98,199
			0	
9.0	NET TARGET BUDGET	47,350,319	-818,101	46,532,218

REVENUE EXPENDITURE - LINCOLNSHIRE LOCAL ENTERPRISE PARTNERSHIP

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	420,301		
	BUDGET CHANGES:	- 14,577		
2.0	<u>Inflation</u>	6,801	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
4.0	<u>Savings</u>			
5.0	2020/21 BUDGET	412,525		

REVENUE EXPENDITURE - GROWTH

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	3,202,228		
	BUDGET CHANGES:	241,785		
2.0	<u>Inflation</u>	64,594	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
4.0	<u>Savings</u>			
5.0	2020/21 BUDGET	3,508,607		

REVENUE EXPENDITURE - GROWTH

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	ECONOMIC DEVELOPMENT	1,088,032	-27,014	1,061,018
2.0	ECONOMIC INFRASTRUCTURE	308,397	80,230	388,627
3.0	INFRASTRUCTURE INVESTMENT	744,604	-5,402	739,202
4.0	DEVELOPMENT MANAGEMENT	1,302,980	16,780	1,319,760
			0	
9.0	NET TARGET BUDGET	3,444,013	64,594	3,508,607

REVENUE EXPENDITURE - HIGHWAYS

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	23,461,441		
	BUDGET CHANGES:	- 284,855		
2.0	<u>Inflation</u>	124,391	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Highways Asset Management	- 30,000	Ref 3.0	Reduction for 'Confirm' system licences
4.0	<u>Savings</u>			
4.1	Design Services	- 38,780	Ref 4.1	Efficiency saving on system maintenance costs
4.2	Highways Services	- 663,541	Ref 4.2	Efficiency savings on winter maintenance operations £178,000 with the remainder due to increased charges for a range of highway services including road closures, fixed penalty notices and searches.
4.3	Highways Asset Management	- 34,705	Ref 4.3	Increase in charges for skip and scaffold permits (£24,705) and a reduction in the scanner and scrim surveying contracts (£10,000).
5.0	2020/21 BUDGET	22,533,951		

REVENUE EXPENDITURE - HIGHWAYS

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	GROUP MANAGER - DESIGN SERVICES	6,067,257	456,047	6,523,304
2.0	HEAD OF HIGHWAYS SERVICES	6,968,977	-672,971	6,296,006
3.0	ASSISTANT DIRECTOR HIGHWAYS	348,622	-285,594	63,028
4.0	HIGHWAYS ASSET MANAGER	9,207,838	-330,640	8,877,198
5.0	HEAD OF HIGHWAYS INFRASTRUCTURE	583,892	2,169	586,061
6.0	EXECUTIVE DIRECTOR PLACE	0	188,354	188,354
			0	
9.0	NET TARGET BUDGET	23,176,586	-642,635	22,533,951

REVENUE EXPENDITURE - FIRE and RESCUE & EMERGENCY PLANNING

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	19,872,372		
	BUDGET CHANGES:			
2.0	<u>Inflation</u>	343,481	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Fire and Rescue	1,793,429	Ref 3.1	Increase in employer pension contributions for Firefighter scheme in line with government actuary requirements.
4.0	<u>Savings</u>			
4.1	Fire and Rescue	- 115,000	Ref 4.1	A reduction in costs associated with unwanted fire signals (false alarms) policy (£55k) and a reduction in budget to cover firefighter absence to maintain operational resilience.
5.0	2020/21 BUDGET	21,894,282		

REVENUE EXPENDITURE - PUBLIC PROTECTION

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	3,402,525		
	BUDGET CHANGES:	- 11,874		
2.0	<u>Inflation</u>	67,986	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
4.0	<u>Savings</u>			
5.0	2020/21 BUDGET	3,458,637		

REVENUE EXPENDITURE - PUBLIC PROTECTION

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	SAFER COMMUNITIES	2,028,984	35,776	2,064,760
2.0	REGISTRATION, CELEBRATORY AND CORONERS	1,361,667	32,210	1,393,877
			0	
9.0	NET TARGET BUDGET	3,390,651	67,986	3,458,637

