

Council Budget 2021/22

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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 1.99% in 2021/22 set out in the Budget Book (**Appendix C** – Impact Analysis relating to increasing the Council Tax by 1.99% in 2021/22).
4. approves:
 - 4.1 the service revenue budgets for 2021/22 contained in the Budget Book, (Table 2 - Net Service Revenue Budget 2021/22);
 - 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 £1,364.16 for 2021/22 contained in the Budget Book (**Appendix B** - County Precept 2021/22);

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 contained in the Budget Book (**Appendix O** – Capital Strategy 2021/22);
7. approves the Council's Flexible Use of Capital Receipts Strategy contained in the Budget Book (**Appendix G** - Flexible Use of Capital Receipts Strategy 2021/22);
8. approves the prudential targets for capital finance and notes the prudential indicators contained in the Budget Book (**Appendix N** - Prudential Indicators);
9. approves that the minimum revenue provision (MRP) be based on the asset life method, charged on an annuity basis for major infrastructure projects and in equal instalments for all other assets, over the estimated life of the assets acquired through borrowing as set out in the appended Budget Book (**Section 10** - Minimum Revenue Provision).

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 2021/22. 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. These reforms were due to be in place for April 2021 but have been deferred until April 2022 with the possibility that there will be a further deferral so that the government can focus on its response to the pandemic. We expect that a Spending Review would need to take place in 2021 to help inform the total funding to be directed to local authorities. All of this means that there is still significant uncertainty over future funding levels after 2021/22. For this reason, a one year budget is proposed for 2021/22.
- 2.3 In developing the 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 2021/22 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 2021/22 the threshold has been set at a 2.00% increase for general council tax, plus a further 3.00% 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 1.99% for general council tax only, with no increase specifically for adult social care for the 2021/22 financial year.

The Outlook Beyond 2020/21

- 2.6 As stated in paragraph 2.2 the Government is proposing two funding reforms. The first is: the Review of Relative Needs and Resources (formerly known as 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. Progress on implementing these reforms has been severely impacted by the Covid-19 pandemic, so 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 is likely to arise from a Spending Review in 2021 although at this time no review has been announced.

3. THE COUNCIL'S REVENUE FUNDING

Local Government Finance Settlement

3.1 The Local Government Finance Settlement for 2021/22, published on 4 February 2021, confirmed our level of funding for next year. This was in line with the provisional settlement received in December and rolled forward 2020/21 funding with some inflation and additional grants. It also confirmed the council tax referendum limit (see paragraph 3.9).

3.2 Although Revenue Support Grant (RSG) has reduced substantially over recent years, there is a small inflationary increase for 2021/22.

3.3 The final settlement confirmed Rural Services Delivery Grant for 2021/22 at £7.277m, which is higher than in 2020/21. 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 £20.485m of Social Care Support Grant for 2021/22 to support both Adults' and Children's social care. Part of this grant was first received in 2019/20, with the remainder first received in 2020/21. A new Social Care Support Grant of £5.364m for 2021/22 was also awarded, bringing the total sum to £25.849m.

3.5 New Homes Bonus Grant fell from £2.091m to £1.469m for 2021/22 – 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 2021/22:

- Extended Rights to Free Travel from the Department for Education is assumed to continue at the level of £0.639m for 2021/22;
- Independent Living Fund is assumed to be reducing from £1.554m in 2020/21 to £1.515m in 2021/22;
- It is assumed that the Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs will continue at £0.128m for 2021/22.

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 £33.546m for 2021/22 (£32.341m for 2020/21).

3.8 Better Care Fund comes to the County Council in two streams. An element from the Lincolnshire Clinical Commissioning Groups (CCGs) and a grant coming directly to the Council from central government known as Improved Better Care Fund. These funding streams combined will provide the Council with an estimated £52.233m in 2021/22 (£47.023m in 2020/21) to fund Adult Care Services.

Council Tax

3.9 The Secretary of State in "The Referendums Relating to Council Tax Increases Report 2021/22" confirmed that the referendum threshold for the general Council Tax element would remain at 2.00%. The regulations regarding the Adult Care Precept have been extended to

allow a 3.00% adult care precept to be raised for a further year and also to allow for any part of that Adult Care Precept to be deferred until 2022/23.

3.10 We propose that Council Tax be increased by 1.99% for general Council Tax only in 2021/22, with no increase for the Adult Social Care precept next year. The Council Tax increase of 1.99% will generate additional income of £6.193m in 2021/22.

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 2021/22 have been approved and published and provide for a 3.00% 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 the recommended council tax increase of 1.99% is not excessive.

3.12 An 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 796.08 band D equivalent properties or 0.3%. This will provide the Council with additional Council Tax income of £1.086m per annum at the current council tax level. This sum, together with the 1.99% increase in Council Tax yielding £6.193m, will provide total additional Council Tax income of £7.279m in 2021/22.

3.14 All seven of the District Councils have declared their positions on the council tax elements of their Collection Funds. There is a net surplus attributable to the County Council of £0.678m. This is an addition to income for 2021/22, but two of the District Councils have declared a deficit position within this total and this has been spread over three years in accordance with the new "Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) Regulations 2020". This means that we will have a Council Tax Collection Fund deficit of £0.298m in both 2022/23 and 2023/24 which will be in addition to any surpluses or deficits arising in those two years.

3.15 The government announced a new Local Tax Guarantee Scheme in November 2020 as part of the Spending Review, to provide councils with a grant to compensate for 75% of irrecoverable 2020/21 council tax losses that have been incurred. The government has set out how this grant is to be assessed and it is to be calculated following the confirmation of the end of year position on Council Tax. This will be paid as a Section 31 grant in 2021/22, however due to the uncertainty about what the total is likely to be we have assumed nothing for this grant in our 2021/22 budget. The Final Local Government Finance Settlement confirmed that we will receive £5.354m as a new Local Council Tax Support grant in 2021/22.

Business Rates Collection Fund and Section 31 Grant

3.16 The District Councils have now submitted their estimates of the amounts of Business Rates due to be collected next year and passed on to the County Council. These estimates total £21.856m for 2021/22.

3.17 The government confirmed that it will compensate local authorities in full for the continuation of the business rates cap, small business rate relief and rural rate relief by way of

a section 31 grant, as in previous years. The value of the section 31 compensation grant is confirmed as £8.145m (£7.138m in 2020/21).

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. It was anticipated that the coronavirus pandemic impacts would result in significant deficits and this has turned out to be the case. There is a net deficit attributable to the County Council of £10.644m for 2021/22. Earlier in the financial year, the government announced 100% business rates reliefs to retail and other sectors which were affected by closures during lockdowns this year, and these reliefs will be funded in full by the government, by way of new Section 31 grant in 2021/22. The District Councils have assessed that our share of this new Section 31 grant will be approximately £10.167m and this is in addition to the section 31 grant referred to in paragraph 3.17. This new grant will help to offset the Business Rates Collection Fund deficit.

3.19 The Local Government Provisional Finance Settlement confirmed that a deficit on the Business Rates Collection Fund for 2021/22 must be spread equally over 2021/22, 2022/23 and 2023/24 and new regulations to allow this to happen came into force in December 2020. It should be noted that the amount to be spread over three years is the net deficit for 2021/22 only after allowing for the new Section 31 grant referred to in paragraph 3.18. This means that the impact of spreading the deficit in each of the following two years is significantly less than the deficit in 2021/22. The District Councils have informed us of these future year deficits and, in total, they amount to £0.320m in each year, which is in addition to any surpluses or deficits arising in those following two years.

3.20 The government announced a new Local Tax Guarantee Scheme in November 2020 as part of the Spending Review, to provide councils with a grant to compensate for 75% of irrecoverable 2020/21 Business Rates losses that have been incurred as a result of the pandemic. The government has set out how this grant is to be assessed and it is to be calculated following the confirmation of the end of year position on Business Rates. This will be paid as a Section 31 grant in 2021/22, however due to the uncertainty about what the total is likely to be we have assumed nothing for this grant in our 2021/22 budget. We have a Business Rates Volatility earmarked reserve with a current balance of £6.152m and this could be used to cover the future year Business Rates Collection Fund deficits if required.

Business Rates Pool

3.21 The Council has confirmed that it wishes to remain in a business rates pool in 2021/22 with six of the seven Lincolnshire District Councils. Given the impacts of the coronavirus pandemic on Business Rates, as shown in paragraph 3.18, we have made a neutral assumption around pooling gains for 2021/22 and have built nothing for this into the budget.

4. THE COUNCIL'S OVERALL REVENUE BUDGET

4.1 The table below (TABLE 1) 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 1: Summary Revenue Budget

SUMMARY REVENUE BUDGET	2021/22 £m
EXPENDITURE:	
Net Base Budget	489.894
Cost Pressures (<i>including inflation</i>)	31.197
Savings & Additional Income	-11.867
Other Movements (PH Grant & BCF Grant)	-6.416
Total Expenditure	502.808
Use of Reserves	2.439
Transfer to/from General Reserve	0.200
Budget Requirement	505.447
INCOME:	
Business Rates Local Retention	120.825
Revenue Support Grant	20.580
Other Grants	44.416
County Precept	319.626
Total Income	505.447

4.2 We propose to allocate £1.153m of resources in 2021/22 to fund pay inflation. This allows for the difference arising from the pay award in April 2020 which was higher than budgeted for, and also provides for a 1% pay award for employees earning up to £24,000 per annum. 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 £0.200m in 2021/22 to maintain our general reserves at 3.2% of the Council's total budget.

4.4 Following the final amendments to the budget arising from the Final Local Government Finance Settlement and the Council Tax and Business Rates information from Lincolnshire's District Councils, there is a budget surplus of £2.439m. We propose that this surplus of £2.439m is transferred to the Financial Volatility earmarked reserve in 2021/22.

4.5 A more detailed analysis of the movement in budget for 2021/22 is shown at **APPENDIX K**.

5. REVENUE BUDGETS

5.1 Net revenue budgets for 2021/22 are shown in TABLE 2 below together with the comparison for 2020/21. **APPENDIX T** provides further details of the services undertaken in each service delivery area.

TABLE 2: Net Service Revenue Budget 2021/22

Revenue Budgets	2020/21 £m	2021/22 £m
Children's Services		
Children's Education	40.122	45.389
Children's Social Care	73.869	76.795
Adult Care and Community Wellbeing		
Adult Frailty & Long Term Conditions	118.877	120.026
Adult Specialities	81.009	86.335
Public Health & Community Wellbeing	28.468	28.621
Public Health Grant Income	-32.341	-33.546
Better Care Funding	-47.023	-52.233
Place		
Communities	46.174	47.882
Lincolnshire Local Enterprise Partners	0.341	0.344
Growth	2.165	2.193
Highways	24.072	24.264
Fire and Rescue		
Fire and Rescue & Emergency Planning	21.821	22.312
Resources		
Public Protection		4.489
Finance	26.395	7.290
Org Support		14.050
Legal and Governance		2.072
Commercial		
Corporate Property		10.405
Commercial	37.383	8.749
Transformation		4.730
Information Technology		14.714
Corporate Services		
Corporate Services	2.865	2.956
Other Budgets		
Other Budgets	68.373	67.646
Schools		
Schools Block	454.765	496.505
High Needs Block	91.982	101.620
Central School Services Block	3.728	3.745
Early Years Block	42.132	42.354
Dedicated Schools Grant	-595.282	-646.899
Total Net Expenditure	489.895	502.808
Transfer to/from Earmarked Reserves	2.572	2.439
Transfer to/from General Reserves	0.150	0.200
Budget Requirement	492.617	505.447

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 Education and SEND services

5.3 Children's Education service activities are proposing to make savings of £0.001m in 2021/22, which is the legacy of the savings delivered through the Budget 2020 exercise. Within this area, there are also proposed cost pressures of £5.189m in 2021/22.

5.4 The proposed cost pressures of £5.189m relate to the delivery of Home to School / College Transport in 2021/22. The Home to School / College Transport is a challenging and volatile budget with unfavourable economic conditions, changing legislation, the impact of school reorganisations, an increase in specialist transport due to increasing complexity of pupils, 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. The Home to School / College Transport cost pressures include the following:

5.5 £2.000m rebase of budget to planned spending levels in 2019/20 academic year. The increased costs related to contractual inflationary pressures within mainstream transport; increase in special educational needs and disability (SEND) pupils resulting in increased eligibility for transport to mainstream school; and an increase in complexity of pupils requiring more specialised and lone transport.

5.6 £1.000m cost pressure for the special schools One School One Operator (OSOP) transport model. The specifics of the contract (payment mechanism) and changing pupil requirements (both in terms of needs and their location) has resulted in the Local Authority undertaking a review of the payment mechanism.

5.7 £0.600m cost pressure for the Public Service Vehicle Accessibility Regulations (PSVAR). Vehicles need to be compliant with Schedule 1 of the Regulations which require the vehicle to be wheelchair accessible when Local Authorities sell spare seats on transport vehicles. This Regulation change will result in contract price increases.

5.8 £0.250m cost pressure for anticipated growth in SEND transport costs for 2021/22. A transformational review is taking place within this area, as well as the Building Communities of Specialist Provision Strategy, which are both anticipated to make a positive impact on transport spending from 2022/23, i.e. future cost reductions, however time is required to embed these new practices.

5.9 £1.005m other cost pressures include: inflationary rises in the delivery of general transport provision (2.00%) (£0.428m); an increase in mainstream pupil eligibility through secondary school pupil growth (£0.296m), and National Living Wage (NLW) increased costs for drivers. The NLW has been updated to reflect the April 2021 rate of £8.91 (£0.281m).

5.10 A Government Section 31 grant has increased for Extended Rights to Free Travel. This reflects an increase in related home to school transport costs by the Local Authority. A cost rise of £0.334m is therefore fully funded from the Government funding increase.

Children's Social Care

- 5.11 Children's Social Care Services are proposing to make savings of £0.001m in 2021/22, which is the legacy of the savings delivered through the Budget 2020 exercise. Within this area, there are also proposed cost pressures of £2.579m in 2021/22.
- 5.12 Children in Care: A £2.000m cost pressure to re-base the budget to current spending levels (pre-Covid-19). The contributing factors include an increase in Children in Care due to the increasing complex nature of family life; a shift in placement compositions from internal foster carer arrangements to more external placements, some of which are specialist placements that incur a significantly greater unit cost, and market forces within the external looked after children sector. The position is reflective of pre-Covid-19. Steps continue to be in place to mitigate and manage escalation of needs, and further work is underway on placement planning to mitigate further cost rises, which is managed through the Transformation Programme.
- 5.13 Lincolnshire's benchmarked Children in Care numbers per 10,000 of the population is 43 per 10,000, compared to nationally in the prior year of 65 (reported at March 2020). This has risen marginally due to an increase in Children in Care during the pandemic, which has resulted in an increase in costs in this area.
- 5.14 CIPFA Looked After Children (LAC) benchmarking for Local Authority participants showed Lincolnshire's average looked after child placement costs (2019) to be £41,555 p.a. compared to the average of other Local Authorities of £53,287. A contributing factor to this is Lincolnshire's highly valued internal foster carers, however the Local Authority is finding it more difficult to grow the number of internal foster carers. Lincolnshire continues to provide value for money.
- 5.15 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 Children in Care, in terms of number of children and an increase in complexity, the cost of providing more specialist services remains a financial risk to the Council.
- 5.16 A proposed cost pressure of £0.297m relates to the increase in costs across the composition of placement types supporting this vulnerable group (2.00% inflationary rate applied). It is proposed that Lincolnshire's internal foster carers will receive a 2.00% increase to their weekly allowances in April 2021.
- 5.17 A proposed cost pressure of £0.282m relates to Special Guardianship Orders (SGOs). 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 SGOs being granted per month with a 5% increase annually.

Adult Care and Community Wellbeing (ACCW)

Adult Frailty & Long Term Conditions

- 5.18 The financial rates paid to adult social care providers is the largest annual cost increase within adult care. The rates paid to providers of older peoples' care and physical disability services increases each year to reflect changes in inflation, national living wage etc. For 2021/22 the rates increase is forecast to cost £3.094m. The rates are encompassed in the three year residential contracts and / or the homecare prime provider contracts and published

in the annual statement attached to the Adult Care Charging Policy. The current three year contract expires 31 March 2021, however the impact of the pandemic has prevented the council and providers coming together to undertake a full review of the rate construct for the next three years. Given this, and the longer term financial uncertainty brought about by the pandemic, 2021/22 will see a rollover of the existing rates structure adjusted to reflect increases in NLW and inflation. The rates review with the market will take place during 2021/22 to enable the new multi-year contract to be awarded from 1 April 2022.

5.19 Demand for adult frailty and long term conditions services continues to increase with between 1.2%-1.8% growth forecast for older peoples' care and physical disability services respectively. Increased demand is forecast to cost an additional £0.706m for 2021/22.

5.20 A programme of service improvement is in train which aims to broaden the offer available to service users, improving the services received by the people of Lincolnshire by supporting more people to remain independent within their own homes / communities and improve the efficiency of how those services are delivered. Delivery of the programme has the potential to see a material shift in the cost structure of adult care underpinning the potential to deliver within financial budget in 2021/22 and reducing the scale of potential financial pressures from 2022 onwards. For Adult Frailty and Long Term Conditions, the following service developments / improvements are included within the 2021-22 budget:

- 2021/22 will see completion of the first extra care housing development in Lincoln. The scheme is a partnership between the City of Lincoln Council and the County Council to provide Extra Care Housing (ECH). ECH promotes wellbeing and independence through its design. 2021/22 will also see the start of the second ECH project based in Nettleham.
- 2021/22 will see an expansion to the reablement service which will enable more people to access and benefit from reablement care.
- ACCW also has its Financial Assessment Improvement Programme underway, which aims to make the financial assessment process easier to navigate for the individual and provide clarity on the charges through its charging policy. The programme covers all areas of adult care and will deliver a better customer experience and an efficient administrative process. This programme will also oversee the move from a net payment basis for residential care to a gross payment basis which was approved by the Executive in October 2020.

Adult Specialties and Safeguarding

5.21 The rates paid to providers of learning disability and mental health care increases each year to reflect changes in inflation, NLW etc. For 2021/22 the rates increase is forecast to cost £2.856m. The rates are encompassed in the three year residential contracts and / or the community support living contracts and published in the annual statement attached to the Adult Care Charging Policy. The current three year contract expires 31 March 2021 however the impact of the pandemic has prevented the council and providers coming together to undertake a full review of the rate construct for the next three years. Given this and the longer term financial uncertainty brought about by the pandemic, 2021/22 will see a rollover of the existing rates structure adjusted to reflect increases in national living wage and inflation. The rates review with the market will take place during 2021/22 to enable the new multi-year contract to be awarded from 1st April 2022.

5.22 Demand for working age adults, both in terms of volume and complexity, continues to increase with between 2.3% - 2.9% growth forecast for 2021/22. This increased demand is forecast to cost an additional £1.931m.

5.23 Currently Lincolnshire Partnership NHS Foundation Trust (LPFT) delivers 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) effective from 1 April 2022. To ensure the budget continues to meet demand, ACCW has built in an additional £1.800m for assessments. The next Budget process will include any financial impact of the transition to the new standards structure.

Public Health and Community Wellbeing

5.24 The Spending Review confirmed that the public health grant will be maintained. For 2021/22 budget, this is interpreted to mean maintained at the 2020/21 level. Previously reported cost pressures have been funded through the grant increase received in 2020/21. There are no new pressures forecast for 2021/22. Any costs arising from Covid-19 are assumed to be funded through the government grant confirmed in the Spending Review 2020.

5.25 In January 2021, the government announced £80m for drug treatment as part of a £148m funding package for reducing crime. The £80m is new money and is funding for 1 year to enhance drug treatment, focused on reducing drug-related crime and stopping the rise in drug related deaths. This will be built into the budget as the allocations and conditions are published.

The Better Care Fund (BCF)

5.26 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 Clinical Commissioning Groups (CCGs), overseen by the Health and Wellbeing Board, with a forecast pooled budget in 2020/21 of £257.162m.

5.27 ACCW will continue to utilise the Better Care Fund (BCF) / Improved Better Care Fund(iBCF) as the vehicle which brings NHS and local government together and deliver the core conditions of the grant. These conditions state we must continue to meet adult social care needs; to support reducing pressures on the NHS, including supporting more people to be discharged from hospital and to ensure the local social care provider market is supported.

5.28 The Spending Review 2020 confirmed that the iBCF grant will continue in 2021/22 and be maintained at its current level. The Disabled Facilities Grant will also continue and nationally will be worth £573m in 2021/22. The CCG contribution will increase again by 5.3%. The Policy Framework and Planning Requirements are expected to be published in early 2021.

