Council Budget 2023/24

Lincolnshire
COUNTY COUNCIL
Working for a better future

1. BUDGET RECOMMENDATIONS

It is recommended that the Council:

1.1 has due regard to the responses to the engagement and consultation feedback on the Council's budget proposals as contained in the Budget Book (**Appendix D** - Budget Engagement and Consultation Feedback).

1.2 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 10** - Section 151 Officer's Statement on the Robustness of the Budget and Adequacy of Reserves).

1.3 has due regard to the Impact Analysis relating to increasing the Council Tax by 4.99% in 2023/24 set out in the appended 'Budget Book' (**Appendix C** – Equality Impact Analysis relating to increasing the Council Tax by 4.99% in 2023/24).

1.4 approves:

1.4.1 the service revenue budgets for 2023/24 contained in the Budget Book, (**Table 2** - Net Service Revenue Budget 2023/24);

1.4.2 the capital programme and its funding contained in the Budget Book (**Section 7** - Capital Programme) and (**Appendix O** - Capital Investment Programme);

1.4.3 the County Council element of the council tax for a Band D property at £1,503.63 for 2023/24 contained in the Budget Book (**Appendix B** - County Precept 2023/24);

as together being the Council's Budget.

1.5 approves the Council's Medium Term Financial Strategy contained in the Budget Book (**Appendix E** – The Medium Term Financial Strategy);

1.6 approves the Council's Capital Strategy contained in the Budget Book (**Appendix N** – Capital Strategy 2023/24);

1.7 approves the prudential targets for capital finance and notes the prudential indicators contained in the Budget Book (**Appendix M** - Prudential Indicators);

1.8 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 9** - 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 2023/24, which reflects the provision of a one-year Local Government finance settlement (see section 3).

2.2 The economic context and national financing framework the Council operates within continues to be ever challenging, and it requires the Council to remain agile and adaptive. The rate of inflation has reached unprecedented levels, with an expectation that it will remain higher for longer than originally assumed. This has had significant implications for the cost of providing services, and will continue to do so in future. When combined with increased demand for services, and increasing complexity of demand, this amounts to a particularly challenging set of circumstances for the Council to manage.

2.3 Inflation has been high throughout the 2023/24 budget setting process. The rate of CPI inflation was 9% in April 2022, and has increased thereafter peaking at 11.1% in October 2022. It is expected to gradually reduce, reflecting a permanently higher price base.

2.4 The Local Government finance settlement for 2023/24 provided a much needed increase in spending power, which has helped to reduce the deficit to a manageable level. It is also helpful that the Government's intentions for 2024/25 have been set out, which enables the Council to have slightly more certainty for longer than is normally the case. The note of caution to this is that circumstances can change quickly, and no allocations have been guaranteed in this regard.

2.5 Government plans for public spending and financing reflect the size of the economy. Therefore, the much changed economic forecasts now project a smaller economy than had previously been expected, together with higher costs either due to; high inflation (e.g. state pension and benefits) or higher interest rates (e.g. borrowing). In the Autumn Statement presented on 17 November 2022, the Government set out a revised plan for the public finances. The Autumn Statement sets out short-term increases in public spending as growth slows and unemployment rises – fiscal policy intervention designed to result in shallower recession and unemployment. Once growth returns, there is forecast to be lower increases in public spending – reducing pressure on Bank of England to raise the base rate further. Long-term, the plan is to grow public spending slower than growth in the economy. In summary, the Council must go forward on the assumption that its funding might not increase from 2025/26 onwards like it has in recent years.

2.6 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 2023/24 the threshold has been set at a 3% increase for general council tax, plus a further 2% for authorities with adult social care responsibilities to deal with pressures in this area. The budget proposes increasing council tax by 4.99% (inclusive of 2% for adult social care) and ensures the Council is better placed to address the risks within the medium term outlook and also enables the investment of extra money into highways in 2023/24 as a key Council priority.

2.7 Whilst this is a challenging time for residents, the Council must take the necessary steps to ensure its financial sustainability and put it in the strongest possible position to withstand any potential funding and/or expenditure shocks. Maximising resources supports the Council's ability to do this. Additionally, it must also be noted that the current rate of inflation is more than double the rate of increase proposed which impacts on all areas, including priority areas such as highways.

2.8 It must be noted that an increasing number of local authorities are reporting financial difficulties, whereby costs are escalating at a faster pace than income and funding. The County Council can be considered to be in a relatively strong position, which is directly as a result of its prudent approach to financial management and service delivery. As part of Government efforts to support those authorities in distress, additional council tax flexibilities have been granted on a case by case basis. For example, Croydon are able to levy a 15% increase, inclusive of a 10% supplement. The preference is always for financial sustainability to be prioritised, which now relies upon consistent and sensible increases.