REVENUE EXPENDITURE - RESOURCES

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	20,333,687		
	BUDGET CHANGES:	126,170		
2.0	<u>Inflation</u>	451,824	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Corporate Support Service Cost press	2,339,106	Ref 3.1	The additional cost for financial services (£1,659,405), Human Resources (£358,741) and Business Support (£320,960)
3.2	May 2021 Council Elections	300,000	Ref 3.2	The allocation of an annual budget to cover the cost of future county council elections.
4.0	<u>Savings</u>			
4.1	Human Resources	- 440,000	Ref 4.1	Restructure of Human Resources following the return of staff to LCC
4.2	Legal Services	- 450,000	Ref 4.2	Realignment of Legal Lincolnshire surplus target in line with recent performance
4.3	Financial Strategy	- 43,000	Ref 4.3	Increased income from schools.
4.4	Audit & Risk	- 22,180	Ref 4.4	Increased income from audit services.
4.5	Information Assurance	- 17,207	Ref 4.5	Increased income from schools.
4.6	Democratic Services	- 15,396	Ref 4.6	The permanent removal of a vacant position.
4.7	Business Support	- 16,380	Ref 4.7	The Implementation of a paper reduction strategy.
5.0	2020/21 BUDGET	22,546,624		

REVENUE EXPENDITURE - RESOURCES

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
			-	
1.0	AUDIT AND RISK	1,065,190	9,340	1,074,530
2.0	HUMAN RESOURCES	3,421,272	-80,469	3,340,803
3.0	DEMOCRATIC SERVICES	2,055,871	334,318	2,390,189
4.0	LEGAL LINCOLNSHIRE	-651,644	-450,000	-1,101,644
5.0	BUSINESS SUPPORT	9,994,163	586,020	10,580,183
6.0	INFORMATION ASSURANCE	753,551	-6,417	747,134
7.0	FINACIAL STRATEGY	3,821,454	1,693,975	5,515,429
			0	
9.0	NET TARGET BUDGET	20,459,857	2,086,767	22,546,624

REVENUE EXPENDITURE - COMMERCIAL

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	31,989,148		
	BUDGET CHANGES:	78,384		
2.0	<u>Inflation</u>	148,948	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Corporate Services Support Contract	2,244,267	Ref 3.1	The additional cost of the Customer Services Centre
3.2	Property Cost increases	628,295	Ref 3.2	Increase in utility and business rate costs on centrally managed accommodation and the impact on National Living Wage costs on the corporate property contract
4.0	<u>Savings</u>			
4.1	Property Services	- 278,652	Ref 4.1	Reductions in building and programme costs and alignment of county farms income in line with current year performance.
4.2	Information Management	- 567,198	Ref 4.2	Budget revision to meet current service requirements
4.3	Commercial Management	- 104,272	Ref 4.3	Budget revision to meet current service requirements
5.0	2020/21 BUDGET	34,138,920		

REVENUE EXPENDITURE - COMMERCIAL

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	CORPORATE PROPERTY	9,434,374	373,064	9,807,438
2.0	COMMERCIAL	7,466,220	1,936,377	9,402,597
3.0	TRANSFORMATION	303,998	297,677	601,675
4.0	INFORMATION & TECHNOLOGY	14,862,940	-535,730	14,327,210
			0	
9.0	NET TARGET BUDGET	32,067,532	2,071,388	34,138,920

REVENUE EXPENDITURE - CORPORATE SERVICES

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	2,186,429		
	BUDGET CHANGES:	- 10,476		
2.0	<u>Inflation</u>	28,078	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>	285,701		
3.1	Corporate Services		Ref 3.1	The funding of two new assistant directors (Transformation and Corporate Services) - and a new head of service (Policy)
4.0	<u>Savings</u>			
5.0	2020/21 BUDGET	2,489,732		

REVENUE EXPENDITURE - OTHER BUDGETS & PENSION LIABILITIES

Ref No	Main Area of Expenditure	2020/21 Estimate £		Notes
1.0	2019/20 BUDGET	50,871,857		
	BUDGET CHANGES:	115,237		
2.0	<u>Inflation</u>	-	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Capital Financing Charges	6,032,192	Ref 3.1	Increase in the cost to finance the capital programme.
3.2	Capital Receipt	8,000,000	Ref 3.2	Removal of the flexible use of capital receipts.
3.3	Insurance	1,303,000	Ref 3.3	Increase in insurance premium costs.
3.4	Pension Deficit Contribution	2,859,600	Ref 3.4	Increase in employer's contribution towards pension deficit.
3.5	National Living Wage	550,000	Ref 3.5	An allocation for estimated national living wage increase.
3.6	Pay Negotiations	600,000	Ref 3.6	An allocation for cost relating to pay negotiations and national pay spine changes.
3.7	Surplus Properties	64,000	Ref 3.7	Cost in maintaining surplus properties
3.8	Levy Payments	18,900	Ref 3.8	Increase in levy payments
4.0	<u>Savings</u>			
4.1	Commercial Discount	- 705,800	Ref 4.1	Reduction in contract payments.
4.2	Dividend Income	- 206,000	Ref 4.2	Increase in dividend relating to investment.
5.0	2020/21 BUDGET	69,502,986		