Place

Communities

5.29 In Waste Management a cost pressure of £1.100m arises from the price increase of the Mixed Dry Recycling Contract, reflecting market conditions on the award of the new contract effective from July 2020 and a further cost pressure of £0.454m representing the revenue implementation costs of separated paper and cardboard collections.

5.30 Increased cost of legal services on complex planning decisions and a reduced level of planning fee income cause a cost pressure in Planning Services of £0.280m.

5.31 A cost pressure of £0.042m in Cultural Services results from contractual inflation in Library provision.

5.32 Savings of £0.236m are anticipated in 2021/22 from improved efficiency in processing Mixed Dry Recycling by reducing levels of contamination.

Highways

5.33 The only cost pressure in Highways Services for 2021/22 relates to a £0.300m increase in energy charges for street lighting and signs.

5.34 Budgeted savings of £0.159m arise from the reduction in revenue lease costs by continuing with the previously agreed practice of buying rather than leasing gritter vehicles.

Fire and Rescue & Public Protection

5.35 For Fire and Rescue, cost pressures of £0.391m are related to increased costs to ensure resilience in the Control function, a requirement to increase the level of training to provide greater skill and capability to operational staff to give emergency medical treatment to the public at incidents, especially when no ambulance or medical professionals are on scene, and some minor increases in property related costs.

5.36 In the Coroners Service cost pressures totalling £0.536m relate to the review of mortuary, histology, toxicology, post mortem and conveyancing contracts, and the service transformation programme.

5.37 An increased budget requirement for the Community Safety Service of £0.585m arises from increased statutory duties in the Domestic Abuse Service and the requirement to fund activities previously funded from reserves.

5.38 Savings of £0.206m are anticipated in 2021/22 from increased grant income to support the cost pressures in Community Safety (£0.098m) and an increased income target for Registration and Celebratory Services (£0.108m).

Resources

Human Resources

5.39 A £0.050m pressure results from contractual inflation for the outsourced payroll service. This is more than offset by increased income of £0.091m that is forecast from new services for schools and the Leadership & Management Apprenticeship Centre.

Business Support

5.40 In Business Support the review of printing strategy is forecast to yield savings of £0.057m

Financial Strategy

5.41 Revised volumes and contractual inflation in outsourced Finance Services create a cost pressure of £0.275m, with a further pressure of £0.273m arising from new requirements in the processing of social care payments.

5.42 Savings provided by further increases in income are also expected from Finance services to schools (£0.020m).

Audit & Risk

5.43 Increased income from external Audit and Risk clients provides a saving of £0.015m.

Commercial

Property

5.44 Increases in utility costs, rates, insurance, contract inflation and increased regulatory and compliance costs in Corporate Property result in cost pressures totalling £0.713m. This is partially offset by expected savings of £0.235m from reduced rent payable for the County Farms Estate, reduced support to internal moves, and Occupeye technology.

Commercial Services

5.45 A cost pressure of £0.130m for the Customer Service Centre arises from revised volume assumptions and contractual inflation.

Information Management and Technology

5.46 Revised volume assumptions driven by increased demands in supporting agile working and contractual inflation in outsourced provision create a cost pressure of £0.477m.

Corporate Services

5.47 In Strategic Communications, a pressure of £0.077m is due to re-alignment of pay budgets for posts added in the previous year and creation of a corporate marketing and communications budget.

Other Budgets

Capital Financing Charges

5.48 The level of the capital programme impacts on the revenue budget and our Capital Strategy requires us to ensure the affordability of the whole programme. Following this year's review of the capital programme, slippage of some projects and schemes into future years has created a one year only net saving of £4.332m. Last year the Council approved the creation of an earmarked reserve for capital financing charges to help smooth annual fluctuations in the budget. The creation of this reserve will remove the volatility of capital financing over the next few years. As at 31 March 2020, the balance in this reserve was £5.150m.

5.49 A review of the capital financing budget also identified £1.100m savings by removing a base revenue budget used to finance a small part of the capital programme. The future programme will continue to be funded from service specific revenue funding, capital grant and reserves, capital receipt and borrowing.

5.50 Included within capital financing charges is the budget for treasury investment income. Due to falling interest rates, our income is impacted and we have built a £1.400m reduction in income into the budget.

Other Corporate Budgets

- 5.51 As part of the Spending Review 2020, the government announced a pay freeze for public servants except those earning below £24k per annum. We have set aside £1.584m for pay inflation in 2021/22 to help us meet this commitment but also to cover the additional cost of the 2020/21 pay award over and above that which was budgeted for.
- 5.52 Arising from the triennial revaluation of the Local Government Pension Scheme in 2019, we have a cost pressure of £1.333m in 2021/22. This is the increase in employer's contribution to help reduce the longer term pension fund deficit. There are also some pension payments that we have made from the revenue budget and a saving of £0.100m has been built into the budget next year due to the attrition rate.
- 5.53 A new budget of £0.025m has been created to cover the cost to the Council of providing discretionary council tax relief to Special Constables.
- 5.54 The Council's contingency budget for 2021/22 will remain at £3.000m. This will be available to fund any pressures which arise during the financial year.

Schools

- 5.55 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2021/22, the DSG will continue to comprise of four blocks: Schools, Central School Services, High Needs, and Early Years. Each of the four blocks of the DSG is determined by a separate national funding formula.
- 5.56 Lincolnshire's indicative DSG allocation for 2021/22 is £646.900m, 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 Local Authority schools and academies has no financial risk to the Council from the DSG schools delegated budget perspective.
- 5.57 The government implemented a new National Funding Formula (NFF) in 2018/19 to ensure a fairer settlement for each mainstream school. The Council agreed to adopt the NFF due to the improved financial settlement for Lincolnshire schools.
- 5.58 The DfE confirmed in July 2020 that the 2021/22 funding settlement announced by the Prime Minister on 30 August 2019 would remain in place. This included the investment of over £14bn in primary and secondary education between 2020/21 and 2022/23. The funding package for schools (aged 5 to 16) includes £2.6bn for 2020/21, £4.8bn for 2021/22 and £7.1bn for 2022/23 compared to 2019/20 funding levels. This announcement has provided a level of financial certainty for schools in the short term.
- 5.59 The Local Authority has undertaken a consultation with its local schools and academies, and has received schools support from the sector to continue replicating the NFF in 2021/22, subject to a +0.5% per pupil minimum funding guarantee for affordability purposes. The Executive Councillor approval was received on the 20 January 2021 following support from the Schools Forum and Children & Young Peoples Scrutiny Committee.
- 5.60 The Government is continuing 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 2021/22 compared to their 2020/21 High Need block. The High Needs block allocation is £102.664m for 2021/22.

5.61 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 Education, Health and Care (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 being 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 significant financial risk, particularly at a time of increasing demands. Like many Local Authorities, Lincolnshire faces a significant challenge in establishing a sustainable High Needs block budget going forward.

5.62 Transformational work commenced to consider the way partners across Lincolnshire work together to support children and young people with SEND. Key activities to support this strategy include SEND Advice line (SALL); rollout of the Valuing SEND; revised graduated approach guidance; strengthen the Local Offer; a new performance framework, to name a few. This transformational work is intended to secure further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable within its central Government allocation.

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 2020 the balance stood at £16.050m. It is estimated that General reserves, at 31 March 2021, will be £16.200m which is 3.2% of the budget requirement for 2021/22.

6.2 The 2021/22 revenue budget includes a contribution to general reserves of £0.200m. This will maintain general reserves at 3.2% of the current estimated budget requirement for 2022/23.

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 on-going 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 The strategy for 2021/22 is that we will not take advantage of the flexibility to use capital receipts to fund revenue transformation projects in 2021/22. Instead such projects will be funded from either revenue budgets or earmarked reserves, and capital receipts in 2021/22 will be used to fund new capital assets or to repay debt.

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

2021/22 is set out in Appendix G and confirms that the Council has not identified any transformation projects in 2021/22 to be funded using this flexibility.

8. CAPITAL PROGRAMME

8.1 The proposed capital programme includes an updated programme for 2020/21, as well as schemes for 2021/22. 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 £208.655m for 2021/22, with grants and contributions of £97.372m giving a net programme of £111.283m to be funded by the County Council.

8.2 The overall capital programme and its funding are shown in TABLE 3 below.

TABLE 3 – Capital Programme

Capital Programme (2020/21 plus Future Years)	Revised Gross Programme 2020/21 £m	Gross Programme 2021/22 £m	Gross Programme Future Years £m
Gross Capital Programme	203.502	208.655	322.097
Funded by:			
Grants and Contribution	101.105	97.372	39.289
Revenue Funding	1.316	0.071	1.035
Use of Reserve	20.172	0.000	0.000
Borrowing	80.909	111.213	281.773
TOTAL FUNDING	203.502	208.655	322.097

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 continues to receive all capital funding made available by the Department for Education (DfE) for schools to enable it to manage critical priority issues.

8.5 An allocation for Provision of Schools Place Basic Need Grant is £2.900m in 2021/22. This will allow the Council to plan strategically to fulfil its statutory duty to provide sufficient school places for the children of Lincolnshire. Children's Services priority at this stage is to ensure that all September 2022 school place pressures are accounted for with potential solutions in place. The Local Authority is awaiting further Government announcements on funding levels from 2022/23.

8.6 An estimated grant award for the Schools Condition Allocation is £3.500m for 2021/22. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2021.

- 8.7 An estimated allocation for Devolved Formula Capital is £1.040m for 2021/22. 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 2021.
- 8.8 Building Communities of Specialist Provision Strategy: the planned capital spending commitment reflects the latest position on the programme's individual special school schemes for 2021/22. The strategy is to deliver an increase in places for Lincolnshire special schools including providing young people with SEND the ability to access high quality all needs education, health and care provision in their local community. The whole life costs of the programme have risen to £86.794m from £56.556m based on actual scheme costs for those which have entered main works contracts and forecast scheme costs on those still to be confirmed post-feasibility. There are a number of reasons for the increased budget requirement: the addition to the programme of the Lincoln new school site solution following the department declining the Local Authority's free school application (c.£12.000m); design solutions including improved site access to address travel and traffic concerns; addressing the extremely poor school site conditions, and enhanced health and therapy spaces.
- 8.9 It is important to note the complexity and magnitude of this programme. Lincolnshire County Council (LCC) has not delivered a programme of this nature before and it is important to understand the complexity of the programme to fully appreciate the challenges which have arisen.
- 8.10 Additional funding has been secured to deliver the revised programme. Funding is made up of Government grants secured (£69.724m) including the Government announcement of 2021/22 DfE Special Provision Funding continuing, LCC capital / other (£1.470m), and £15.600m reallocation of LCC capital funding for new school requirements currently within the 10 year programme to the SEND programme. This is due to a downward revision of requirements by taking account of many factors, for example, delays in planning applications, alternative solutions. The gross expenditure for the programme's individual special school schemes for 2021/22 is £29.710m.
- 8.11 Children's Services has capital funding earmarked within the capital programme for the creation of two smaller children's homes. The Residential Estates Expansion Project forms part of the Children in Care Transformation Programme Right4U which has been created to ensure that the Local Authority is providing the right help to the right children at the right time and for the right duration. The Transformation Programme vision is to provide additional capacity within the residential estate to provide high quality therapeutic placements in-house as it is anticipated that these placements will allow for children, particularly young children, to have their needs met better with a view to future step down to foster care. The gross expenditure earmarked for the programme is £1.500m with potential planned spending of £1.075m in 2021/22.

Adult Care and Community Wellbeing (ACCW)

- 8.12 ACCW has allocated its £12.740m capital budget to extra care housing and maximising independence. £2.800m has been incurred / committed to date on the Lincoln development and £1.990m for the Nettleham development. A third development is due to be reported to the Executive in February 2021 which, if agreed, will commit a further £1.600m across 2021-22 and 2022-23

Place

8.13 The most significant changes related to Highways Services are due to the emergence of a number of risks associated with the Lincoln Eastern Bypass (LEB), Grantham Southern Relief Road (GSRR) and Spalding Western Relief Road (SWRR) which have resulted in increases to the forecast costs. In addition, a £12.300m budget has been moved from the existing New Developments Capital Fund to create a Rural Road Fund, which will allow for a targeted investment in the maintenance and improvement of minor and unclassified rural roads across the county.

8.14 For 2021/22 an additional budget of £5.847m has been added for the LEB, an additional budget of £1.951m for the GSRR and a reduction in budget of £0.095m for the SWRR. For future years an additional budget of £3.000m for the LEB, an additional budget of £9.192m for the GSRR and an additional budget of £0.762m for the SWRR have been included. The revised capital programme has been updated to reflect these pressures and fund the increased cost in 2021/22. Further risk still remains which could change these forecasts, but these will continue to be monitored and reported as the schemes progress.

8.15 To ensure the capital programme for 2021/22 is affordable and to recognise the risks and potential increased costs identified in the forecast of the major highway schemes currently in progress, some programme budgets in areas where spend has not yet been committed have been re-phased into later years. The 2021/22 uncommitted budgets for the Boston Development Schemes (Infrastructure and Economic) and Local Highways Improvements (Pinch points) – Coastal Route Schemes have been re-phased into 2022/23 to better reflect the likely spend and to reduce the impact in the short-term of increased spend on schemes that have already commenced.

8.16 Following the Council's outline business case bid, the Department for Transport has now confirmed £110.000m of capital grant funding for the North Hykeham Relief Road scheme. The ten year capital programme currently includes a £48.000m budget to fund the forecast net cost of this scheme. The next step is to complete a detailed business case with the scheme presently expected to start construction in 2025.

8.17 The Separated Paper and Card Recycling Scheme with a budget of £1.206m in 2021/22 and budgets totalling £4.171m in future years has been added to the Waste Services programme. This scheme is for the implementation of separated collections of paper and cardboard for households across Lincolnshire in order to realise economic and environmental benefits by reducing transportation and the degradation that occurs in mixed recycling collections.

Fire and Rescue & Public Protection

8.18 Other than some re-phasing of existing project expenditure, there have been no changes to the previously approved capital programme relating to Fire and Rescue & Public Protection services.

Commercial

8.19 Other than some re-phasing of existing project expenditure there have been no changes to the previously approved capital programme relating to Commercial services.

Other Programmes

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

8.21 We receive government grant funding to support large parts of the capital programme including schools and road maintenance. The following grants have been incorporated into the capital programme for 2021/22 and future years:

Indicative Funding

- Schools Basic Need £2.900m
- SEND Provision Capital Funding for Pupils with EHC Plans £13.090m

Estimated Funding

- Schools Condition Grant £3.500m
- Schools Devolved Formula Capital £1.040m
- Highways Asset Maintenance £33.464m
- Highways Infrastructure Fund (for Spalding Relief Road Phase 5) £18.787m
- Highways Integrated Transport £3.312m

8.22 We propose to fund the net capital programme primarily from borrowing £111.213m 2021/22 (£281.773m in future years); and revenue contributions of £0.071m 2022/21 (£1.035m 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 5.98% in 2022/23 from 5.17% in 2020/21.

10. MINIMUM REVENUE PROVISION

Minimum Revenue Provision Policy Statement for Repayment of Debt 2021/22

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.

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) & 25(1) of LGA 2003	The Asset Life method is used to calculate MRP on all capitalised expenditure , using maximum asset lives as stated in Statutory Guidance on MRP .

10.2 Revenue provision is chargeable in the **first financial year after the relevant capital expenditure is incurred**.

10.3 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. Any changes/additions to these asset lives are also indicated in blue.

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 Council has a statutory duty to have regard to this report when making decisions about the budget.
- 11.3 Medium Term Financial Strategy (MTFS) has been refreshed to consider the financial position of the council to 2023/24. It also considers the funding sources and level of reserves required to demonstrate the financial resilience and sustainability of the council.
- 11.4 The government has supported the additional costs and losses the council has incurred in response to the Covid-19 pandemic. Our budget for 2021/22 assumes immediate costs and losses will continue to be supported via these government grants and the papers set out the types of pressures we expect to face.
- 11.5 During the 2021/22 budget process, our budgets have been reviewed and reset to reflect pressures which were emerging prior to the Covid pandemic, to ensure the proposed budget reflects an expected baseline of spend in 2021/22 and deliverable efficiencies.
- 11.6 Our transformation programme has now been launched and incorporates service reviews and redesign, with technology as an enabler at the core of the programme. The aim is to mitigate the growth of cost pressures and ensure our processes and systems deliver efficiencies whilst improving the customer experience for service users.
- 11.7 The council has demonstrated sound financial management over a number of years. We have delivered services within budget and have used underspends to establish earmarked reserves to mitigate volatile budgets and funding uncertainty. These reserves have supported the evaluation of our long term financial resilience as being good, and will need to be maintained as budget challenges and funding uncertainty continues.
- 11.8 The emerging priorities of the council's corporate plan will need to be aligned with future budget proposals and give consideration to any investment required to support their delivery.

The Budget Proposals

11.9 In relation to the 2021/22 budget, significant additions have been made to service budgets to reflect cost pressures that were emerging prior to the Covid-19 pandemic, some of which have then also been exacerbated as the pandemic has developed. In that context 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. The Transformation programme includes a review on managing demand in this area and across the Adult Care and Community Wellbeing Service.
- 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 complexity of needs of children in care and the cost of specialist placements with Covid-19 intensifying issues at home.
- Increasing demands, contract costs and legislative changes impacting on the Home to School Transport budgets.
- Increasing demand pressures of the High Needs element of the Dedicated Schools Budget (reflecting a national picture).
- Impacts of the UK exit from the European Union and the end of the transition period in December 2020.
- Volatility of construction costs increasing risk in our major capital projects.
- Increases in the number of flood investigations in response to localised flooding.
- The Covid-19 pandemic impact of demand led budgets, including areas such as waste disposal, with potential longer term impacts on contract prices.
- Continued reliance of specific grants to fund core activity, such as the improved better care fund and Social Care Grant.
- Sufficient budget has been made available to support the council's transformation programme including reviews of transport and waste services with projects looking at demand management, smarter working and business support.

11.10 The ten year capital programme has been refreshed as part of the budget setting process 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

11.11 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.

11.12 The capital strategy includes processes that were introduced during the current year to strengthen the monitoring and management of the Council's capital programme.

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

Funding

11.14 The government has, for the second year, provided a 'one year roll over' financial settlement with the expected 'Fair Funding' review and business rates retention review being deferred for a further year or more. Our financial settlement for 2021/22 includes 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 An additional un-ringfenced grant for social care has been added to our funding, which will support the cost pressures in this area. Whilst this additional grant funding is most welcome, the long term sustainability of the Council's finances would benefit from the certainty of a longer term funding settlement and a proposal from government on the on-going funding of Adult Social Care (ASC) services.

11.16 The ability to fund ASC services through local taxation has continued for 2021/22, with an opportunity for a 3% council tax increase allowable for this purpose on top of a general increase allowable of 2% (i.e. a total allowable increase of 5%). The council is not proposing to include this 3% ASC increase to our council tax set for 2021/22. This increase can be deferred for a year, and the council will need to consider in 2022/23 whether it needs to enact this increase to maintain the integrity of the ASC budget for future years.

11.17 The financial settlement from government included continued support for the financial impacts of Covid-19 into 2021/22. This included a general grant to cover additional costs; support for lost sales fees and charges income; and specific grants to compensate for greater uptake in local Council Tax Reduction Schemes, and lost council tax and business rates income. The grants provided by government to date, have by in large, covered the financial impacts we have incurred, however, the longer term impact of this pandemic may continue for some time, and creates a significant risk for our longer term financial planning.

Financial Performance & Resilience

11.18 Our systems and processes allow for effective financial management, with budget forecasts being reviewed regularly by the Corporate Leadership Team and through quarterly reporting to members.

11.19 Savings identified in previous budgets have been delivered and the council has maximised its financial resilience from budget underspends. These have enabled the council to establish appropriate reserves on its balance sheet to manage future budget pressures and funding uncertainty. The latest budget reporting for the current year, is forecasting an overall underspend on our budgets.

11.20 CIPFA have published a 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.

Financial Risks

11.21 There are a number of on-going financial risks that are monitored on an ongoing basis and form the basis of the evaluation of the adequacy of contingency budgets and general reserves we hold each year and earmarked reserves to support the volatile nature of some budgets.

11.22 These existing and on-going risks include:-

11.23 The realism of budget estimates for, –

- Pay awards
- Price increases
- Income, including higher risk areas such as capital receipts
- 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.

11.24 Potential Losses including –

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

11.25 The provision against these general financial risks include:-

- A corporate contingency budget of £3m. This budget has regularly underspent so is considered to be set at a prudent and adequate level.
- The level of the Council’s general reserves, which we maintain at a level of 2.5% - 3.5% of the council's total budget.
- Earmarked reserves to support areas of volatility.