2.9 It cannot be overstated how important the Council's well-run services contribute to the current financial position. It is very much in the Council's interests to prioritise and promote financial sustainability, so that it remains fully in control of its size and shape relative to its available funding. Importantly, the Council's reserves ensure it has sufficient capacity to respond to expenditure or funding challenges in a sensible and well thought through way.

2.10 In addition to promoting financial sustainability, the proposed increase to council tax also addresses a risk with regards to lobbying and accessing additional Government funding for road projects. The Council is better placed to lobby for extra resource to spend on key priorities like highways if it has done everything within its power to generate resources locally. If it doesn't maximise the increase in council tax, the Government would be well placed to resist any lobbying on the basis that the Council has opted to not maximise the sources of funding available to it.

2.11 For several years, the Government has deferred two funding reforms, which would be expected to 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 more than once, with no specific date now planned for implementation. Combined with a one-year settlement, this amounts to significant uncertainty over future funding levels, especially after 2024/25.

2.12 In developing the financial plan the Council has considered all areas of current spending, levels of income and council tax to set a balanced budget. This includes a review of 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 2023/24 are considered to have minimal impact on users of our services.

3. THE COUNCIL'S REVENUE FUNDING

Local Government Finance Settlement

3.1 The provisional Local Government Finance Settlement was announced on 19 December 2022 and covered the year 2023/24 only. The settlement confirmed a £59.5bn potential funding package for local authorities (£5bn or 9% increase from 2022/23), with the key changes from 2022/23 set out below:

- £1.9bn increase predicated on maximising council tax increases (3% core increase + 2% adult social care precept)

- £1.9bn increase through additional social care grants (£1.5bn social care grant, £0.3bn BCF, £0.4bn ASC discharge fund, £0.3bn reduction to reflect Independent Living Fund being rolled in to social care grant)

- £1.7bn increase in settlement funding assessment (revenue support grant and baseline funding level) and compensation for business rate multiplier under indexation

- £0.4bn reduction in Services grant, to reflect reversal of Health and Social Care NI Levy

- £0.3bn reduction in New Homes Bonus payment values, to reflect a one year extension to the scheme with no legacy payments

3.2 The announcements above translate in the Government's estimate of the core spending power position for Lincolnshire in 2023/24. It is important to note that, in estimating core spending power, the Government assume that the Council will maximise council tax increases and therefore the maximum amount is predicated on this decision, which is solely the remit of Full Council. The key grant changes from 2022/23 levels for Lincolnshire are as follows:

- An increase in the social care grant of £21.2m from 2022/23 levels, supported by re-purposed funding from the delayed charging reforms, which splits out as follows:
  - £16.6m core uplift
  - £3.0m adult social care precept equalisation
  - £1.6m independent living fund rolling in (net nil item)

- A £6.3m increase in settlement funding assessment, which comprises:
  - £2.2m increase in revenue support grant
  - £4.1m increase in baseline funding (NNDR)

- A £5.6m increase in the ASC Market Sustainability and Improvement Fund. The total funding for 2023/24 will be £7.9m, which contains the original 2022/23 £2.3m Market Sustainability and Fair Cost of Care Fund.

- A new ASC Discharge Fund of £4.8m, which is allocated through the better care fund.

- A £3.4m reduction to the Services Grant, to reflect the reversal of the Health and Social Care NI Levy costs (cost reduction assumed in budget proposal).

- A £0.8m reduction in New Homes Bonus, which primarily reflects the expiration of legacy payments from prior year housing growth.

- Rural service delivery grant (RSDG) funding is maintained at 2022/23 levels.

- The improved better care fund (IBCF) is maintained at 2022/23 levels.

- The business rates top-up grant has increased by £3.7m to £95.1m. This reflects the impact of the business rates revaluation on the Council's estimated net NNDR yield and its NNDR baseline funding.

In addition to having the ability to increase council tax by up to 3% and the adult social care precept by up to 2%. For reference, each 1% increase is worth approximately £3.5m.

3.3 The final Local Government Finance Settlement for 2023/24 was published on 6 February 2023 and contained some modest changes from the draft settlement published on 19 December 2022. The specific changes that have been built into the budget proposal are as follows:

- £0.9m increase in the Rural Service Delivery Grant, in recognition of specific cost pressures in rural areas

- £0.2m increase in the Services Grant as a result of held back funding being returned and the 3% minimum funding guarantee being recalculated

- £0.9m one-off funding as a result of the surplus currently held in the business rates levy account being distributed to local authorities through the 2013/14 settlement funding assessment formula.

As a result of the above changes, the use of reserves required to achieve a balanced budget has reduced from £9.5m in the updated budget proposal endorsed by the Executive on 7 February 2023 to £7.5m (see Appendix A). The allocation of additional funding, whilst always welcome, was not expected and therefore represents a late gain in the process. Approximately half of the additional funding received is expected to continue beyond 2023/24, although subject to the wider public financing context considered in section 2.