REVENUE EXPENDITURE - OTHER BUDGETS & PENSION LIABILITIES

Line No	Description	2019/20 Budget £	Budget Changes £	2020/21 Original Estimate £
1.0	CAPITAL FINANCING CHARGES	39,661,985	6,032,192	45,694,177
2.0	CONTINGENCY	3,000,000	0	3,000,000
3.0	OTHER BUDGET EXPENDITURE	8,325,109	12,483,700	20,808,809
			0	
9.0	NET TARGET BUDGET	50,987,094	18,515,892	69,502,986

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.

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 debt charges, direct revenue financing 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.

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.

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).

Glossary of Delivery Services

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
Children's Education	Home to School/College Transport	Support to ensure all children and young people learn, enabling them to achieve their full potential.
	Special Educational Needs and Disability	
	School Improvement	
	Statutory Regulatory Duties	
Children's Social Care	0 – 19 Health Services	Support to ensure all children and young people will be safe, healthy and prepared for adult life.
	Early Help Services	
	Family Assessment and Support Teams	
	Adoption and Fostering	
	Residential Homes and Placements	
	Leaving Care Services and Supported Accommodation	
	Targeted Support for Young People	
	Youth Offending	
	Virtual Schools	
Quality and Standards		
Adult Frailty & Long Term Conditions	Long Term Residential or Nursing Care	Support to residents of Lincolnshire with a long term physical conditions and those over the age of 65
	Care in the Community including Home Support, Direct Payments and Aids & Equipment	
Adult Specialities	Long Term Residential or Nursing Care	Support to residents of Lincolnshire with either a Learning Disability or a Mental Health condition.
	Care in the Community including Home Support, Direct Payments	
	Adults Safeguarding	
Public Health & Community Wellbeing	Sexual Health	To promote healthy lifestyles to maintain the health of individuals.
	Integrated Lifestyle Services	
	Wellbeing	
	Housing Related Support	
Communities	Transportation including concessionary fares	To protect, enhance and balance our environmental, cultural and transportation needs for Lincolnshire communities.
	Cultural services including libraries and heritage operations	
	Waste Management	
	Protecting and enhancing the natural and build environment including flood risk management, reducing carbon emissions and countywide planning services.	

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
Lincolnshire Local Enterprise Partnership	Partnership of public and private organisations to coordinate and manage the key funding to enhance the economy and infrastructure of the wider county.	To coordinate and manage the key funding to enhance the economy and infrastructure of the wider county of Lincolnshire.
Growth	Improving skills and employability	A delivery strategy that 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	
	Planning for sustainable infrastructure including transport policy and development support	
Highways	Highway asset maintenance	A delivery strategy to facilitate growth and prosperity through both maintaining and enhancing the highway infrastructure of the county.
	Highway network management	
	New transport investments including improvements, bypasses, growth corridors and programmes	
	Highways design, supervision and laboratory testing services	
	Traffic management services including civil parking enforcement, management of statutory undertakings and road safety	
Fire & Rescue and Emergency Planning	Fire Response	Fire and Rescue response and protections services alongside planning for emergencies.
	Fire Prevention and Protection	
	Emergency Planning	
Public Protection	Trading Standards	Partnership working for crime and disorder and Domestic Abuse Services. Trading Standards, Coroner responsibilities and Registration & Celebratory services.
	Community Safety	
	Coroners	
	Registration & Celebratory	

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
Resources	Audit & Risk	<p>Professional and Administrative functions to advice and support members and council services.</p> <p>Provision of shared services arrangements to local government partners.</p>
	Human Resources	
	Democratic Services	
	Legal Lincolnshire	
	Business Support	
	Financial Strategy	
	Pensions	
	Information Assurance	
Commercial	Commercial Services	<p>Commercial and contract management, property asset management, IT service provision and council wide transformation programmes to enable effective council services.</p>
	Corporate Property	
	Information Management	
	Transformation	
Corporate Services	Chief Executive	<p>Council leadership and policy development function.</p>
	Policy	

CONTACT INFORMATION FOR DELIVERY SERVICE BUDGET DETAIL

The information on revenue budgets provided in this booklet summarises the detailed estimates for each individual Delivery Service area. If you require further detail please contact:-

Email – finance@lincolnshire.gov.uk