11.26 There are a number of new and emerging risks that also need to be considered alongside the mitigations put into place, and the financial provisions in place to offset these risks.

Emerging Risks	Mitigations
Immediate costs pressures and income losses as a result of our response to Covid-19.	Regular reporting and monitoring by managers and the Corporate Leadership Team of emerging costs and use of relevant government grants.
Longer term impact of Covid-19 on contract prices and demand for our services.	Transformation programme reviewing how our services are accessed and best support our residents. Maintaining adequate earmarked reserves to support future financial uncertainty.

Delay in government reforms of local government funding, and funding of Adult Social Care Services.	Application of maximum available council tax levies when available. (This mitigation has not been enacted for 2021/22) Maintaining adequate earmarked reserves to support future financial uncertainty.
Move to local taxation for funding with a starting position of a low spend per head of population and low council tax base.	Continue to make representation for a fairer funding settlement for rural local authorities. Maintaining adequate earmarked reserves to support future financial uncertainty.
Need for future savings to balance our budget.	Transformation Programme plans to deliver a number of efficiency savings. Maintaining adequate earmarked reserves to support future financial uncertainty.
Planned transformation efficiencies not being delivered.	The governance of the Transformation Programme includes regular reporting of costs and benefits to ensure on-going accountability for their delivery.
Potential structural changes in response to devolution or joint working aspirations.	Appropriate governance in place for any changes

11.27 As many of these financial risks are mitigated by maintaining an adequate level of general and earmarked reserves, it is important that these reserves continue to be maintained at a level to adequately support the on-going uncertainty in our funding and volatility in our costs.

Adequacy of Reserves

11.28 Our MTFs sets out our reserves requirement which takes into consideration the council's current and emerging financial risks. The strategy for the general reserve is that it will be maintained to a level within a range of 2.5% to 3.5% of the annual budget requirement.

11.29 The council also holds a number of earmarked reserves. In recognition of a number of volatile elements to our income base, the council has previously established an earmarked reserve to deal with funding risk. This reserve, known as the Financial Volatility Reserve, had a value at 1 April 2020 of £52.683m. The recommendations set out in the budget papers plan to utilise £12.200m of this reserve to support one-off business and flood

management initiatives bringing the balance down to £40.483m. To maintain the financial resilience of the council, and to mitigate the risks identified in this statement, it is the strong professional recommendation of the S151 Officer to replenish the reserve to its current level at the earliest opportunity.

Conclusion

- 11.30 Taking into account all these factors I am satisfied that the budget for 2021/21 is realistic and reflects our expected service delivery requirements.
- 11.31 The current level of reserves is adequate to mitigate the current financial risks. Any use of these reserves earmarked for financial volatility and future sustainability as part of the budget approved by Council, should look to be replenished at the end of the current financial year to maintain the financial security and resilience of the council.
- 11.32 The medium term financial strategy will continue to be updated and reviewed to consider the impact beyond 2021/22 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 budget on 2 February 2021.
- 12.2 Businesses, Trade Unions and other public organisations were consulted at a meeting on 28 January 2021. Comments made at this meeting were collated and presented to the Executive when it considered the Council's budget on 2 February 2021.
- 12.3 The Council also invited the public to comment (via the Council's Website) on the Council's budget proposals outlined in the 5 January 2021 Executive report.
- 12.4 A summary of all comments received via the consultation process can be found at **APPENDIX D**.

REVENUE EXPENDITURE			
2020/21 BUDGET	REVENUE BUDGETS	2021/22 BUDGET CHANGES	2021/22 PROPOSED BUDGET
£		£	£
COMMITTEE AREA			
40,123,628	Children's Education	5,265,385	45,389,013
73,869,447	Children's Social Care	2,926,044	76,795,491
118,876,574	Adult Frailty & Long Term Conditions	1,148,971	120,025,545
81,006,840	Adult Specialities	5,328,051	86,334,891
28,468,066	Public Health & Community Wellbeing	153,565	28,621,631
46,174,210	Communities	1,707,655	47,881,865
340,689	Lincolnshire Local Enterprise Partnership	3,416	344,105
2,164,951	Growth	27,801	2,192,752
24,072,119	Highways	191,931	24,264,050
21,821,169	Fire and Rescue & Emergency Planning	490,811	22,311,980
	Public Protection		4,488,720
26,394,613	Finance	1,506,253	7,289,995
	Org Support		14,050,335
	Legal and Governance		2,071,816
	Corporate Property		10,404,607
37,382,605	Commercial	1,214,712	8,748,920
	Transformation		4,730,021
	Information Technology		14,713,769
2,865,384	Corporate Services	90,603	2,955,987
-32,340,600	Public Health Grant Income	-1,205,537	-33,546,137
-47,022,878	Better Care Funding	-5,210,463	-52,233,341
424,196,817	Total Committee	13,639,198	437,836,015
SCHOOLS BUDGETS			
454,763,789	Schools Block	41,741,057	496,504,846
91,982,435	High Needs Block	9,637,214	101,619,649
3,728,205	Central School Services Block	17,196	3,745,401
42,131,646	Early Years Block	222,003	42,353,649
-595,281,990	Dedicated Schools Grant	-51,617,470	-646,899,460
-2,675,915	TOTAL SCHOOLS BUDGETS	0	-2,675,915
OTHER BUDGETS			
3,000,000	Contingency	0	3,000,000
45,694,177	Capital Financing Charges	-4,032,231	41,661,946
19,679,208	Other	3,307,324	22,986,532
68,373,385	TOTAL OTHER BUDGETS	-724,907	67,648,478
489,894,287	TOTAL NET EXPENDITURE	12,914,291	502,808,578
2,572,245	Transfer to/from Earmarked Reserves	-133,295	2,438,950
150,000	Transfer to/from General Reserves	50,000	200,000
492,616,532	BUDGET REQUIREMENT	12,830,996	505,447,528
MET FROM:			
123,271,058	Business Rates Local Retention	-2,445,878	120,825,180
20,466,718	Revenue Support Grant	113,180	20,579,898
34,016,803	Other Non Specific Grants	10,399,314	44,416,117
314,861,953	County Precept	4,764,380	319,626,333
492,616,532	TOTAL MET FROM	12,830,996	505,447,528

COUNTY PRECEPT 2021/22

Council Tax Requirement	£
Total Budget Requirement	505,447,528.88
less Government Support	185,821,195.43
County Precept	319,626,333.45
less Net Surplus on Council Tax element of District Council Collection Funds	677,745.12
Council Tax Requirement	318,948,588.33

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	24,372.38	33,247,825.90	-365,300.00	32,882,525.90
Boston	19,621.70	26,767,138.27	195,211.00	26,962,349.27
East Lindsey	45,067.00	61,478,598.72	227,160.00	61,705,758.72
West Lindsey	30,128.37	41,099,917.22	775,700.00	41,875,617.22
North Kesteven	37,700.00	51,428,832.00	104,970.12	51,533,802.12
South Kesteven	48,122.40	65,646,653.18	-335,107.00	65,311,546.18
South Holland	28,794.00	39,279,623.04	75,111.00	39,354,734.04
Total	233,805.85	318,948,588.33	677,745.12	319,626,333.45

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

Property Band	Proportion of Band D	Council Tax per Property £
Band A	6 / 9	909.44
Band B	7 / 9	1,061.01
Band C	8 / 9	1,212.59
Band D	9 / 9	1,364.16
Band E	11 / 9	1,667.31
Band F	13 / 9	1,970.45
Band G	15 / 9	2,273.60
Band H	18 / 9	2,728.32

Equality Impact Analysis to enable informed decisions

The purpose of this document is to:-

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

Using this form

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

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

Equality Act 2010

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

Protected characteristics

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

Section 149 of the Equality Act 2010

Section 149 requires a public authority to have due regard to the need to:

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

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

Decision makers duty under the Act

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

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

Conducting an Impact Analysis

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

The Lead Officer responsibility

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

Summary of findings

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

Impact – definition

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

How much detail to include?

The Equality Impact Analysis should be proportionate to the impact of proposed change. In deciding this asking simple questions “Who might be affected by this decision?” “Which protected characteristics might be affected?” and “How might they be affected?” will help you consider the extent to which you already have evidence, information and data, and where there are gaps that you will need to explore. Ensure the source and date of any existing data is referenced.

You must consider both obvious and any less obvious impacts. Engaging with people with the protected characteristics will help you to identify less obvious impacts as these groups share their perspectives with you.

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

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

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

Background Information

Title of the policy / project / service being considered	[Increase in the council tax for financial year 2021/22]	Person / people completing analysis	[Michelle Grady – Assistant Director –Finance]
Service Area	[All Council Services]	Lead Officer	[Andrew Crookham – Executive 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	19/02/2021	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. When the Government offered a time-limited grant to Councils freezing council tax levels, the decision was taken to freeze council tax. This was the case in the 4 years 2011/12 to 2014/15. The level of government grant support to the Council substantially reduced between 2012/13 and 2019/20 and increasing service pressures and costs has led the Council to establishing a more robust and sustainable income base going forward i.e. from local taxpayers.</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 of 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 10years the local council tax has increased by just under 23% whereas general price inflation over the same period has been just over 16%. 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 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 over those 4 years. If the adult social care precept had not been charged then the increase in general council tax over the past 10 years would have been just over 13% which is below the increase in general price inflation over the same period.</p> <p>The maximum council tax increase which the Council is allowed to approve in 2021/22 without triggering a local referendum is 5.00% (2.00% for general council tax plus 3.00% for the adult social care precept). It is proposed that the general council tax increase for 2021/22 is 1.99%, and that no adult social care precept will be charged in 2021/22. The proposal to increase council tax by 1.99% rather than by the full 5.00% permitted is a recognition of the impact on council tax payers of increased costs, particularly at this time when many households have been financially strained as a result of the coronavirus pandemic.</p>		

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 1.99% 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 2021/22. The other key aspect is a range of across the board efficiency savings totalling £11.9m. 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	Action	Lead officer	Timescale
Include any actions identified in this analysis for on-going monitoring of impacts.	NONE		
Signed off by	Michelle Grady	Date	14/01/2021

BUDGET CONSULTATION FEEDBACK

This Appendix provides details of the budget consultation events which have taken place in January 2021.

Overview and Scrutiny Committees

The following statements have been received from Scrutiny Committee meetings which have taken place during January 2021:

Comments from the Environment and Economy Scrutiny Committee – 12 January 2021

On 12 January 2021, the Environment and Economy Scrutiny Committee supported the budget proposals for the Environment and Economy services for 2021/22.

The following points were highlighted in relation to the Revenue and Capital Budget Proposals for 2021/22:

- The Committee was pleased to see that the Government was still providing the Council with grants during the Covid-19 pandemic.
- It was recognised that costs had increased due to the pandemic and would have to increase to reflect the rise in the National Living Wage from April 2021.
- In relation to the separated paper and card recycling scheme, this was now being rolled out across the county. Based on the returns from the trial, it was expected that it would eventually generate an income to the Council after taking into account the costs to the Council. The separated collections would therefore have both environmental and financial benefits in the long term.

Comments from the Adults and Community Wellbeing Scrutiny Committee – 13 January 2021

On 13 January 2021, the Adults and Community Wellbeing Scrutiny Committee supported the budget proposals for Adult Care and Community Wellbeing services for 2021/22.

The following points were highlighted on the Revenue and Capital Budget Proposals for 2021/22:

- The Committee was pleased to see that Adult Care and Community Wellbeing had performed well in managing and delivering an anticipated balanced budget for 2020/21, especially during such a challenging year because of the Covid-19 pandemic. The Committee also acknowledged the work of all those in Adults Care and Community Wellbeing involved in delivering balanced budgets for the last nine years, up to and including 31 March 2021.
- It was expected that 2021/22 would be similarly challenging, but the proposed balanced budget for 2021/22 was welcomed.
- Information on the social care precept, including proposals for its use in 2021/22, would be included in the report due to be submitted to the Executive on 2 February 2021.

Comments from the Children and Young People Scrutiny Committee – 15 January 2021

On 15 January 2021, the Children and Young People Scrutiny Committee supported the budget proposals for Children's Services for 2021/22.

The following points were highlighted in relation to the Revenue and Capital Budget Proposals for 2021/22:

- The Committee thanked officers for their excellent work on the proposals, and recognised the significant cost pressures facing Children's Services. Officers had responded to the challenges and identified savings as well.
- The Committee congratulated officers on the CIPFA Looked After Children benchmarking for Local Authority participants which showed Lincolnshire's average looked after child placement costs for 2019 to be £41,555 per annum, compared to the average of other Local Authorities of £53,287. This highlighted great value for money while still providing excellent services.
- The Committee was pleased to see that the Council had secured additional Government grant funding for the Building Communities of Specialist Provision Strategy, and Council funding solutions to meet the revised overall programme costs of £86.794m, to cover the increasing costs of the programme and to invest in Lincolnshire's children and young people with special educational needs and disabilities.
- Concerns were raised about the increasing Home to School Transport costs and the impact that the Government's aspirations for green transport would have on this budget. The budget was still continuing to increase despite a lot of effort put in to manage the costs. Where possible, Home to School Transport utilises public transport services; however there were a large number of routes where this was not possible due to the rurality and size of Lincolnshire, and the lack of large bus operators with only Stagecoach operating in Lincolnshire. An in depth review by external consultants from Edge Consultancy was being undertaken to identify whether any further possible efficiencies could be made. This review would consider all different options, including the Council delivering some of the Home to School Transport or paying parents mileage costs, as possible options. The Committee supported the in depth review and it was suggested that the report from the review be considered at an informal briefing session for the Committee to discuss the outcomes in detail.

Comments from the Highways and Transport Scrutiny Committee – 25 January 2021

On 25 January 2021, the Highways and Transport Scrutiny Committee supported the budget proposals for Highways and Transport services for 2021/22.

The following points were highlighted on the Revenue and Capital Budget Proposals for 2021/22:

- The report authors were thanked for submitting a succinct and well-written report.
- The report's conclusions that the proposals reflected the expected level of government funding and the proposed increase council tax of 1.99% of council tax were emphasised. In the light of this, communities were likely to support the Council's continued activities in progressing highways and transport schemes.

Comments from the Public Protection and Communities Scrutiny Committee – 26 January 2021

On 26 January 2021 the Public Protection and Communities Scrutiny Committee considered a report outlining the budget proposals for 2021/22 in relation to the Council's services that fall within the Committee's remit.

Following discussion and questions raised by councillors, the committee, by a majority vote, supported the budget proposals. During the debate the following comments were noted:

- The additional funding for the Coroners Service was highlighted, as was the additional revenue expected from the Registration Services should weddings go ahead later in the year post Covid-19 lockdown.
- It was confirmed that the budget figures were not expected to change before submission to the Executive.

Comments from the Overview and Scrutiny Management Board – 28 January 2021

On 28 January 2021, the Overview and Scrutiny Management Board supported the budget proposals for 2021/22 for the Council's Commercial, Resources and Corporate services.

In relation to the 2021/22 details, the following points were clarified for the Board in relation to questions raised by members:

- Legal Services – The £1.099m underspend referred to the chargeable income anticipated to be received by the service, and was not expected savings. There were proposals to expand Legal Services in the future which would bring in additional chargeable income. The amount included in the budget proposals reflected guaranteed income rather than speculated income.

The Overview and Scrutiny Management Board also considered the Council Budget 2021/22 proposals as set out in the report to the Executive on 5 January 2021.

The Board supported the Budget proposals put forward by the Executive for 2021/22, with the exception of Councillor R B Parker and Councillor Mrs A M Newton who abstained.

In relation to the 2021/22 details, the following points were clarified for the Board:

- Adults Extra Care Housing Schemes – the Capital Programme attached at Appendix C included the Dewint Court and Linelands Extra Care Housing Schemes. The proposed Hoplands, Sleaford Extra Care Housing Scheme would be added to the Capital Programme once it had been approved by the Executive on 2 February 2021. It was confirmed that the financial allocation for the Scheme was in place.
- A 1% increase in council tax would generate just over £3m of additional income to the Council. The Adult Care Precept of up to 3% would not be raised by the Council for 2021/22.
- The additional income raised by the council tax increase would enable the Council to address cost pressures, especially in relation to the Adult Social Care and Children's Services proposals, which were key services valued by residents. The costs for these

services increased each year and the council tax increase helped to meet the increasing demands for these services. Council tax increases was one way to meet these costs; the other was to find further significant savings.

- With regards to the Capital Programme, uncommitted spend had been rephased into future years which enabled the Council to bring forward costs for other schemes to smooth out the Capital Programme and reduce the impact on the Council's reserves. The uncommitted budgets related to funds allocated to a long term programme of activity for the Boston Development Schemes (Infrastructure and Economic) and Local Highways Improvements (Pinch points) – Coastal Route Schemes, for which there were no specific projects in progress.
- Funding for the Transformation Programme had already been allocated in the budget for 2020/21. The aspirations in the Corporate Plan and Transformation Programme were now being progressed through a number of different activities. As the Corporate Plan was for 10 years, the levels in investment would change over time.
- Covid-19 would have a huge impact on the Council's finances going forward, particularly in relation to the adult social care market. However, the Council was currently in a strong financial position which would help mitigate the impact.
- The significant cost pressures in relation to Home to School Transport were being addressed as part of the Transformation Programme. An in depth review by an external consultant was being undertaken and the outcomes of the review would be reported back to the relevant scrutiny committees.

Meeting with businesses, trade unions and other public bodies – 28 January 2021

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 19 February 2021, where the budget would be formally approved.

Michelle Grady, Assistant Director – Finance, gave a presentation on "Budget Consultation Meeting with Key Stakeholders, 28 January 2021", 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:

- The provisional settlement had been received, and the council tax referendum limits was again 5%, with a 2% limit for a general increase and a 3% increase for Adult Social Care. The Adult Social Care precept could be deferred for a year;
- In terms of the core spending power, this was based on income from council tax;

- There were additional measures being put in place for Council's who had lost income due to Covid-19, as well as to mitigate other expenditure pressures which had arisen from the pandemic;
- 62% of the Council's core spending power was now from council tax income, and it was noted that the Settlement Funding Assessment from Government had remained static for the past three years;
- There had been announcements regarding the continued support to cover Covid-19 costs and there would be some compensation available to councils, including Lincolnshire;
- In terms of additional expenditure and losses, these were expected to total around £94m for Lincolnshire for 2020/21. However, LCC would be receiving many grants to cover this expenditure, which had been incurred by providing infection control measures, test and trace, and Covid-19 testing in care homes, as well as additional costs from providing school transport;
- With the exception of schools, Adult Social Care remained the largest area of spend, which was closely followed by Children's Social Care.
- Business rates formed a significant element of the Council's income;
- In terms of current budget strategy and resilience, the delayed reforms of local government finance had created uncertainty for financial planning, however the Council had a good record of delivering savings and operating within budget. The Council had set aside money in reserves to help smooth the transition to a lower budget base. There was a culture of financial management within the Council which generally resulted in expenditure being maintained within budgets and underspends had been used to establish and increase reserves which supported financial resilience, and the CIPFA financial resilience index showed that this Council had a reasonable level of financial resilience. The Council had so far been able to cover additional Covid-19 expenditure and losses using government grants;
- There was an aim to maintain Lincolnshire's position in the lower quartile of Council Tax levels;
- Funding from central government had reduced from £227m in 2011/12 to £98m in 2020/21. The Council Tax precept for Adult Social Care had been available since 2016/17;
- Looking forward to the medium term, the Council had a very small surplus at the moment, however, this was provisional. There were planned deficits forecasted for both 2022/23 and 2023/24. The main driver for the increasing budget shortfall was the impact of lower inflation assumptions on business rate income as well as growing cost pressures;
- Cost pressures for 2021/22 amounted to £26.717m;
- The source of cost pressures for the coming year were mainly through adult social care and children's services, with an increase in contract costs for Adult Social Care reflecting inflation and National Minimum Wage increases, as well as increased demand for Adult Social Care services, particularly relating to working age adults and mental health support. There was also an increase in the numbers and complexity of children in care and the need for specialist placements. These costs had been exacerbated by the Covid-19 situation;

- There had also been some large increases in home to school transport costs, with inflationary, demand and legislative changes driving the costs. There had also been an increase in the costs of waste disposal, particularly in relation to mixed dry recyclables;
- Savings of £13.828m had been budgeted for. It was highlighted that no service reductions were planned and these savings would be made through efficiencies such as in printing requirements and the salt used in the gritters;
- The Council had two types of reserves, a general reserve (£16.1m) which was for funding emergencies or unforeseen events. The other type of reserve was earmarked reserves, of which the Council currently holds £219.329m. This reserve included money which did not belong to the county council (e.g. schools), was 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 may have to be refunded (e.g. Central government). Earmarked reserves included money related to schools (£24.808m) and grants (£88.545m). There was £52.683m in the financial volatility reserve which was available to assist in balancing the budget in future years. The remaining balance of £53.293m was earmarked for specific purposes such as insurance claims, adverse weather, health and wellbeing and transformational projects.
- In terms of the Capital Programme and affordability, the Council had costed a 10 year gross programme of £526m (2021-2030) (net - £394m). This included a schools gross requirement of £131m (net - £58m) and a £7.5m per annum corporate development budget for bids to be made to. The volatility of capital financing charges over the medium term was managed via an earmarked reserve;
- Schemes included in the capital programme included delivery of SEND schools provision; replacement of two household waste recycling centres; improvements to Holdingham Roundabout; North Hykeham Relief Road and the Grantham Southern Relief Road. It was noted that the Council had recently been awarded £110m towards the Hykeham Relief Road and work was underway to work out the profile of that spend;
- In terms of Council Tax, the provisional settlement had set out a threshold for local authorities of a 2% increase with an additional 3% adult social care precept. LCC is proposing a 1.99% general increase, and not adding the Adult Social Care precept, giving a proposed increase of 1.99%. It is expected this will maintain Lincolnshire in the lowest quartile for council tax of the 27 English shire counties. For a Band D property this would be an additional cost of £26.58 per year for the taxpayer;
- In 2020/21 LCC was in a business rates pool with all 7 district councils, this allowed the Council to benefit from any growth in business rates. However, in 2021/22 LCC would be in a pool with 6 of the district councils (not South Holland District Council) as South Holland District Council work to remove some of the risk from their tax base. It was expected that being in the pool would generate approximately £1.8m additional funding (This was subject to uncertainty brought about by the Covid-19 pandemic);
- Today's meeting was part of the consultation process and the proposals had been scrutinised by the Overview and Scrutiny Management Board that morning, as well as other scrutiny committees throughout January. Any feedback would be put forward to the Executive before they made their final recommendations, before being approved by the Full Council on 19 February 2021.

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

- It was queried how Lincolnshire compared with other shire counties in the East Midlands. It was noted that this information could be made available, however, Nottinghamshire, for example, was very high in terms of position, and it was believed that the only shire county below Lincolnshire was Worcestershire;
- In terms of the volatility in South Holland and not being in the business rates pool for this year, it was queried whether there would be an impact of Covid-19 on the business rates for the current year, and whether an impact had been allowed for in the coming year. It was noted that a lot of relief grants had been received this year, and the full impact on business rates may not be seen until future years. The main impact would be whether those business rates had managed to be collected this year and this was information that needed to be submitted by districts by the end of January 2021. At this time, it was not possible to say what this position would look like, and a neutral position had been planned for.

Present	Representing
Councillor M A Whittington	Lincolnshire County Council
Councillor M J Hill OBE	Lincolnshire County Council
Councillor R B Parker	Lincolnshire County Council
Andrew Crookham	Lincolnshire County Council
Michelle Grady	Lincolnshire County Council
Rachel Wilson	Lincolnshire County Council
Alison Hall-Wright	South Kesteven District Council
Samantha Knowles	South Holland District Council
Karen Hayes	Unite the Union
Richard Wright	FBU
Craig Thomson	Voice the Union
Shaun McGarry	Calders and Grandidge
Ken Rustidge	NEU

Public Consultation via the Council website

Following consideration of the budget proposals 2020/21 by the Executive on 5 January 2021, a public consultation was published on the Council website, and closed on 22 January 2021. The following two responses were received:

Response 1 by email

Dear Sir/Madam,

Whilst your vision is noble, the people have had enough, lots of people I know have been on 80% of their income many have lost their jobs, I myself have had to use my savings to survive.

My son goes to an academy and most the schools in Grantham are as such. How much will they benefit from this rise? On top of the expected rises that will come from central government, for many this will no doubt will be the straw that breaks the camels back.

If I thought that LCC would spend the money wisely on infrastructure and not pay consultants hundreds thousands of pounds, just to point out the blatantly obvious to you or spend it all in one area of the county.

Please recognise that the people of Lincolnshire will not have recovered enough from this current situation, to stomach another cost!

Thank you

Kind Regards

SD (*name redacted*)

Response 2 by email

Yes spending on Roads, please can I ask why not Rail services ? Introduction of new rail services Like Peterborough via To Skegness via Sleaford and Boston also Peterborough Spalding Sleaford and Nottingham can be done and I believe a rail body group should be formed, as rail hardly gets a mention, I have campaigned for better Rail in South Lincolnshire this has forced me to move away due to poor and limited services that's never been improved.

I run a group Let's improve Spalding rail services we had a couple of improvements but delayed due to COVID on rail service between Peterborough Spalding Lincoln and Doncaster line bus still no Sunday rail service for Spalding that has lead us to organise a petition for a Sunday train service we my not get the number of signatures but we asking for LCC for your support and Bring Spalding back on to the Sunday rail map, a service will benefit the town with a all day service not limited as a limited service does not attract custom a good service will attract people and that they could rely on a train service, I had 43 years in rail transport and seen how services can benefit with a good service.

What are your plans for rail in Lincolnshire.

Regards

DM (*name redacted*)

The Medium Term Financial Strategy

1. Introduction

- 1.1. The Medium Term Financial Strategy (MTFS) sets out how we plan to manage our finances for the period 2021/22 – 2023/24 and support the delivery of the Council's Corporate Plan. The MTFS will be refreshed annually to take account of the current circumstances and context affecting our financial resources.
- 1.2. Local government has been in a period of austerity since 2010 and has seen its funding reduced in real terms over this time with more reliance on one-off specific grants and on local taxation to fund essential services. Council Tax income now represents around 63% of our net expenditure (it was 51% in 2010/11).
- 1.3. The funding review of Local Government and business rates review which had initially been planned for 2020/21 has had further delay due to the Covid-19 pandemic. This has meant that we have had single year financial settlements for 2020/21 and 2021/22 and we continue to have uncertainty in our longer term financial envelope.
- 1.4. In March 2020, Covid-19 was declared a global pandemic by the World Health Organisation. The government recognised the significant role Local Authorities needed to play to support the response to the pandemic and has put a number of financial measures in place to support the cost pressures that Local Authorities have incurred as the pandemic has continued.
- 1.5. The Council has a strong record of good financial management and delivery of savings and efficiencies with a level of reserves that demonstrates financial resilience.
- 1.6. In this context, it is essential that we plan for the future to maintain our strong financial position and ensure our financial sustainability going forward. This Medium Term Financial Strategy (MTFS) aims to help us do this.

2. The Objectives of the Medium Term Financial Strategy

- 2.1. 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.

2.2. Corporate Plan – Our Vision: Working for a better future. Our Corporate Plan underpins our 'One Council' approach which ensures all services are working towards shared goals and will help different areas of the council work together more effectively. We are identifying key priorities for this council to support our ambitions for Lincolnshire in that our People and Communities will have:

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

The Council has embarked on a programme of transformation to support the delivery of the corporate plan and to consider how we can best deliver services in Lincolnshire. This MTFS will underpin the Corporate Plan by ensuring that financial resources are identified and made available to deliver its ambitions and programme of transformation.

2.3. Appended to this strategy is our Medium Term Financial Plan (MTFP), which will set out our forecast budget surplus or deficit for the medium term financial years 2021/22 – 2023/24. Whilst there continues to be a large element of uncertainty over our future funding from Government, longer term financial planning becomes more challenging, 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.

3. The Current Financial Context

3.1. 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 and we are now more reliant on Council Tax and Business Rates funding to support the provision of services

3.2. 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
2020/21	20	78	98	15	45	3.50%	0

3.3. The current regime for funding councils has been in place since 2013 and is now out-dated. The Government has proposed two major reforms to the system: the Review of Relative Needs and Resources (formerly known as the Fair Funding Review) and Business Rates Retention Review and reset. These reforms were initially delayed for a year due to Brexit, and

have been delayed a further year to allow the focus to remain on the current Covid-19 pandemic response.

- 3.4. There have been no further announcements on a much needed review of the national funding of Adult Social Care. In lieu of these reforms the government has continued to provide specific grants to support the costs of Social Care and has continued to allow Local Authorities with Social Care responsibilities the ability to levy an Adult Social Care precept on local tax payers, which was initially introduced in 2016/17.
- 3.5. **Covid-19** – In March 2020 the Government's budget 2020 set out a number of financial measures to support the economic impact of the Covid-19 outbreak. The government has introduced restrictions during the year to reduce the spread of the virus, and the financial support measures put in place by the government alongside these restrictions have continually emerged during the year. A number of government grants to support the Local Authority response to the pandemic have been made. During 2020/21 the Council has received £44.508m of general covid support grant as well as a number of specific grants including those supporting hardship, vulnerable groups, infection control, and Covid-19 testing. As the pandemic continues the economic outlook for the UK is uncertain and further complicated by the Brexit transition period which came to an end in December 2020.

4. The Forward View

- 4.1. In October 2020, the Chancellor announced the decision to conduct a one-year only Spending Review (SR2020), in order to prioritise the response to Covid-19. The SR2020 was announced in November, with the Provisional Local Government Settlement following on 17th December 2020.
- 4.2. As anticipated the SR2020 confirmed a 'roll-over' one year settlement for Local Authorities. The Chancellor has ruled out returning to a programme of austerity to tackle the budget deficit, however the Chancellor announced a pay freeze for most public sector employees, with the exceptions being NHS staff and employees with a full time basic salary up to £24,000 receiving a flat uplift of £250. Other announcements included:

An overall real terms increase in core spending power in 2021/22 of 4.4% (with a large proportion of this coming from local taxation);

The National Living Wage will increase to £8.91 per hour from April 2021 for people aged 23 years and over;

Council tax referendum limits set at 2% for General Tax increase and 3% for an Adult Social Care increase, the latter of which can be deferred to 2022/23;

£300m of new Social Care Grant to be made available to Local Authorities; and

£4m increase nationally for the Rural Services Delivery Grant.

- 4.3. The government also set out continued support for the impacts of Covid-19 which included:
£1.55bn of Covid Funding for cost pressures in 2021/22;

Covid related losses on sales fees and charges can continue to be claimed for the first quarter of 2021/22;

£670m available nationally to support Local Council Tax Reduction Schemes; and

£762m available nationally for a Tax Income Guarantee Scheme to cover 75% of irrecoverable tax losses.

- 4.4. We have been through a detailed budget exercise during the year, reviewing our cost pressures and budget assumptions. In some areas additional income and efficiencies have been included in the MTFP, which can be delivered without having a negative impact on service delivery.
- 4.5. 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 current uncertainty.

5. Delivering the Medium Term Financial Strategy

- 5.1. 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.
- 5.2. 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.
- 5.3. 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.
- 5.4. 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 a Corporate Contingency and 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.
- 5.5. The Strategy is supported by financial performance indicators, which are approved by Council with the budget in February each year. These are monitored during the year and performance is reported at the end of the year.
- 5.6. 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.

6. Key Considerations for the Medium Term Financial Strategy

Council Tax

- 6.1. As part of its Spending Review 2020 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 3% precept (which can be deferred until 2022/23). This gives a potential total Council Tax increase of 5%.

- 6.2. We are proposing to implement a 1.99% general Council Tax increase for 2021/22 but we are not proposing to include the Adult Social Care precept increase for 2021/22. Our modelling assumes that beyond 2021/22 our Council Tax increases will be 2% each year.

Business Rates

- 6.3. 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.
- 6.4. Any surpluses or deficits on the Business Rates element of the Collection Fund are not received from the Lincolnshire District Councils until 31 January each year and can vary year on year. We maintain a Business Rates Volatility Earmarked Reserve to support any large negative variances. We have assumed a neutral position for the Business Rates element of the Collection Fund in our budget assumptions. 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.
- 6.5. In addition to the above Business Rates funding, the Council receives Section 31 government grant as compensation of central government caps and reliefs offered to small and rural businesses. 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 and has confirmed an additional Section 31 grant will be made to compensate councils for the freeze of the business rates multiplier in 2021/22.
- 6.6. We are planning to continue to be part of the Business Rates Pool with the District Councils whilst this continues to forecast benefits. Pooling should provide us with additional Business Rates growth income although we have assumed a neutral position for 2021/22.

Government Funding

- 6.7. We receive General Grant from the Government in the form of Revenue Support Grant. This grant has reduced from its level of £70.351m in 2016/17 to £20.467m in 2020/21. The future of Revenue Support Grant is uncertain given the Government's funding reform agenda, but we have assumed that it will continue at the current level plus inflation for future years.
- 6.8. 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. For the purposes of forecasting our medium term position, where grants had been inflated for 2020/21 we have assumed a continuation of funding at current levels plus inflation for these grants, however a number of grants we receive are cash flat allocations.

Fees and Charges

- 6.9. The charges made to service users form a significant part of our total gross income, making an important contribution to the funding of services with £105.892m planned income from these charges 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

- 6.10. 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.

- 6.11. Our General Reserves currently stand at £16.050m, 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 3.3% of the 2020/21 budget requirement. We take a risk based approach to ensure that the General Reserves alongside Earmarked reserves are at an appropriate level.
- 6.12. 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.
- 6.13. Our Earmarked Reserves are currently valued at £219.329m, which includes an Earmarked Reserve which is ring-fenced for Schools of £24.808m. 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.
- 6.14. 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.

Flexible Use of Capital Receipts

- 6.15. 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.
- 6.16. From 2020/21, we have no longer planned 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

- 6.17. 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 indicated 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.
 - We have reviewed our practice against the newly developed CIPFA Financial Management (FM) Code, with an aim to being fully compliant at the point at which code

is implemented. The code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Our analysis and compliance will initially be reported to the Audit Committee in March 2021.

Governance, Risk and Opportunities

6.18. 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 2011.

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.

6.19. 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 hold a corporate contingency budget to support these variables and can also support any unforeseen expenditure that we have not been able to plan for. The current Covid-19 pandemic has increased the risks around our budget assumptions, and whilst the immediate costs have been covered by the provision of government grants the longer term impacts on our tax base and service costs are still unknown.

6.20. 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.

6.21. 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 MTFP 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.

7. Medium Term Financial Plan (MTFP)

MTFS Appendix A

7.1. Due to continued uncertainty in our levels of future funding, we are only setting a detailed budget for one year 2021/22. To support our summary budget position the MTFP table below sets out our expected budget position for the period 2021/22 – 2023/24.

SUMMARY REVENUE BUDGET	2021/22 £m	2022/23 £m	2023/24 £m
EXPENDITURE:			
Net Base Budget	489.894	502.808	514.838
Cost Pressures (<i>including inflation</i>)	31.197	14.045	17.622
Savings & Additional Income	-11.867	-2.811	-2.236
Other Movements (PH Grant & BCF Grant)	-6.416	0.796	0.000
Total Expenditure	502.808	514.838	530.224
Use of Reserves	2.439	-6.031	-9.078
Transfer to/from General Reserve	0.200	0.200	0.200
Budget Requirement	505.447	509.007	521.346
INCOME:			
Business Rates Local Retention	120.825	121.668	122.340
Revenue Support Grant	20.580	20.693	20.807
Other Grants	44.416	37.551	37.476
County Precept	319.626	329.095	340.723
Total Income	505.447	509.007	521.346

7.2. The MTFP table shows how our base budget each year during 2021/22 – 2023/24 is increased by cost pressures and reduced by savings or additional income. It also shows the total funding income in each of these years which determines the net budget requirement and use of reserves to balance the difference between the total income and total funding.

7.3. The MTFP shows that following the settlement from government we are expecting to have a budget surplus in 2021/22 of £2.439m, but expect to have a budget deficit in the following years of £6.031m in 2022/23 and £9.078m in 2023/24.

7.4. To reach a sustainable budget position for future years an assessment of further likely savings will need to be made during 2021/22. This can be supported by our Financial Volatility Earmarked Reserve to smooth the delivery of future savings required

7.5. 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:

Capital Programme (2020/21 plus Future Years)	Revised Gross Programme 2020/21 £m	Gross Programme 2021/22 £m	Gross Programme Future Years £m
Gross Capital Programme	203.502	208.655	322.097
Funded by:			
Grants and Contribution	101.105	97.372	39.289
Revenue Funding	1.316	0.071	1.035
Use of Reseve	20.172	0.000	0.000
Borrowing	80.909	111.213	281.773
TOTAL FUNDING	203.502	208.655	322.097

Funding / Expenditure Area	Assumption	2021/22 £000's
Funding		
Revenue Support Grant	2021/22 per Finance Settlement, increased by 0.55% each following year	20,580
Rural Services Delivery Grant	2021/22 per Finance Settlement, remains at this level thereafter	7,277
New Homes Bonus Grant	2021/22 per Finance Settlement, decreased by 2.5% each following year	1,469
Independent Living Fund	2021/22 not yet confirmed. 2020/21 amount decreased by 2.5% each following year	1,515
Social Care Support Grant	2021/22 per Finance Settlement, remains at this level thereafter	20,485
Public Health Grant	2021/22 not yet confirmed. 2020/21 amount assumed to continue in 2021/22 then increased by CPI each following year	33,546
Better Care Funding	2021/22 not yet confirmed, increased by CPI each following year	18,984
Improved Better Care Funding	2021/22 per Finance Settlement, then increased by CPI each following year	33,250
Council Tax Collection Fund Surplus / -Deficit	Surplus confirmed plus deficit of £298k in each of next two years	678
Council Tax	Taxbase 2021/22 confirmed, increased by 1.3% / 1.5% / 1.5% in following 3 years	318,949
BR Collection Fund Deficit	Deficit confirmed and mainly covered by new grant, plus deficit of £320k in each of next two years	-10,644
BR collected locally	2021/22 confirmed. 2021/22 amount increased by 0.55% each following year	21,856
BR Top Up Grant	2021/22 per Finance Settlement, increased by 0.55% each following year	91,302
BR S31 Grant	2021/22 confirmed. 2021/22 amount increased by 0.55% each following year	18,311
BR Pooling Gain	Assume no pooling gain in any year of MTFP	0
Expenditure		
Pay Inflation	1% in 2021/22 to cover salaries up to £24k, 2% in each following year	1,580
LGPS Employers Contribution	2.0% increase 2021/22, 1.1% increase 2023/24	1,130

KEY FINANCIAL PERFORMANCE MEASURES – FINANCIAL HEALTH AND PERFORMANCE

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2020/21 Estimate	2021/22 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	5.78%	5.33%
4	Accounting	Unmodified 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 2021/22

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 2021/22

The Council will not take advantage of the flexibility to use capital receipts to fund revenue transformation projects in 2021/22. Instead such projects will be funded from either revenue budgets or earmarked reserves, and capital receipts in 2021/22 will be used to fund new capital assets or to repay debt.

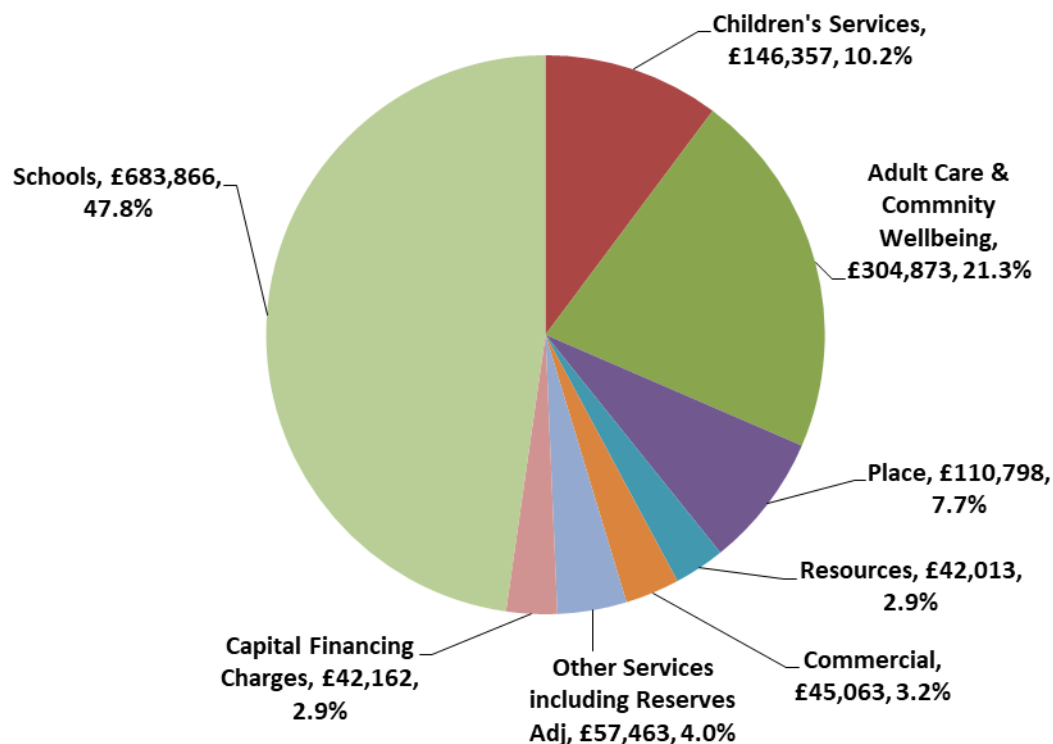
There is therefore no schedule of projects to be funded by capital receipts for 2021/22.

Impact on Prudential Indicators 2021/22

As the Council will not be using capital receipts to fund revenue transformation projects in 2021/22, there is no impact of the strategy on Prudential Indicators. Details on the Council's Prudential Indicators are set out at **APPENDIX N** 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 2021/22

Gross Expenditure on Services £'000k (£1,432,595K)



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.

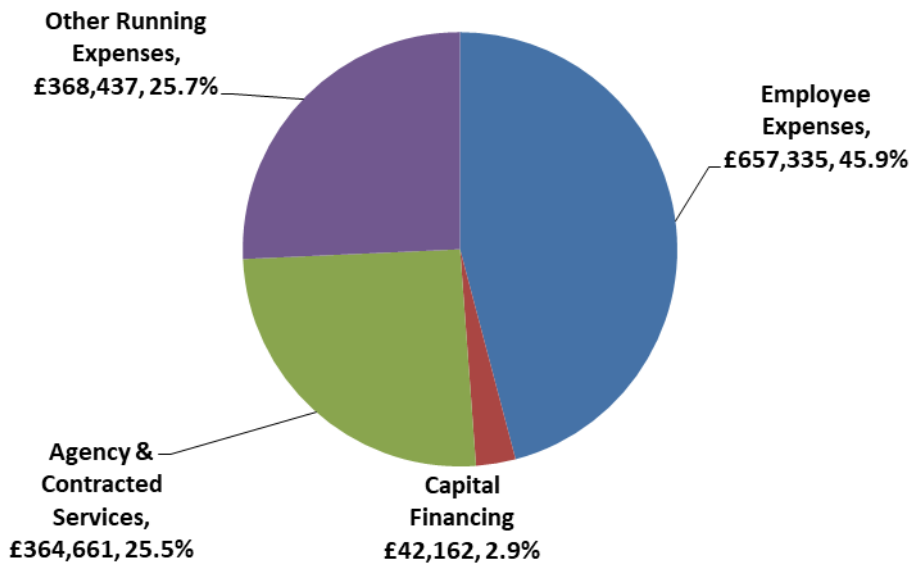
Place includes: Communities, Lincolnshire Local Enterprise Partnership, Growth and Highways.

Resources includes: Public Protection, Finance, Organisational Support and Legal and Governance.

Commercial includes, Property, Commercial, Transformation and Information Technology.

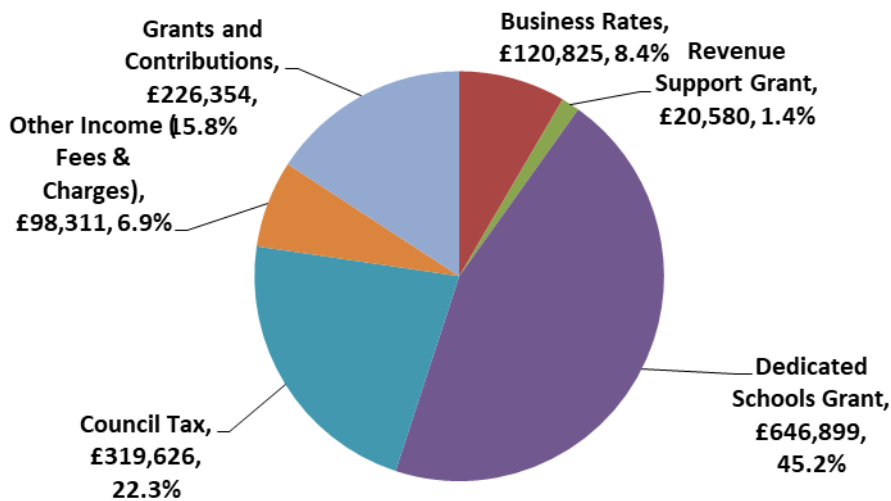
Other Services includes: Fire and Rescue and Emergency Planning, Corporate Services, Development Fund Contribution, Contingency and Other Budgets.

Gross Expenditure Subjective Analysis £'000k (£1,432,595K)



The distribution of budget differs significantly between different services. For example employee expenses compromises 66% of budgeted expenditure in schools, for other (non-schools) budgets it is only 27% of budgeted expenditure. Conversely, Agency and Contracted expenses compromises only 7% of budgeted expenditure in schools, whilst for other (non-schools) budgets it is over 47% of budgeted expenditure.

Sources of Finance £'000k (£1,432,595K)



Dedicated Schools Grant. Lincolnshire has been awarded £646.899m, 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 2021/22

The revenue budget for 2021/22 includes the following government grants which have been allocated to the County Council:

	£'000
Council's Non-Specific Grants	
Social Care Support Grant	25,849
Revenue Support Grant	20,580
Rural Services Delivery Grant	7,278
Local Council Tax Support Grant	5,355
New Homes Bonus Grant	1,469
Independent Living Fund	1,515
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)	646,899
Pupil Premium (*2)	30,721
PE and Sport Grant	5,233
Service Budgets	
Public Health Grant (ring-fenced)	33,546
Better Care Fund - Improved Element	33,249
Better Care Fund - Funding	18,984
Total Revenue Grants	833,628

(*1) Dedicated Schools Grant. Lincolnshire has been awarded £646.899m, 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 2021/22 (£30.721m) is currently an estimate, based on the grant expected to be received in 2020/21, as there have been no changes to grant allocation methodology. The final allocation for 2021/22 is not expected to be announced until later in 2021.

REVENUE BUDGET		
COST PRESSURES AND SAVINGS BY COMMITTEE AREA		
	2021/22 Cost Pressures (*1) £'000	2021/22 Savings/ Additional £'000
Children's Education	5,266	-1
Children's Social Care	2,927	-1
Adult Frailty & Long Term Conditions	5,510	-4,361
Adult Specialities	5,819	-490
Public Health & Community Wellbeing	845	-692
Communities	1,708	0
Lincolnshire Local Enterprise Partnership	3	0
Growth	28	0
Highways	351	-159
Fire and Rescue & Emergency Planning	491	0
Public Protection	1,150	-206
Finance	586	-35
Organisational Support	142	-148
Legal and Governance	17	0
Corporate Property	724	-235
Commercial	154	0
Transformation	81	0
Information Technology	490	0
Corporate Services	91	0
Total Service Budgets	26,383	-6,328
Other Budgets	4,814	-5,539
Total Expenditure	31,197	-11,867

CHANGES BETWEEN 2020/21 & 2021/22 BUDGET

	Impact on budget requirement	
	£'000	%
COST PRESSURES:		
Pay Inflation	1,153	0.23%
Children's Education		
Home to School/College Transport	5,188	1.03%
Children's Social Care		
Looked After Children	2,297	0.45%
Children's Social Care - Other Cost Pressures	282	0.06%
Adult Frailty & Long Term Conditions		0.00%
Homecare, Direct Payment, Daycare additional cost pressures.	1,801	0.36%
Infaltion & Demographic Pressures for Residential & Nursing placements.	3,800	0.75%
Reduction in National Living Wage pressure following spending review.	-214	-0.04%
Adult Specialities		
Inflation & Demographic growth for Community Based Services..	3,207	0.63%
Inflation & Demographic growth for Residential Placements.	1,580	0.31%
Care Fund	1,163	0.23%
Reduction in National Living Wage pressure following spending review.	-189	
Public Health & Community Wellbeing	822	0.16%
Communities		
Waste Services - Increases on the new Mixed Dry Recycling contract	1,100	0.22%
Communities - Other Cost Pressures	540	0.11%
Highways	300	0.11%
Fire and Rescue & Emergency Planning	391	0.00%
Public Protection		
Community Safety	585	0.00%
Coroners	536	0.12%
Finance	548	0.11%
Organisational Support	50	0.11%
Corporate Property	713	0.01%
Commercial	130	0.14%
Transformation	46	0.03%
Information Technology	477	0.01%
Corporate Services	77	0.36%
Other Budgets		0.36%
An allocation of estimated cost relating to pay below £24k.	1,585	0.36%
Reduction in interest receipt on cash balances.	1,400	0.36%
Increase in employer's contribution towards pension deficit	1,323	0.36%
Other Budgets - Other Cost Pressures	506	0.36%
TOTAL COST PRESSURES:	31,197	6.17%
SAVINGS:		
	£'000	%
Children's Education	-1	0.00%
Children's Social Care	-1	0.00%
Adult Frailty & Long Term Conditions		
Growth in Service user contributions	-1,801	-0.36%
Additional Service user income Residential	-1,500	-0.30%
Peak Demand Efficiencies	-400	-0.08%
Adult Frailty & Long Term Conditions- Other Savings	-660	-0.13%
Adult Specialities	-490	-0.10%
Public Health & Community Wellbeing	-692	-0.14%
Highways	-159	-0.03%
Public Protection	-206	-0.04%
Finance	-35	-0.01%
Organisational Support	-148	-0.03%
Corporate Property	-235	-0.05%
Other Budgets		
Implementation of capital financing savings.	-4,333	-0.86%
Removal of revenue contribution in financing the capital	-1,100	-0.22%
Other Budgets - Other Savings	-106	-0.02%
TOTAL SAVINGS:	-11,867	-2.35%

CHANGES IN BUDGET BETWEEN 2020/21 & 2021/22 FINANCIAL YEARS (Cont.)

Other Movements:	£'000	%
Use of Earmarked Reserve (change over previous year)	-133	-0.03%
Release of Funding from the General Fund Balance	50	0.01%
Other Movements (PH Grant & BCF Grant)	-6,416	-1.27%
TOTAL OTHER MOVEMENTS:	-6,499	-1.29%
TOTAL CHANGE IN BUDGET REQUIREMENT:	12,831	2.54%
General Funding:	£'000	%
Section 31 Grants relating to Business Rates	11,173	2.21%
Social Care Support Grant	5,364	1.06%
Local Council Tax Support Grant	5,354	1.06%
Revenue Support Grant	101	0.02%
Business Rates Collection Fund Deficit	-10,921	-2.16%
Increase in other council general grants	456	0.09%
Reduction in other council general grants	-3,460	-0.68%
Increase in Council Tax Base and Council Tax Collection Fund Surplus	4,764	0.94%
TOTAL CHANGE IN GENERAL GRANT AND COUNCIL TAX INCOME:	12,831	2.54%

EARMARKED RESERVES

Reserve	Actual Balance as at 31 March 2020 £'000	Earmarked Reserve - Approved by Council £'000	Planned Use / Contribution in 2020/21 £'000	Actual Use / Contribution in 2020/21 £'000	Estimated Balance as at 31 March 2021 £'000	Planned Use / Contribution in 2021/22 £'000	Estimated Balance on reserve as at 31 March 2022 £'000
Schools	24,808	0	0	-10,253	14,555	0	14,555
Other Earmarked Reserves							
Schools Sickness Insurance Scheme	685	0		0	685		685
S77 School Projects	0	401		0	401		401
Children's Services - Education	685	401	0	0	1,086	0	1,086
Youth Offending Service	200	0		0	200		200
Young People in Lincolnshire	234	0		0	234		234
Families Working Together	599	0		0	599		599
Music Service Reserve (carry forward)	95	0		0	95		95
Children's Services	1,128	0	0	0	1,128	0	1,128
Museum Exhibits	133	0		0	133		133
Growth Reserve	880	0		0	880		880
Carbon Management Reserve	44	0		148	192		192
Civil Parking Enforcement	0	194		0	194		194
Flood and Water Risk Management	160	88	200	-30	418		418
Cultural Services Reserve	345	0		0	345		345
Lincoln Cultural Quarter Earmarked Reserve	175	0		0	175		175
Traffic Management Reserve	1,145	0		0	1,145		1,145
Support to Businesses	0	0	12,000	0	12,000		12,000
Place	2,882	282	12,200	118	15,482	0	15,482
Co-Responders Services	419	0		-400	19		19
Fire and Rescue	419	0	0	-400	19	0	19
Procurement	1,011	108		0	1,119		1,119
CSSC Transformation Including BW Rebuild and Development	3,384	0		0	3,384		3,384
Property Management	25	0		0	25		25
Commercial	4,420	108	0	0	4,528	0	4,528
Legal	811	721		0	1,532		1,532
Purchase of Employee Leave Scheme Reserve	144	47		0	191		191
Community Safety Reserve	494	0		0	494		494
Resources	1,449	768	0	0	2,217	0	2,217
Community Engagement Reserve	58	0		0	58		58
Corporate Services	58	0	0	0	58	0	58
Earmarked Reserves - Pre-Council Confirmation	15,142	-15,142		0	0		0
Insurances	5,737	1,038		0	6,775		6,775
Financial Volatility Reserve	52,683	0	-12,200	0	40,483	2,439	42,922
Energy from Waste Lifecycles	5,038	0		1,286	6,324		6,324
Development Fund	10,182	7,394		-1,409	16,167		16,167
Business Rates Volatility Reserve	6,152	0		0	6,152		6,152
Capital Financing Charges Reserve	0	5,150		0	5,150		5,150
Other Budgets	94,934	-1,560	-12,200	-123	81,051	2,439	83,490
Total Other Earmarked Reserve	105,975	0	0	-405	105,569	2,439	108,008
Revenue Grants and Contributions Unapplied							
Children's Services - Education	5,873	0		-5,758	115	0	115
Adults and Community Wellbeing	41,875	0		0	41,875	0	41,875
Children's Services	8,464	0		-225	8,240	0	8,240
Place	9,816	0		0	9,816	0	9,816
Resources	572	0		0	572	0	572
Fire & Rescue	384	0		0	384	0	384
Corporate Services	213	0		0	213	0	213
Other Budgets	21,348	0		-61	21,287	0	21,287
Total Revenue Grants and Contributions Unapplied	88,546	0		-6,044	82,502	0	82,502
Total Earmarked Reserves	219,329	0		-16,702	202,627	2,439	205,066

Development Fund Initiatives (Capital) - Phasing of Expenditure

Directorate / Service Area	Development Initiative	Planned One-Off Investment	Forecast to be Spent 2020/21	Forecast to be Spent 2021/22	Forecast to be Spent 2022/23 Onwards
		£000's	£000's	£000's	£000's
Children's Services - Strategic Commissioning	Education Transport links to School (Route sustainability)	440	0	220	220
Place - Highways	Traffic signals - Wireless communications	80	80		
Place - Highways	Community Maintenance Gangs	3,981	3,981		
Place - Highways	Drainage Investigation and Flood Repairs	2,000	1,000	1,000	
Fire and Rescue	Flood Management Pumps	116	116		
Fire and Rescue	Replacement Trading standards Metrology equipment	50	50		
Commercial - IMT	Broadband - 4G	800	150	120	530
TOTAL DEVELOPMENT INITIATIVES		7,467	5,377	1,340	750

Development Fund Initiatives (Revenue) - Phasing of Expenditure

Directorate / Service Area	Development Initiative	Planned One-Off Investment	Forecast to be Spent 2020/21	Forecast to be Spent 2021/22	Forecast to be Spent 2022/23 Onwards
		£000's	£000's	£000's	£000's
Place - Environment	Green Masterplan	350	100	250	
Place - Communities	Anaerobic digestion Facilities - Business Case Viability	150	20	130	
Place - Highways and Communities	Highways Advance Design/Economic Development Pipeline Projects	2,713	840	1,000	873
Place - Highways	Traffic signals - Wireless communications	5		5	
Place - Highways	Drainage Investigation and Flood Repairs	200	100	100	
Fire and Rescue	Research study - LFR prevention work	10	10	0	0
Commercial - Transformation	Transformation Programme (Business Process re-engineering)	280	0	0	280
Commercial - IMT	Broadband - 4G	135	27	27	81
Commercial - Transformation	Transformation Programme	7,394	824	3,510	3,060
Reserves	Development Fund Reserve balance still to be allocated	1,444			
TOTAL DEVELOPMENT INITIATIVES		12,681	1,921	5,022	4,294

Prudential Indicators

PRUDENTIAL INDICATORS		2019-20 Actual	2020-2021 Original Estimate	2020-2021 Updated Estimate	2021-22 Estimate	2022-23 Forecast	2023-24 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:							
Gross Capital Expenditure	£m	173.076	223.204	203.502	208.655	111.933	39.682
Net Capital Expenditure	£m	73.552	137.923	102.397	111.283	85.937	36.988
Capital Financing							
Borrowing	£m	77.898	137.893	80.909	111.213	85.822	36.827
Grants & Contributions	£m	99.524	85.281	101.105	97.372	25.996	2.694
Capital Receipts, Reserves & Revenue	£m	-4.346	0.030	21.488	0.071	0.115	0.161
Total Capital Financing	£m	173.076	223.204	203.502	208.655	111.933	39.682
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	556.484	633.239	616.220	660.697	750.869	809.718
Add Additional Borrowing	£m	77.898	137.893	64.727	111.213	85.822	36.827
Add Additional Credit Liabilities (PFI & Finance Leases)	£m	0.000	1.613	0.000	1.613	0.000	0.000
Less Revenue Provision for Debt Repayment (MRP)	£m	18.162	23.146	20.250	22.654	26.972	29.748
Capital Financing Requirement	£m	616.220	749.599	660.697	750.869	809.718	816.798
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	671.095	822.627	809.718	816.798	800.950	804.173
Forecast of Long Term External Borrowing and Credit Arrangements	£m	512.116	628.399	497.038	587.114	645.868	652.855
Headroom	£m	158.979	194.229	312.680	229.684	155.082	151.318
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	621.421	715.305	600.732	681.075	726.394	731.411
Other Long Term Liabilities	£m	12.270	11.488	11.471	10.673	11.002	9.703
Total Authorised Limit	£m	633.691	726.793	612.203	691.748	737.396	741.114
Operational Boundary for External Debt							
Borrowing	£m	606.421	700.305	585.732	666.075	711.394	716.411
Other Long Term Liabilities	£m	10.270	9.488	9.471	8.673	9.002	7.703
Total Operational Boundary	£m	616.691	709.793	595.203	674.748	720.396	724.114
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)	%	4.93%	5.60%	5.07%	5.38%	6.02%	6.31%
Proportion of MRP & Interest Costs to NRS (Incl DSG) -Limit 10% (Voluntary Indicator)	%	5.16%	5.78%	5.17%	5.33%	5.98%	6.27%

PRUDENTIAL INDICATORS		2019-20 Actual	2020-21 Original Estimate	2020-21 Updated Estimate	2021-22 Estimate	2022-23 Forecast	2023-24 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	16.050	16.200	16.200	16.400	16.600	16.800
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.216	0.231	0.233	0.326	0.324	0.322
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	1.35%	1.43%	1.44%	1.99%	1.95%	1.92%
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	2.444	2.276	2.308	2.189	2.101	1.993
Net Service Expenditure	£m	436.080	492.570	492.570	505.459	517.489	532.876
Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	%	0.56%	0.46%	0.47%	0.43%	0.41%	0.37%
Treasury Indicators							
8) Interest Rate Exposures (Variable)							
The Council will set for the forthcoming year and the following two financial years,an upper limits to its exposure to effects of changes in interest rates on variable rate borrowing and investments. (Voluntary Indicator).							
Upper limit for variable interest rate exposures							
Borrowing	%	0.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Investments	%	23.00%	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	13.850	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	%	2.90%	25.00%	25.00%	25.00%	25.00%	25.00%
12 months and within 24 months	%	2.20%	25.00%	25.00%	25.00%	25.00%	25.00%
24 months and within 5 years	%	5.40%	50.00%	50.00%	50.00%	50.00%	50.00%
5 years and within 10 years	%	12.70%	75.00%	75.00%	75.00%	75.00%	75.00%
10 years and above	%	76.80%	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	18.257	37.255	16.482	-2.192	-3.156

CAPITAL STRATEGY 2021/22

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 third 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.

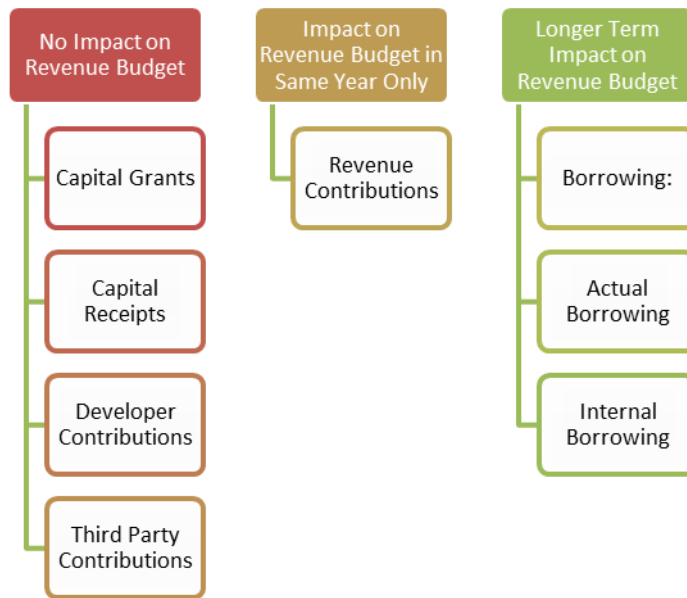
Accounting Policy on Capitalisation

- 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. New guidance introduced in 2020 means that PWLB loans will only be available to the Council if the Section 151 Officer is able to make an annual declaration that the Council's capital programme contains no projects which are primarily for the purpose of generating income returns. 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 according to the Corporate Plan 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 the **Capital Review Group**. The terms of reference of the Capital Review Group are set out in Annex H.
 5. The **Capital Review 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 **Capital Review Group** will consider Full / Outline Business Cases prepared in respect of projects for the following year's Capital Programme.
 7. Annually in September, the **Capital Review 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 **Capital Review 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 **Capital Review 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 ten 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. When a capital project has completed, a post project review must be undertaken to ensure that any lessons learned can be applied to future similar projects, and that all planned benefits from the scheme have either been achieved or reasons for non-achievement have been recorded.

16. 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. The Council will not create new assets primarily to generate an income stream as this would mean that borrowing from the PWLB would not be accessible for the whole of the capital programme.

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 **Capital Review 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 **Capital Review 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).

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. The contribution that such investments make towards the Council's objectives is that they support the resilience of future service delivery arrangements.
- 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. An assessment of the fair value of these investment properties is made annually, in accordance with the requirements of the CIPFA Accounting Code of Practice for Local Government and the underlying assets provide security for these investments. The Council's strategy is to maintain these assets and a summary of the investments is shown in Annex F. The contribution that such investments make towards the Council's objectives is that they provide an annual income stream which supports the overall budget and they provide the potential for future capital receipts to be realised from the sale of surplus land and properties. The farms are historic investments as they were originally offered to servicemen returning from the war.
- 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.
- e) Unplanned for significant events, such as the coronavirus pandemic, may lead to financial resources being directed towards other priorities or to additional costs.
- 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 2021/22 and future years up to 2030/31 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 £6.9m 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 2022, 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 hoped 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 ten years. It can be seen that in each of the next ten 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 2021/22, 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 2021/22, 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 2021/22 is affordable over the longer term.

**Council Priorities within the Corporate Plan
People and Communities will have:**

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

Links between the Capital Programme and the Corporate Plan

The following schemes / projects within the Council's Capital Programme support the priorities of the Corporate Plan:

High Aspirations:

- A range of projects to alleviate flood and water risks.
- A range of projects to build, and improve highways infrastructure assets.
- Projects to replace Household Waste recycling centres and to introduce a Separated Paper and Card recycling scheme.

The opportunity to enjoy life to the full:

- Contributing towards projects to build supported and extra care housing
- Funding adaptations to the homes of foster carers
- Projects to invest in provision for children in care and care leavers
- Improvements to Heritage sites.

Thriving environments:

- Improvements to Schools buildings, sites and IT facilities.
- Major investment in SEND Schools provision.
- Provision of superfast Broadband across the County.
- Development of Business Units and the extension of the Horncastle Industrial Estate.
- Programme of street lighting improvement.

Good Value Council services:

- Projects to transform Council services using technology.

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 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.

In 2021/22, we do not 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 use 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 2021/22, 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/downloads/file/1896/highways-asset-management-strategy>

- Integrated Risk Management Plan 2020-2024 (which includes a section on Fire and Rescue asset management)

<https://www.lincolnshire.gov.uk/downloads/file/4777/irmp-2020-24>

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?		

<p>When the project is complete, a post implementation review must 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>		

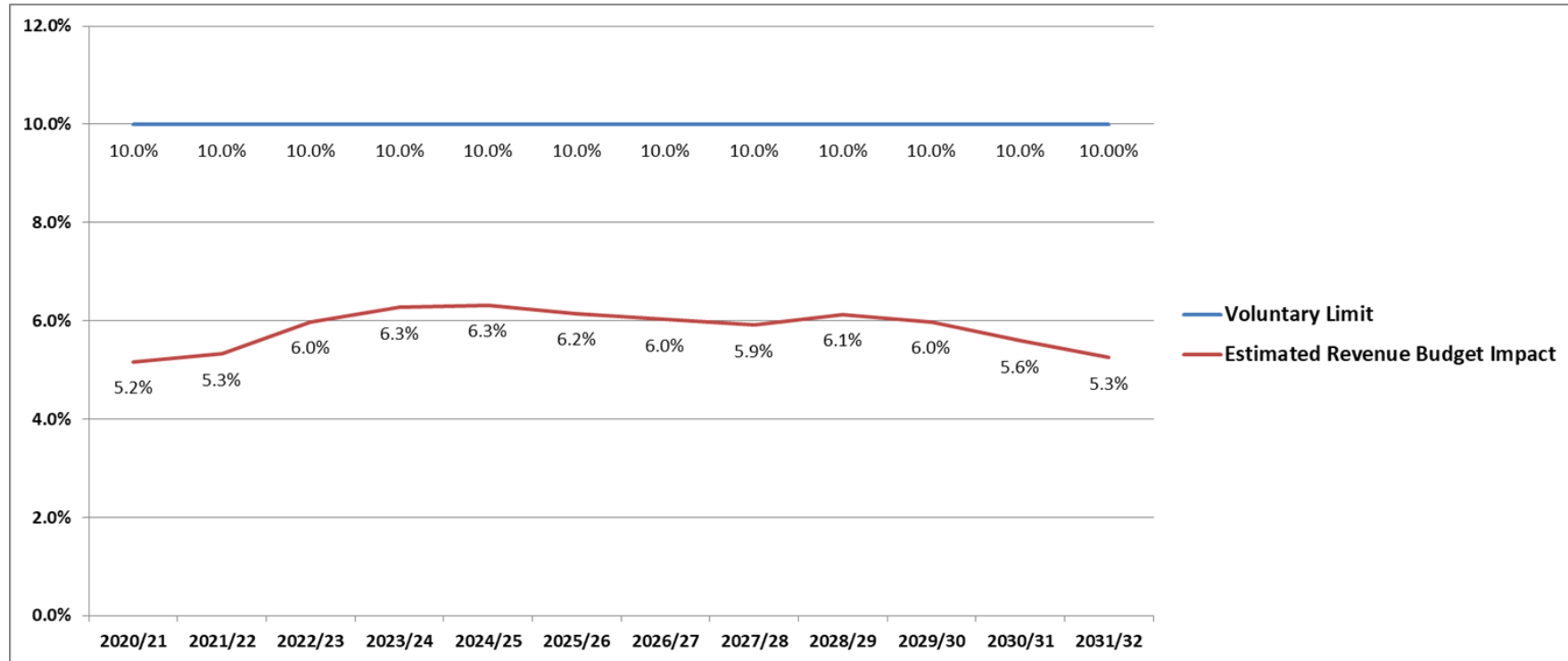
Funding of the Capital Programme

Capital Programme (2020/21 plus Future Years)	Revised Gross Programme 2020/21 £m	Gross Programme 2021/22 £m	Gross Programme Future Years £m
<u>ADULT CARE AND COMMUNITY WELLBEING</u>			
Adult Frailty & Long Term Conditions	3.390	0.000	0.000
<u>CHILDREN'S EDUCATION</u>			
Schools	21.777	37.151	94.959
Children's Services	1.271	1.893	0.625
<u>COMMERCIAL</u>			
Property	6.136	7.943	26.262
ICT	4.745	6.436	17.251
<u>FIRE AND RESCUE & EMERGENCY PLANNING</u>			
Fire and Rescue & Emergency Planning	4.489	4.203	6.540
<u>RESOURCES</u>			
Public Protection	0.107	0.000	0.000
<u>PLACE</u>			
Communities	7.353	9.779	8.668
Growth	18.505	2.500	0.000
Highways	130.071	133.551	115.292
<u>OTHER BUDGETS</u>			
Other Budgets	5.659	5.200	52.500
Total Budget	203.502	208.655	322.097
Gross Capital Programme	203.502	208.655	322.097
<u>Funded by:</u>			
Grants and Contribution	101.105	97.372	39.289
Revenue Funding	1.316	0.071	1.035
Use of Reserve	20.172	0.000	0.000
Borrowing	80.909	111.213	281.773
TOTAL FUNDING	203.502	208.655	322.097

Funding of the Capital Programme

Gross Capital Programme	203.502	208.655	322.097
Funded by:			
Grants and Contribution	101.105	97.372	39.289
Revenue Funding	1.316	0.071	1.035
Use of Reseve	20.172	0.000	0.000
Borrowing	80.909	111.213	281.773
TOTAL FUNDING	203.502	208.655	322.097

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			Original Term of Loan in Years	Principal Outstanding as at 31/03/2020 £000's	Estimated Interest Income 2021/22 £000's
Classification	Risk Level				
B14080 School Academies	Loan	Low	Various	1,040	-33
B14020 Lincs Community Foundation Ltd - Soft Loan	Loan	Medium	24	162	-1
B14075 TransportConnect Fixed Loan	Loan	High	3	379	-15
B20040 TransportConnect Revolving Credit Facility	Loan	High	3	250	-21
Total				1,831	-70
Commercial Investments for Non Service Reasons (including loans to 3rd Parties)				Fair Value as at 31/03/2020 £000's	Estimated Rental Income 2021/22 £000's
Classification	Risk Level				
B11005 County Farms	Investment Properties	Low		104,394	2,096
B11005 Other Non-Farm Properties	Investment Properties	Low		1,771	36
Total				106,165	2,132
Equity Purchase for Service Reasons				Fair Value as at 31/03/2020 £000's	Estimated Dividend Income 2021/22 £000's
Classification	Risk Level				
Investors in Lincoln Shares	Non-Specified Investment	Low		278	0
Total					0

Prudential Limits Relating to Non-Treasury Investments

PRUDENTIAL INDICATORS		2019-20 Actual	2020-21 Original Estimate	2020-21 Updated Estimate	2021-22 Estimate	2022-23 Forecast	2023-24 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	16.050	16.200	16.200	16.400	16.600	16.800
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.216	0.231	0.233	0.326	0.324	0.322
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	1.35%	1.43%	1.44%	1.99%	1.95%	1.92%
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	2.444	2.276	2.308	2.189	2.101	1.993
Net Service Expenditure	£m	436.080	492.570	492.570	505.459	517.489	532.876
Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	%	0.56%	0.46%	0.47%	0.43%	0.41%	0.37%

A full list of Prudential Indicators is included within the Council's Budget Book

CAPITAL REVIEW GROUP (CRG)

TERMS OF REFERENCE

1. PURPOSE

Officers to provide challenge and support to ensure the Council's capital programme:

- 1.1. supports and prioritises the ambitions of the corporate plan;**
- 1.2. reflects and complies with our agreed capital strategy;**
- 1.3. is supported by information to enable sound and transparent decision making; and**
- 1.4. has adequate challenge and reporting of its delivery.**

2. RESPONSIBILITIES

For the CRG to provide a gateway challenge and review for:

- 2.1. new spend 'outline' bids to be included in a future capital programme;
- 2.2. bids against the in-year Capital Development Contingency Budget where there is a time pressure for the spend (e.g. for matched funding, or an emerging opportunity);
- 2.3. all capital detailed business cases; to support decision making before proceeding with the project;
- 2.4. block budget lines within the programme; to ensure they are supported by appropriate programmes of work;
- 2.5. the monitoring and reporting of the delivery of the capital programme, including benefits realisation;
- 2.6. requests to move revenue contributions to support capital spend and to re-purpose existing budgets in the programme (S151 Officer decision);

2.7. policy framework being sought for future S106 contributions, use of S106 contributions , including monitoring of their collection;

2.8. bids for external funding, to ensure they meet the Council's strategic priorities; and

2.9. ensuring the programme is managed within the parameters set out in Appendix A.

It is the responsibility of the CRG to ensure that projects demonstrate affordability, timing, risks/issues, funding and budget implications, and a fit with corporate priorities, following the requirements as set out in Appendix A.

If a Business case does not meet the requirements as outlined in this ToR, the CRG can refer it back to the submitting service or can include any concerns if the business case moves forward in the decision making process.

3. MEMBERSHIP

- Assistant Director – Finance (Chair)
- Executive Director – Commercial
- Executive Director – Place
- Executive Director - Resources
- Representative – Commercial/Property (when appropriate)
- Representative – Children's (when appropriate)
- Representative – ACCW (when appropriate)
- Legal support
- Finance - support

4. MEETING ARRANGEMENTS

4.1. The CRG shall meet monthly and all papers will be issued in advance to allow sufficient time to be reviewed.

4.2. Business cases and papers can be submitted to the dedicated email account – Capitalreviewgroup@lincolnshire.gov.uk . Papers will also be issued from this account.

4.3. Regular items on the monthly agenda will include (but are not limited to):-

- A review of new outline bids put forward for future inclusion in the capital programme (call for new bids specifically requested for the June meeting each year);
- Review of delivery against agreed programme;
- Review of detailed business cases and information to be included for decision making;
- Review of programmes of work supporting block budgets in the programme (main review in October); and
- Review of any budget movement requests, or bids for external funding (including S106).

5. REPORTING

- 5.1. The relevant Directorate Leadership Team shall review all items before they come forward to the CRG. This will include ensuring support from the relevant portfolio holder.
- 5.2. Items which have gone through the gateway process will be notified to the Executive Councillor for Finance and Communications in the regular portfolio update meetings by a member of the CRG. This will then progress to the appropriate decision making process as required with any comments, concerns or caveats from the CRG if appropriate.
- 5.3. Items for inclusion in the future capital programme will be shared with the Informal Executive in the Autumn before entering into the formal budget cycle for inclusion in the programme approved by Council in February.
- 5.4. CRG papers will be shared with the Support Councillor for Finance following the CRG meeting.
- 5.5. New projects to be shared at the Group Leaders' meetings.
- 5.6. Reporting to Overview and Scrutiny Management Board will be via Quarterly Financial Management reports.

APPENDIX A

Expectations for the management of the capital programme:

1. All areas of the capital programme will fit into the following categories:

- A 'block' budget aimed at maintaining or replacing our existing assets, which is supported by a programme of works reviewed by the CRG. This will be consistent with our asset management strategies. A block budget may also support small value spend on new assets, but should still be supported by a planned programme.
- A scheme/project with an indicative budget that is supported by an outline bid, awaiting a detailed business case – i.e. no permission to spend.
- A scheme/project in flight, supported by a business case reviewed by the CRG with appropriate officer/member decision – i.e. permission to spend.

This principle applies to all spend within the capital programme, regardless of the source of funding, i.e. relates to grant funded spend as well as spend funded by the Council's resources.

2. All business cases are of appropriate scale for the size of the project, but will follow the basic principles of the Government Treasury five case model; i.e. the case covers:

- Strategic case – why are we doing this, and how does it meet our strategic objectives?
- Economic case – what are the options and which provides the optimum benefits and value for money?
- Commercial case – how will this be procured?
- Financial case – what are the capital and revenue impacts of the proposal?
- Management Case – how will the project be managed, what resources are in place?

TERMS OF REFERENCE – REVIEW DATE

FEBRUARY 2021

CAPITAL PROGRAMME

Capital Programme (2020/21 plus Future Years)		Net Programme 2020/21 £m	Grants & Contribution 2020/21 £m	Revised Gross Programme 2020/21 £m	Net Programme 2021/22 £m	Grants & Contribution 2021/22 £m	Revised Gross Programme 2021/22 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
ADULT CARE AND COMMUNITY WELLBEING										
ADULT FRAILITY & LONG TERM CONDITIONS										
Dewint Court Extra Care Housing Scheme	Contribution towards De Wint Extra Care Housing Scheme	0.000	-1.400	1.400	0.000	0.000	0.000	0.000	0.000	0.000
Linelands Extra Care Housing Scheme	Contribution towards Planned Linelands Housing Scheme	1.990	0.000	1.990	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals: Adult Frailty & Long Term Conditions		1.990	-1.400	3.390	0.000	0.000	0.000	0.000	0.000	0.000
CHILDREN'S EDUCATION										
SCHOOLS										
Devolved Capital	Capital funding devolved to schools for improvements to buildings and school sites or investment in ICT hardware.	0.000	-1.017	1.017	0.000	-1.040	1.040	0.000	0.000	0.000
Provision of School Places (Basic Need)	A programme of expansion and new build construction of school buildings.	0.080	-3.351	3.431	0.000	-2.900	2.900	0.000	0.000	0.000
Schools Modernisation/ Condition Capital	Programme to improve the condition of the school estate.	0.000	-5.755	5.755	0.000	-3.500	3.500	0.000	0.000	0.000
New Schools Requirements		0.000	0.000	0.000	0.000	0.000	0.000	42.700	-10.600	53.300
SEND Provision Capital Funding for Pupils with EHC Plans	A programme of major investment in SEND provision.	0.000	-11.500	11.500	0.000	-29.710	29.710	15.600	-26.059	41.659
Other Education & SEND Services	Capital funding for CWD short breaks and other education services	0.003	-0.072	0.074	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - Schools		0.083	-21.694	21.777	0.000	-37.151	37.151	58.300	-36.659	94.959
CHILDREN'S SERVICES										
Early Help		0.978	-0.146	1.123	0.395	0.000	0.395	0.000	0.000	0.000
Safeguarding Services	Capital funding for in-house provision and other safeguarding services including foster carers and supported accommodation	0.097	0.000	0.097	0.323	0.000	0.323	0.250	0.000	0.250
Children's Services - Children's Homes	Two new small children's homes for children who are looked after.	0.050	0.000	0.050	1.075	0.000	1.075	0.375	0.000	0.375
Commissioning & Health Services	Capital funding for the 0-19 Health Services	0.000	0.000	0.000	0.100	0.000	0.100	0.000	0.000	0.000
Subtotals - Children's Services		1.125	-0.146	1.271	1.893	0.000	1.893	0.625	0.000	0.625
Subtotals Children's Education		1.208	-21.840	23.047	1.893	-37.151	39.044	58.925	-36.659	95.584

Capital Programme (2020/21 plus Future Years)		Net Programme 2020/21 £m	Grants & Contribution 2020/21 £m	Revised Gross Programme 2020/21 £m	Net Programme 2021/22 £m	Grants & Contribution 2021/22 £m	Revised Gross Programme 2021/22 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
COMMERCIAL PROPERTY										
Property	Maintenance and improvement programme for council properties, asbestos works and improvements to the County Farm estates.	2.983	0.000	2.983	2.736	0.000	2.736	0.000	0.000	0.000
Property maintenance	To fund the maintainance and improvement programme for council properties	0.000	0.000	0.000	3.500	0.000	3.500	24.500	0.000	24.500
Orchard House Repairs	To complete essential repair work to the Lincoln County offices / Orchard House campus	1.400	0.000	1.400	0.000	0.000	0.000	0.000	0.000	0.000
Bluelight - wider estates (other funding will support this)	Programme of works to support dual and tri service occupation throughout Lincolnshire.	0.284	0.000	0.284	0.000	0.000	0.000	0.000	0.000	0.000
Lexicon House	Refurbishment of Lexicon House for office accommodation.	0.050	0.000	0.050	0.950	0.000	0.950	0.000	0.000	0.000
County Emergency Centre	Modernisation of the County Emergency Centre.	0.087	0.000	0.087	0.000	0.000	0.000	0.000	0.000	0.000
Property Area Reviews	Programme of review of all LCC property interests (freehold/leasehold).	0.225	0.000	0.225	0.202	0.000	0.202	0.000	0.000	0.000
Property Improvement Programme	The improvement to council properties	0.306	0.000	0.306	0.000	0.000	0.000	0.000	0.000	0.000
County Farms Private Roads	The improvement to private roads on the County Farms Estates	0.017	0.000	0.017	0.020	0.000	0.020	0.020	0.000	0.020
County Farms Grain Stores	The creation of new grain stores to the County Farms Estate.	0.000	0.000	0.000	0.145	0.000	0.145	0.242	0.000	0.242
School Mobile Classroom Replacement	The replacement of school mobile classrooms.	0.300	0.000	0.300	0.390	0.000	0.390	1.500	0.000	1.500
Castle Motte	Contribution towards the programme of works to remove Lincoln Castle from the Heritage at Risk Register.	0.370	0.000	0.370	0.000	0.000	0.000	0.000	0.000	0.000
Horncastle Estate & Land Purchase	Purchase of land from East Lindsey District Council to enable development that will generate future capital receipts.	0.113	0.000	0.113	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - Property		6.136	0.000	6.136	7.943	0.000	7.943	26.262	0.000	26.262

Capital Programme (2020/21 plus Future Years)		Net Programme 2020/21 £m	Grants & Contribution 2020/21 £m	Revised Gross Programme 2020/21 £m	Net Programme 2021/22 £m	Grants & Contribution 2021/22 £m	Revised Gross Programme 2021/22 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
ICT										
Broadband	Provision of superfast broadband across the county.	0.640	-1.200	1.840	0.000	0.000	0.000	3.751	0.000	3.751
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	1.845	0.000	1.845	3.539	0.000	3.539	3.500	0.000	3.500
Improvement Transformation	To support the Transformation Programme by delivering enabling strategies in line with the Council's IMT strategy	0.000	0.000	0.000	2.000	0.000	2.000	2.000	0.000	2.000
Replacement ERP Finance System	Improvements to the ERP Finance system.	0.010	0.000	0.010	0.312	0.000	0.312	0.000	0.000	0.000
Care Management System (CMPP)	Installation of the Mosaic system.	0.009	0.000	0.009	0.005	0.000	0.005	0.000	0.000	0.000
ICT Development Fund	Improvements to ICT infrastructure and network.	0.300	0.000	0.300	0.121	0.000	0.121	0.000	0.000	0.000
IMT (Cloud Navigator/Windows 10)	Upgrade of hardware to Windows 10 system and development of Cloud Navigator to enable digital transformation of services to citizens.	0.136	0.000	0.136	0.000	0.000	0.000	8.000	0.000	8.000
Azure Data Migration	Migration of data from a physical to a cloud platform	0.604	0.000	0.604	0.460	0.000	0.460	0.000	0.000	0.000
Subtotals - ICT		3.545	-1.200	4.745	6.436	0.000	6.436	17.251	0.000	17.251
Subtotals Commercial		9.680	-1.200	10.880	14.379	0.000	14.379	43.513	0.000	43.513
FIRE AND RESCUE										
<u>FIRE AND RESCUE & EMERGENCY PLANNING</u>										
Fire and Rescue & Emergency Planning	Refurbishment of fire and rescue properties.	0.393	0.000	0.393	1.074	0.000	1.074	0.000	0.000	0.000
Fire Fleet Vehicles and Associated Equipment	Rolling programme for the replacement of fire and rescue fleet vehicles and associated equipment.	4.097	0.000	4.097	3.128	0.000	3.128	6.540	0.000	6.540
Subtotals - Fire and Rescue & Emergency Planning		4.489	0.000	4.489	4.203	0.000	4.203	6.540	0.000	6.540
Subtotals - Fire and Rescue		4.489	0.000	4.489	4.203	0.000	4.203	6.540	0.000	6.540
RESOURCES										
<u>PUBLIC PROTECTION</u>										
Registration Celebratory & Coroners Service	Coroners IT system for case management, and improvement to Gainsborough celebratory premises.	0.082	0.000	0.082	0.000	0.000	0.000	0.000	0.000	0.000
Safer Communities	Vehicle for Trading Standards	0.025	0.000	0.025	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - Public Protection		0.107	0.000	0.107	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals Resources		0.107	0.000	0.107	0.000	0.000	0.000	0.000	0.000	0.000

Capital Programme (2020/21 plus Future Years)		Net Programme 2020/21 £m	Grants & Contribution 2020/21 £m	Revised Gross Programme 2020/21 £m	Net Programme 2021/22 £m	Grants & Contribution 2021/22 £m	Revised Gross Programme 2021/22 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
PLACE										
COMMUNITIES										
CULTURE										
Libraries	RFID replacement kiosks and library hub capital works.	0.521	0.000	0.521	0.000	0.000	0.000	0.000	0.000	0.000
Historic Lincoln	Improvement programme for Lincoln Castle.	-0.050	-0.066	0.017	0.000	0.000	0.000	0.000	0.000	0.000
Lincoln Castle Revealed phase 2		0.281	0.000	0.281	0.000	0.000	0.000	0.000	0.000	0.000
Heritage / Archives	Future development of the Heritage service.	2.500	0.000	2.500	2.500	0.000	2.500	0.000	0.000	0.000
Subtotals - Culture		3.252	-0.066	3.319	2.500	0.000	2.500	0.000	0.000	0.000
ENVIRONMENT										
Electronic Ticket Machine		0.365	0.000	0.365	0.000	0.000	0.000	0.000	0.000	0.000
Other Highways and Transportation	Capital programme for transport services to support the purchase of assets such as vehicles and new technologies.	1.028	-0.390	1.418	0.000	0.000	0.000	0.000	0.000	0.000
Other Environment and Planning	Block of small projects.	0.043	0.000	0.043	0.000	0.000	0.000	0.000	0.000	0.000
Flood & Water Risk Management	A range of projects to alleviate flood and water risks.	0.572	0.000	0.572	0.000	0.000	0.000	0.000	0.000	0.000
Local Flood Defence Schemes (to match fund EA)	Match funding with the Environment Agency for local flood defence schemes.	0.900	0.000	0.900	1.350	0.000	1.350	3.650	0.000	3.650
Subtotals - Environment		2.908	-0.390	3.298	1.350	0.000	1.350	3.650	0.000	3.650
Waste - Fire Suppression Systems at Transfer Stations	Installation of fire suppression systems.	0.400	0.000	0.400	0.421	0.000	0.421	0.000	0.000	0.000
Waste - replacement of HWRC x 2	Replacement programme for 2 Household Waste Recycling Centres.	0.050	0.000	0.050	3.950	0.000	3.950	0.000	0.000	0.000
Equipment & Vehicles for Waste Transfer Stations	Replacement programme for vehicles and plant used for winter maintenance and in waste transfer stations.	0.251	0.000	0.251	0.252	0.000	0.252	0.847	0.000	0.847
Separated Paper and Card Scheme	Separated collections of paper and cardboard for households across Lincolnshire	0.000	0.000	0.000	1.206	0.000	1.206	4.171	0.000	4.171
Waste		0.035	0.000	0.035	0.100	0.000	0.100	0.000	0.000	0.000
Subtotals - Waste		0.736	0.000	0.736	5.929	0.000	5.929	5.018	0.000	5.018
Subtotals - Communities		6.897	-0.456	7.353	9.779	0.000	9.779	8.668	0.000	8.668

Capital Programme (2020/21 plus Future Years)		Net Programme 2020/21 £m	Grants & Contribution 2020/21 £m	Revised Gross Programme 2020/21 £m	Net Programme 2021/22 £m	Grants & Contribution 2021/22 £m	Revised Gross Programme 2021/22 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
GROWTH										
Lincolnshire Enterprise Partnership Contribution	Lincolnshire Enterprise Partnership funding for capital projects.	13.956	0.000	13.956	0.000	0.000	0.000	0.000	0.000	0.000
LEP Skills Investment Programme	This project is aimed at increasing new apprenticeships and training places by refurbishing existing and creating new learning spaces.	0.232	0.000	0.232	0.000	0.000	0.000	0.000	0.000	0.000
Lincoln Growth Point		-0.240	0.000	-0.240	0.000	0.000	0.000	0.000	0.000	0.000
Lincolnshire Waterways		-0.144	0.000	-0.144	0.000	0.000	0.000	0.000	0.000	0.000
Other Growth and the Economy - Economic Infrastructure		0.293	0.000	0.293	0.000	0.000	0.000	0.000	0.000	0.000
Teal Park, Lincoln		-0.001	0.000	-0.001	0.000	0.000	0.000	0.000	0.000	0.000
South Lincs (Holbeach) Food Enterprise Zone	Contribution towards Holbeach Food Enterprise Zone.	3.400	0.000	3.400	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development - Business Unit Development	Development of business units.	0.500	0.000	0.500	1.500	0.000	1.500	0.000	0.000	0.000
Skegness Countryside Business Park		0.009	0.000	0.009	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development - Horncastle Industrial Estate Extension	Extension of Horncastle Industrial Estate Extension.	0.500	0.000	0.500	1.000	0.000	1.000	0.000	0.000	0.000
Subtotals - Growth		18.505	0.000	18.505	2.500	0.000	2.500	0.000	0.000	0.000

Capital Programme (2020/21 plus Future Years)		Net Programme 2020/21 £m	Grants & Contribution 2020/21 £m	Revised Gross Programme 2020/21 £m	Net Programme 2021/22 £m	Grants & Contribution 2021/22 £m	Revised Gross Programme 2021/22 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
HIGHWAYS										
Spalding Western Relief Road	The Spalding Western Relief Road (SWRR) will be a 6.5km road linking the A1175 and A16 to the south and east of Spalding, to the B1356 Spalding Road to the north of Spalding, via the B1172 Spalding Common	-0.012	-4.343	4.331	21.947	-19.787	41.734	19.811	-2.630	22.441
Spalding Western Relief Road - S106 income expectation	Development Contribution towards completion of Spalding Western Relief Road - Section 1	0.000	0.000	0.000	-1.800	0.000	-1.800	-7.920	0.000	-7.920
Integrated Transport	Schemes including minor capital improvements, rights of way, road safety, public transport and town/village enhancements.	-1.863	-3.267	1.404	0.000	-3.312	3.312	0.000	0.000	0.000
Transforming Street Lighting	Programme of street lighting improvement.	0.228	0.000	0.228	0.150	0.000	0.150	0.000	0.000	0.000
Energy Efficiency Street Lighting Schemes	Replacement of SOX lanterns with more efficient LED bulbs to enable longer-term savings on energy.	0.209	0.000	0.209	0.234	0.000	0.234	0.448	0.000	0.448
Highways Asset Protection	Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.	-9.177	-29.807	20.629	0.000	-33.464	33.464	0.000	0.000	0.000
Highways Asset Protection -Development Drawdown		3.981	0.000	3.981	-3.657	-3.657	0.000	0.000	0.000	0.000
Network Resilience	Replacement programme of gritter vehicles.	0.181	0.000	0.181	0.723	0.000	0.723	4.110	0.000	4.110
A631 Louth to Middle Rasen Safer Road Fund	Improvement on A631 Louth to Middle Rasen, under Safer Roads Funds.	0.601	-2.725	3.326	0.000	0.000	0.000	0.000	0.000	0.000
A18 Safer Road Fund	To improve the safety of the A18	0.162	0.000	0.162	0.000	0.000	0.000	0.000	0.000	0.000
Lincoln Eastern Bypass	Construction of 7.5km highway scheme to the east of Lincoln, connecting sections of the A15 to the north and south of Lincoln.	24.643	0.000	24.643	5.847	0.000	5.847	3.000	0.000	3.000
Grantham Southern Relief Road	The Grantham Southern Relief Road aims to improve the town's infrastructure and growth by the construction of a 3.5km relief road in three phases	21.889	-9.548	31.438	29.703	0.000	29.703	24.142	0.000	24.142
A46 Welton Roundabout (Integrated Transport/NPIF)	Improvement on A46 Welton junction.	4.354	0.000	4.354	0.361	0.000	0.361	0.000	0.000	0.000
Holdingham Roundabout	Improvement on Sleaford Holdingham Roundabout.	0.635	-1.045	1.680	3.839	0.000	3.839	0.000	0.000	0.000
A46 Roundabouts	Improvements to Riseholme and Nettleham roundabouts by extending/adding extra lanes to increase capacity and reduce congestion.	1.285	-2.185	3.470	0.000	0.000	0.000	0.000	0.000	0.000

Capital Programme (2020/21 plus Future Years)		Net Programme 2020/21 £m	Grants & Contribution 2020/21 £m	Revised Gross Programme 2020/21 £m	Net Programme 2021/22 £m	Grants & Contribution 2021/22 £m	Revised Gross Programme 2021/22 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
Corringham Road (development with WLDC)	Major scheme development of Corringham Road, in partnership with West Lindsey District Council.	1.154	-0.500	1.654	0.000	0.000	0.000	0.000	0.000	0.000
Sleaford Rugby Club (Sleaford Growth Scheme)	Improvement to ease congestion and improve the traffic flow at the Sleaford Rugby Club junction.	0.247	-1.070	1.318	1.014	0.000	1.014	0.000	0.000	0.000
A52 Skegness Roman Bank	Full reconstruction of a total of 550m of the A52 Roman Bank in Skegness.	4.449	0.000	4.449	0.325	0.000	0.325	0.075	0.000	0.075
Local Highways Improvements(Pinchpoints) to support Coastal Route	Improvement of the transport corridor to the Lincolnshire Coast by improving pinch-points along the route (A57, A46, and A158).	0.850	0.000	0.850	1.705	0.000	1.705	17.295	0.000	17.295
Rural Road Fund	Investment Fund for Rural Roads across the county, with priority primarily afforded to minor rural and unclassified roads.	0.000	0.000	0.000	12.300	0.000	12.300	0.000	0.000	0.000
Other Highways	Block of smaller Highways projects.	0.032	0.008	0.024	0.000	0.000	0.000	0.000	0.000	0.000
Boston Development Schemes (Infrastructure & Economic)	A range of initiatives to support economic and housing growth whilst reducing traffic congestion in and around Boston.	0.829	0.000	0.829	0.641	0.000	0.641	3.700	0.000	3.700
Pothole and Challenge Fund	Additional DfT grant funding to maintain the carriageway through the identification and repairing of potholes	0.000	-20.909	20.909	0.000	0.000	0.000	0.000	0.000	0.000
North Hykeham relief road (Scheme total £158m, DfT bid £110m)	Completion of a ring road by linking the Lincoln Eastern Bypass with the existing Western Bypass.	0.000	0.000	0.000	0.000	0.000	0.000	48.000	0.000	48.000
Subtotals - Highways		54.679	-75.392	130.071	73.330	-60.220	133.551	112.662	-2.630	115.292
Subtotals Place		80.081	-75.849	155.929	85.609	-60.220	145.829	121.330	-2.630	123.960

Capital Programme (2020/21 plus Future Years)		Net Programme 2020/21 £m	Grants & Contribution 2020/21 £m	Revised Gross Programme 2020/21 £m	Net Programme 2021/22 £m	Grants & Contribution 2021/22 £m	Revised Gross Programme 2021/22 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
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. The funding will be awarded to these schemes on the approval of their business cases.	5.659	0.000	5.659	5.200	0.000	5.200	52.500	0.000	52.500
Capital Fund - CIL	This block relates to Community Infrastructure Levy receipt from the districts as a contribution towards the construction of Lincoln Eastern Bypass and we have forward funded. Any income received will result in the reduction of the current capital programme.	-0.668	-0.668	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Capital Fund - S106	This block relates to S106 developer contributions towards schemes we have forward funded. Any income received will result in the reduction of the current capital programme.	-0.148	-0.148	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals Other Budgets		4.843	-0.817	5.659	5.200	0.000	5.200	52.500	0.000	52.500
Total Budget		102.397	-101.105	203.502	111.283	-97.372	208.655	282.808	-39.289	322.097

CAPITAL GOVERNMENT GRANTS 2021/22

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

CAPITAL GOVERNMENT GRANTS		
		2021/22
		£'000
Schools Devolved Formula Capital	*	1,040
Schools Basic Needs		2,900
Schools Condition Allocation	*	3,500
SEND Provision Capital Funding for Pupils with EHC Plans		13,090
Children's Services		20,530
Highways Asset Maintenance	*	33,464
Highways Infrastructure Fund (Spalding Relief Road Phase 5)	*	18,787
Highways Integrated Transport	*	3,312
Place		55,563
Total Capital Grants		76,093
		*estimate

Further grants included in the programme will be received on a claim or bid

SUMMARIES OF DELIVERY SERVICES REVENUE ESTIMATES

CHILDREN'S SERVICES

REVENUE EXPENDITURE - EDUCATION

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	41,604,380		
	BUDGET CHANGES:	- 1,480,752		
2.0	<u>Inflation</u>	77,384	Ref 2.0	An allocation for inflation
3.0	<u>Cost Pressures</u>			
3.1	Home to School/College Transport	5,189,001	Ref 3.1	Additional school transport contract costs including a rebase of budget to current spending levels (£2.000m); increases associated with the National Living Wage and inflationary rises (£1.005m), special schools One School One Operator model (£1.000m), Vehicle Regulation changes (£0.600m), and an increase in the expected numbers of eligible pupils.
4.0	<u>Savings</u>			
4.1	Education Support Services	- 1,000	Ref 4.1	Budget reductions to meet service requirements.
5.0	2021/22 BUDGET	45,389,013		

REVENUE EXPENDITURE - EDUCATION

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	HOME TO SCHOOL/COLLEGE TRANSPORT	27,076,426	5,166,825	32,243,251
2.0	SPECIAL EDUCATIONAL NEEDS & DISABILITY	7,617,791	28,905	7,646,696
3.0	EDUCATION SUPPORT SERVICES	905,767	-23,821	881,946
4.0	SCHOOL IMPROVEMENT	1,204,313	-1,535	1,202,778
5.0	STATUTORY REGULATORY DUTIES	3,319,331	95,011	3,414,342
			0	
6.0	NET TARGET BUDGET	40,123,628	5,265,385	45,389,013
			-	

REVENUE EXPENDITURE - SOCIAL CARE

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	73,452,619		
	BUDGET CHANGES:	416,828		
2.0	<u>Inflation</u>	348,536	Ref 2.0	An allocation for inflation
3.0	<u>Cost Pressures</u>			
3.1	Looked After Children	2,296,586	Ref 3.1	Growth in number of looked after children due to the increasing complex nature of family life, a shift in placement compositions from internal foster arrangements to more external placements, and anticipated inflationary rises in placements.
3.2	Special Guardianship Orders	281,922	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	Early Help Services	- 1,000	Ref 4.1	Budget reductions to meet service requirements.
5.0	2021/22 BUDGET	76,795,491		

REVENUE EXPENDITURE - SOCIAL CARE

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	0 - 19 HEALTH SERVICES	10,645,944	57,757	10,703,701
2.0	EARLY HELP SERVICES	10,835,729	180,221	11,015,950
3.0	FAMILY ASSESSMENT AND SUPPORT TEAM	17,193,406	314,310	17,507,716
4.0	ADOPTION AND FOSTERING SERVICES	13,979,807	673,336	14,653,143
5.0	RESIDENTIAL HOMES AND PLACEMENTS	12,388,517	1,669,262	14,057,779
6.0	LEAVING CARE SERVICES AND SUPPORTED ACCOMMC	5,053,176	-2,031	5,051,145
7.0	TARGETED SUPPORT FOR YOUNG PEOPLE	1,311,246	-12,198	1,299,048
8.0	YOUTH OFFENDING	2,461,622	45,387	2,507,009
			0	
9.0	NET TARGET BUDGET	73,869,447	2,926,044	76,795,491
			-	

ADULT CARE & COMMUNITY WELLBEING

REVENUE EXPENDITURE - ADULT FRAILTY & LONG TERM CONDITIONS

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	120,652,833		
	BUDGET CHANGES:	- 1,776,260		
2.0	<u>Inflation</u>	122,261	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Demographic Growth & Inflation	1,801,144	Ref 3.1	Homecare, Direct Payment, Daycare additional cost pressures but will be funded by additional income
3.2	Demographic Growth & Inflation	3,800,401	Ref 3.2	Inflation & Demographic Pressures for Residential & Nursing placements, net of additional income that would also occur
3.3	National Living Wage	- 213,690	Ref 3.3	Reduction in National Living Wage pressure following spending review announcement that NLW would only increase to £8.91 per hour
4.0	<u>Savings</u>			
4.1	Budget 2020 - three year savings program	- 100,000	Ref 4.1	Cost reduction following online financial assessments and reduction of staffing as part of corporate transformation programme
4.2	Adult Charging	- 1,801,144	Ref 4.2	Growth in Service user contributions which net off cost pressures in Homecare, Direct Payments and Daycare
4.3	Adult Charging	- 1,500,000	Ref 4.3	Additional Service user income Residential
4.4	Residential/Nursing Placements	- 160,000	Ref 4.4	Investment in Extra Care Housing to reduce Long Term Placements
4.5	Direct Payments	- 300,000	Ref 4.5	Improvement in Direct Payment reclaim of surplus funds from 88% to 94%
4.6	Debt Collection Efficiencies	- 100,000	Ref 4.6	Reduction in Legal fees due to improved Debt Collection
4.7	Peak Demand Efficiencies	- 400,000	Ref 4.7	Re-direction of funding to support services in core and mandatory services
5.0	2021/22 BUDGET	120,025,545		

REVENUE EXPENDITURE - ADULT FRAILTY & LONG TERM CONDITIONS

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	LONG AND SHORT TERM RESIDENTIAL CARE	59,321,556	-914,990	58,406,566
2.0	HOME BASED CARE SERVICES	22,523,739	597,879	23,121,618
3.0	DIRECT PAYMENTS	13,023,597	-1,674	13,021,923
4.0	DAY CARE SERVICES	503,056	-51,694	451,362
5.0	REABLEMENT SERVICES	3,996,863	0	3,996,863
6.0	FIELDWORK TEAM	16,321,418	201,154	16,522,572
7.0	COMMISSIONING SUPPORT	4,962,604	-457,963	4,504,641
			0	
9.0	NET TARGET BUDGET	120,652,833	-627,288	120,025,545

REVENUE EXPENDITURE - ADULT SPECIALTIES

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	80,417,925		
	BUDGET CHANGES:	588,915		
2.0	<u>Inflation</u>	57,955	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Inflation & Demographic Growth	3,206,595	Ref 3.1	Inflation & Demographic growth for Community Based Services. Net of any additional income which would be received
3.2	Inflation & Demographic Growth	1,580,000	Ref 3.2	Inflation & Demographic growth for Residential Placements including additional costs for those transitioning from Children's Services. Net of any additional income which would be received
3.3	Underlying demand levels	1,163,000	Ref 3.3	Underlying demand levels within the service currently funded from the Better Care Fund
3.4	National Living Wage	- 189,499	Ref 3.4	Reduction in National Living Wage pressure following spending review announcement that NLW would only increase to £8.91 per hour
4.0	<u>Savings</u>			
4.1	Review of Better Care Funded Schemes	- 490,000	Ref 4.1	Redirect funding to support service pressures in core, mandatory services
5.0	2021/22 BUDGET	86,334,891		

REVENUE EXPENDITURE - ADULT SPECIALTIES

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	LONG AND SHORT TERM CARE	25,370,032	679,988	26,050,020
2.0	HOME BASED CARE SERVICES	26,228,605	1,160,114	27,388,719
3.0	DIRECT PAYMENTS	8,869,675	1,108,192	9,977,867
4.0	DAY CARE SERVICES	4,597,846	620,010	5,217,856
5.0	LD FIELDWORK	3,222,688	69,355	3,292,043
6.0	MENTAL HEALTH	7,868,000	2,190,326	10,058,326
7.0	SAFEGUARDING FIELDWORK	1,476,307	5,570	1,481,877
8.0	BEST INTEREST ASSESSMENTS	2,718,990	82,918	2,801,908
9.0	SAFEGUARDING BOARD	65,782	493	66,275
			0	
10.0	NET TARGET BUDGET	80,417,925	5,916,966	86,334,891
			-	

REVENUE EXPENDITURE - PUBLIC HEALTH & COMMUNITY WELLBEING

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	28,787,442		
	BUDGET CHANGES:	- 319,376		
2.0	<u>Inflation</u>	23,798	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Integrated Lifestyle Service and Substance Misuse	510,000	Ref 3.1	To fund Integrated Lifestyle Service Budget Shortfall and Substance Misuse Drug Pressures
3.2	Increase to fund other Public Health Budget Pressures	311,767	Ref 3.2	Increase in budgets to fund other Public Health Budget Pressures
4.0	<u>Savings</u>			
4.1	Savings following contract reprocurement	- 500,000	Ref 4.1	Budget revisions to meet current service requirements
4.2	Review of BCF schemes	- 192,000	Ref 4.2	Review of BCF schemes redirecting funding to support service
5.0	2021/22 BUDGET	28,621,631		

REVENUE EXPENDITURE - PUBLIC HEALTH & COMMUNITY WELLBEING

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	HEALTH IMPROVEMENT, PREVENTION AND SELF	2,317,100	488,708	2,805,808
2.0	PUBLIC HEALTH STATUTORY SERVICE	4,269,904	-199,192	4,070,712
3.0	WELLBEING SERVICE	6,340,642	27,358	6,368,000
4.0	SEXUAL HEALTH	5,296,640	-480,000	4,816,640
5.0	HOUSING RELATED SERVICE	2,756,644	-100,883	2,655,761
6.0	PREVENTION AND TREATMENT OF SUBSTANCE MISUSE	5,417,020	130,000	5,547,020
7.0	ADULT AND YOUNG CARERS SERVICE CONTRACTS	1,639,492	68,198	1,707,690
8.0	CARERS PERSONAL BUDGETS	750,000	-100,000	650,000
9.0	NET TARGET BUDGET	28,787,442	-165,811	28,621,631

PLACE

REVENUE EXPENDITURE - COMMUNITIES

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	46,532,218		
	BUDGET CHANGES:	- 358,008		
2.0	<u>Inflation</u>	67,405	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Cultural Services - Library provision	42,000	Ref 3.1	Library provider (GLL) contract inflation pressure
3.2	Waste Services	1,100,000	Ref 3.2	Increases on the new Mixed Dry Recycling (MDR) contract
3.3	Waste Services	218,250	Ref 3.3	Investment to reduce contamination and save on MDR
3.4	Sustainable Planning	280,000	Ref 3.4	Additional cost of legal advice on complex planning decisions
4.0	<u>Savings</u>			
5.0	2021/22 BUDGET	47,881,865		

REVENUE EXPENDITURE - COMMUNITIES

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	TRANSPORT SERVICES	13,786,417	20,732	13,807,149
2.0	CULTURAL SERVICES	6,781,939	60,180	6,842,119
3.0	ENVIRONMENT & FLOOD MANAGEMENT	3,062,698	9,588	3,072,286
4.0	SUSTAINABLE PLANNING	769,021	289,508	1,058,529
5.0	WASTE MANAGEMENT	21,774,136	1,327,647	23,101,783
			0	
9.0	NET TARGET BUDGET	46,174,211	1,707,655	47,881,866
			-	

REVENUE EXPENDITURE - LINCOLNSHIRE LOCAL ENTERPRISE PARTNERSHIP

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	412,525		
	BUDGET CHANGES:	- 71,836		
2.0	<u>Inflation</u>	3,416	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
4.0	<u>Savings</u>			
5.0	2021/22 BUDGET	344,105		

REVENUE EXPENDITURE - LINCOLNSHIRE LOCAL ENTERPRISE PARTNERSHIP

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
			-	
1.0	GL LEP	340,689	3,416	344,105
			0	
9.0	NET TARGET BUDGET	340,689	3,416	344,105
			-	

REVENUE EXPENDITURE - GROWTH

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	3,508,607		
	BUDGET CHANGES:	- 1,343,656		
2.0	<u>Inflation</u>	27,801	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
4.0	<u>Savings</u>			
5.0	2021/22 BUDGET	2,192,752		

REVENUE EXPENDITURE - GROWTH

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	ECONOMIC DEVELOPMENT	1,083,938	9,110	1,093,048
2.0	ECOONOMIC INFRASTRUCTURE	393,319	5,399	398,718
3.0	INFRASTRUCTURE INVESTMENT	806,412	5,773	812,185
4.0	DEVELOPMENT MANAGEMENT	-118,718	7,519	-111,199
			0	
9.0	NET TARGET BUDGET	2,164,951	27,801	2,192,752
			-	

REVENUE EXPENDITURE - HIGHWAYS

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	22,533,951		
	BUDGET CHANGES:	1,538,168		
2.0	<u>Inflation</u>	51,141	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Design Services	300,000	Ref 3.1	Increase in energy charges for street lighting and signs
4.0	<u>Savings</u>			
4.1	Highways Services	- 159,210	Ref 4.1	Saving on the lease cost of winter gritters
5.0	2021/22 BUDGET	24,264,050		

REVENUE EXPENDITURE - HIGHWAYS

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	DESIGN SERVICES	6,529,596	303,334	6,832,930
2.0	HIGHWAYS SERVICES	6,340,761	-134,898	6,205,863
3.0	HIGHWAYS ASSET MANAGEMENT	10,614,128	22,662	10,636,790
4.0	HIGHWAYS INFRASTRUCTURE	587,634	833	588,467
9.0	NET TARGET BUDGET	24,072,119	191,931	24,264,050

FIRE & RESCUE AND PUBLIC PROTECTION

REVENUE EXPENDITURE - FIRE & RESCUE AND EMERGENCY PLANNING

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	21,894,282		
	BUDGET CHANGES:	- 73,113		
2.0	<u>Inflation</u>	99,849	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Business Rates	10,962	Ref 3.1	An allocated to cover the increase in business rates across Fire & Rescue sites
3.2	Trauma Training	250,000	Ref 3.2	The delivery of a three year trauma training programme
3.3	Review of Fire Control function	85,000	Ref 3.3	Additional funding to provide effective resilience for the services control centre.
3.4	Mobilising system costs	45,000	Ref 3.4	Additional funding to support the development of the Fire & Rescue mobilising system
4.0	<u>Savings</u>	-		
5.0	2021/22 BUDGET	22,311,980		

REVENUE EXPENDITURE - FIRE & RESCUE AND EMERGENCY PLANNING

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	FIRE & RESCUE	21,496,309	487,571	21,983,880
2.0	EMERGENCY PLANNING	324,860	3,240	328,100
			0	
9.0	NET TARGET BUDGET	21,821,169	490,811	22,311,980

RESOURCES

REVENUE EXPENDITURE - PUBLIC PROTECTION

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	3,458,637		
	BUDGET CHANGES:	86,470		
2.0	<u>Inflation</u>	28,504	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Community Safety	585,296	Ref 3.1	The generation of a permanent budget for community safety provision which has in previous years been highly subsidised by earmarked reserves which have now been exhausted. This is alongside the development of the service to meet the new burdens of the Domestic Abuse green paper. This is partly offset by the expectation of central government funding (see ref 4.1 below)
3.2	Coroners	535,813	Ref 3.2	The realignment of required funding incorporating the renegotiation of mortuary facility and post mortem contracts.
4.0	<u>Savings</u>			
4.1	Community Safety	- 98,000	Ref 4.1	In anticipation of central government funding for new burden activities relating to Domestic Abuse
4.2	Registration Income	- 108,000	Ref 4.2	The realignment of target income to the level achieve in 19/20
5.0	2021/22 BUDGET	4,488,720		

REVENUE EXPENDITURE - PUBLIC PROTECTION

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	SAFER COMMUNITIES	2,137,996	502,422	2,640,418
2.0	REGISTRATION, CELEBRATORY SERVICES AND CORONERS	1,407,111	441,191	1,848,302
			0	
9.0	NET TARGET BUDGET	3,545,107	943,613	4,488,720

REVENUE EXPENDITURE - FINANCE

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	6,589,959		
	BUDGET CHANGES:	149,108		
2.0	<u>Inflation</u>	37,756	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Corporate Support Services Contract	548,172	Ref 3.1	The realignment of funding requirement - compromising of indexation increases and volume reviews - for exchequer and adult services delivery (£275,172) alongside the provision of a new service for residential care (Gross versus net) payments (£273,000)
4.0	<u>Savings</u>			
4.1	Audit services income	- 15,000	Ref 3.2	Planned additional income from the continued development of Audit services to partner organisations.
4.2	Finance services to schools	- 20,000	Ref 3.3	An increase in the level of income from schools.
5.0	2021/22 BUDGET	7,289,995		

REVENUE EXPENDITURE - FINANCE

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	FINANCIAL SERVICES	5,648,393	554,055	6,202,448
2.0	CORPORATE AUDIT & RISK MANAGEMENT	1,090,674	-3,127	1,087,547
			0	
9.0	NET TARGET BUDGET	6,739,067	550,928	7,289,995

REVENUE EXPENDITURE - ORGANISATION SUPPORT

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	13,920,986		
	BUDGET CHANGES:	135,046		
2.0	<u>Inflation</u>	92,050	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Corporate Support Services Contract	50,254	Ref 3.1	The realignment of funding requirement - compromising of indexation increases and volume reviews - for HR and Payroll services
4.0	<u>Savings</u>			
4.1	<u>HR services to schools</u>	- 91,000	Ref 4.1	Proposed income from the continued development of a suite of HR services to schools
4.2	Reduction in printing	- 57,000	Ref 4.2	A reduction in costs following a contractual review
5.0	2021/22 BUDGET	14,050,336		

REVENUE EXPENDITURE - ORGANISATION SUPPORT

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	HUMAN RESOURCES	3,308,539	-26,299	3,282,240
2.0	BUSINESS SUPPORT	10,747,493	20,603	10,768,096
			0	
9.0	NET TARGET BUDGET	14,056,032	-5,696	14,050,336

REVENUE EXPENDITURE - LEGAL AND GOVERNANCE

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	2,035,679		
	BUDGET CHANGES:	18,728		
2.0	<u>Inflation</u>	17,408	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>	-		
4.0	<u>Savings</u>			
5.0	2021/22 BUDGET	2,071,815		

REVENUE EXPENDITURE - LEGAL AND GOVERNANCE

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	DEMOCRATIC SERVICES	2,394,403	13,442	2,407,845
2.0	INFORMATION ASSURANCE	759,357	3,966	763,323
3.0	LEGAL LINCOLNSHIRE	-1,099,353	0	-1,099,353
			0	
			0	
			0	
9.0	NET TARGET BUDGET	2,054,407	17,408	2,071,815
			-	

COMMERCIAL

REVENUE EXPENDITURE - CORPORATE PROPERTY

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	9,807,437		
	BUDGET CHANGES:	107,973		
2.0	<u>Inflation</u>	10,734	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Increase in rates, insurance and utility costs	358,463	Ref 3.1	An increase in property costs.
3.2	Property Contract Inflation	156,000	Ref 3.2	
3.3	Fire door surveys and compliance	133,000	Ref 3.3	A continuous programme of fire door surveys, including the appointment of a compliance officer, as a result of the Grenfell report.
3.4	Travellers sites	66,000	Ref 3.4	Increased monitoring and attendance as a result of the modern day slavery regulations
4.0	<u>Savings</u>			
4.1	Reduction in outgoing rents	- 150,000	Ref 4.1	A reduction in county farms rents payable.
4.2	Reduction in general property costs	- 85,000	Ref 4.2	A general reduction in property costs
5.0	2021/22 BUDGET	10,404,607		

REVENUE EXPENDITURE - CORPORATE PROPERTY

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	CORPORATE PROPERTY	11,507,544	418,247	11,925,791
2.0	COUNTY FARMS	-1,592,134	70,950	-1,521,184
			0	
9.0	NET TARGET BUDGET	9,915,410	489,197	10,404,607

REVENUE EXPENDITURE - COMMERCIAL

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	8,531,074		
	BUDGET CHANGES:	63,415		
2.0	<u>Inflation</u>	24,837	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Corporate Support Services Contract	129,594	Ref 3.1	The realignment of funding requirement - compromising of indexation increases and volume reviews - for the Customer Service Centre
4.0	<u>Savings</u>			
5.0	2021/22 BUDGET	8,748,920		

REVENUE EXPENDITURE - COMMERCIAL

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	COMMISSIONING AND CONTRACTS	2,095,962	16,633	2,112,595
2.0	PROCUREMENT	1,105,229	8,204	1,113,433
3.0	CUSTOMER SERVICE CENTRE	5,393,298	129,594	5,522,892
			0	
9.0	NET TARGET BUDGET	8,594,489	154,431	8,748,920

REVENUE EXPENDITURE - TRANSFORMATION

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	1,473,198		
	BUDGET CHANGES:	3,175,994		
2.0	<u>Inflation</u>	34,829	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Business Intelligence Software	46,000	Ref 3.1	The temporary funding of legacy systems prior to the launch of a new Business Intelligence platform
4.0	<u>Savings</u>			
5.0	2021/22 BUDGET	4,730,021		

REVENUE EXPENDITURE - TRANSFORMATION

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	BUSINESS SYSTEMS	2,063,217	14,753	2,077,970
2.0	TRANSFORMATION & PROGRAMME MANAGEMENT	883,490	6,278	889,768
3.0	PERFORMANCE	1,702,485	59,798	1,762,283
			0	
9.0	NET TARGET BUDGET	4,649,192	80,829	4,730,021

REVENUE EXPENDITURE - INFORMATION AND TECHNOLOGY

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	14,327,210		
	BUDGET CHANGES:	- 103,696		
2.0	<u>Inflation</u>	13,449	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Corporate Services Support Contract	476,806	Ref 3.1	The realignment of funding requirement - compromising of indexation increases and volume reviews - for Information and Technology services
4.0	<u>Savings</u>			
5.0	2021/22 BUDGET	14,713,769		

REVENUE EXPENDITURE - INFORMATION AND TECHNOLOGY

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
			-	
1.0	IN HOUSE SERVICES	2,221,342	13,449	2,234,791
2.0	COMMISSIONED SERVICES	12,002,172	476,806	12,478,978
			0	
9.0	NET TARGET BUDGET	14,223,514	490,255	14,713,769
			-	

CORPORATE SERVICES

REVENUE EXPENDITURE - CORPORATE SERVICES

Ref No	Main Area of Expenditure	2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET	2,489,732		
	BUDGET CHANGES:	375,652		
2.0	<u>Inflation</u>	14,023	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Corporate Marketing	35,000	Ref 3.1	Creation of a corporate marketing, promotions and communications budget.
3.2	Alignment for new management structure	41,580	Ref 3.2	Alignment of budget to meet the full cost of the new new management structure
4.0	<u>Savings</u>			
5.0	2021/22 BUDGET	2,955,987		

REVENUE EXPENDITURE - CORPORATE SERVICES

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
1.0	CORPORATE SERVICES	247,160	43,735	290,895
2.0	CHIEF EXECUTIVE	509,156	2,005	511,161
3.0	STRATEGIC COMMUNICATIONS AND COMMUNITY ENGAGEMENT	2,109,068	44,863	2,153,931
			0	
9.0	NET TARGET BUDGET	2,865,384	90,603	2,955,987

OTHER BUDGETS

REVENUE EXPENDITURE - OTHER BUDGETS

Ref No	Main Area of Expenditure		2021/22 Proposed Budget £		Notes
1.0	2020/21 BUDGET		67,243,786		
	BUDGET CHANGES:		1,129,600		
2.0	<u>Inflation</u>		-	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>				
			1,584,349	Ref 3.1	An allocation of estimated cost relating to pay below £24k.
			1,400,000	Ref 3.2	Reduction in interest receipt on cash balances.
			1,322,592	Ref 3.3	Increase in employer's contribution towards pension deficit
			426,401	Ref 3.4	Increase in insurance premium costs.
			55,041	Ref 3.5	Increase in levy payments.
			25,000	Ref 3.6	Contribution towards Discretionary Council Tax Relief for Special Constables
			30,000	Ref 3.7	Increase in the cost to finance the capital programme due to removal of revenue contribution.
4.0	<u>Savings</u>				
		-	4,362,231	Ref 4.1	Implementation of capital financing savings.
		-	1,100,000	Ref 4.2	Removal of revenue contribution in financing the capital programme.
		-	100,000	Ref 4.3	Reduction in pension liabilities due to attrition rate.
		-	6,060	Ref 4.4	Increase in dividend relating to investment.
5.0	2021/22 BUDGET		67,648,478		

REVENUE EXPENDITURE - OTHER BUDGETS

Line No	Description	2020/21 Budget £	Budget Changes £	2021/22 Proposed Budget £
			-	
1.0	CAPITAL FINANCING CHARGES	45,694,177	-4,032,231	41,661,946
2.0	CONTINGENCY	3,000,000	0	3,000,000
3.0	OTHER BUDGET EXPENDITURE	19,679,209	3,307,323	22,986,532
			0	
9.0	NET TARGET BUDGET	68,373,386	-724,908	67,648,478
			-	

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 contributes 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 changes 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 Service Areas

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	

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
Resources	Audit & Risk	Professional and Administrative functions to advice and support members and council services.
	Human Resources	
	Democratic Services	
	Legal Lincolnshire	Provision of shared services arrangements to local government partners
	Business Support	
	Financial Strategy	
	Pensions	
	Information Assurance	
	Trading Standards	Partnership working for crime and disorder and Domestic Abuse Services. Trading Standards, Coroner responsibilities & Registration & Celebratory services.
	Community Safety	
	Coroners	
	Registration & Celebratory	
Commercial	Commercial Services	Commercial and contract management, property asset management, IT service provision and council wide transformation programmes to enable effective council services.
	Corporate Property	
	Information Management	
	Transformation	
Corporate Services	Chief Executive	Council leadership and policy development function.
	Policy	

CONTACT INFORMATION FOR SERVICE AREAS BUDGET DETAIL

The information on revenue budgets provided in this booklet summarises the detailed estimates for each individual Service Areas. If you require further detail please contact: -
Email – finance@lincolnshire.gov.uk