<u>Other Revenue Government Grants</u>

3.4 The following grants are assumed for 2023/24:

- Extended Rights to Free Travel from the Department for Education is assumed to increase to £1.5m in 2023/24;

- It is assumed that the Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs will continue at £0.128m for 2023/24;

- It is assumed that Fire Pension grant will continue at the same level as previously and will be £1.437m in 2023/24.

The Independent Living Fund will no longer be received because it has been rolled in to the settlement funding assessment.

3.5 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 inflated to £35.5m for 2023/24 (£34.8m for 2022/23). The grant had not been announced at the time of compiling the budget book.

3.6 The Better Care Fund comprises several different elements, including the Improved Better Care Fund received direct from Central Government, and elements received from and pooled with the Integrated Care Board (ICB). The new additional £4.8m discharge funding is also expected to be pooled as part of the Better Care Fund. Taken together, the different strands amount to £61.4m in 2023/24 (£56.6m in 2022/23) to fund Adult Care Services. The conditions attached to the fund for 2023/24 are expected to be published in the coming months.

Council Tax (Rate)

3.7 The Secretary of State in "The Referendums Relating to Council Tax Increases Report 2023/24" confirmed that the referendum threshold for increasing Council Tax is set at 5% for the County Council in 2023/24 (comprising 2% for expenditure on adult social care, and 3% for other expenditure).

3.8 The budget report proposes that Council Tax be increased by 4.99% in total, comprising 2.99% for general council tax and 2.00% for adult social care for the 2023/24 financial year. The Council Tax increase of 4.99% will generate additional income of £17.0m in 2023/24.

3.9 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 settlement sets the limit at 5% for the Council (2% for adult social care and 3% for general rate increases). The Executive can determine that the recommended council tax increase of 4.99% is not excessive.

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

Council Tax (Base)

3.11 Figures received from the Lincolnshire District Councils show an increase in the tax base of 3,175.1 band D equivalent properties or 1.33%. The change in base will provide the Council with additional Council Tax income of £4.8m per annum at the proposed council tax level. This sum, together with the 4.99% increase in Council Tax yielding £17.0m, will provide total additional Council Tax income of £21.8m in 2023/24.

Council Tax (Collection Fund)

3.12 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 £2.0m. This is in addition to precept income for 2023/24 and is net of the Collection Fund deficit from 2020/21 which was spread over 2021/22, 2022/23 and 2023/24.

Business Rates (Tax Base)

3.13 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 £20.5m for 2023/24 (£19.5m in 2022/23).

3.14 The Government confirmed that it will compensate local authorities in full for the continuation of; the business rates cap; small business rate relief; retail relief; rural rate relief, and; the multiplier freeze; through section 31 grants as in previous years. The value of the section 31 compensation grant is confirmed as £25.3m for 2023/24 (£16.4m in 2022/23).

3.15 Under the current system, the County Council does not receive enough income from business rates to fund its 'baseline need', which is an amount determined by Government. Therefore, it receives a top up grant from Government which accounts for more than 70% of its total income from business rates. The value of the top-up grant for 2023/24 is £95.1m (£91.3m in 2022/23). In addition to this, the Government's decision to freeze the multiplier means that the top-up grant it receives has also been depressed and would have been higher without the intervention. Therefore, it also receives a separate section 31 grant from the Government to ensure the Council is not worse off as a result of the policy intervention designed to contain business rate costs for businesses. This is incorporated into 3.14.

Business Rates (Collection Fund)

3.16 Each of the District Councils in Lincolnshire is a "collecting authority" for Business Rates, and each operates a Business Rates Collection Fund where differences between assumed amounts of Business Rates to be collected and actual amounts collected are accumulated as surpluses and deficits. The County bears a share of collection fund variances. For 2023/24, the forecast is for an overall modest surplus, of which £0.5m is attributable to the County Council. This includes a deficit element deferred from the 2020/21 financial year.

Business Rates Pool

3.17 The Council has confirmed that it will continue to remain in a business rates pool in 2023/24 with the seven Lincolnshire District Councils.

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 drawdown from reserves.

Table 1: Summary Revenue Budget

SUMMARY REVENUE BUDGET	2023/24 Budget (£)
EXPENDITURE	
Net Base Budget	546,874,855
Cost Pressures (including inflation)	74,109,291
Savings & Additional Income	(11,380,753)
Other Movements (e.g. service grant funding)	(4,802,736)
Total	**604,800,657**
Highway maintenance additional spend (2023/24)	7,000,000
RESERVE ADJUSTMENTS	
Transfer to/from Earmarked Reserves	(7,543,384)
Transfer to/from General Reserves	-
BUDGET REQUIREMENT	**604,257,272**
FUNDING	
County Precept	(365,554,704)
Business Rates	(141,324,175)
Non-Specific Government Grants	(40,984,265)
Social Care Grants	(56,394,128)
TOTAL FUNDING	**(604,257,272)**

4.2 Details of all cost pressures and savings included within the budget for 2023/24 are set out in Appendix Q of this Budget Book. These include an allowance for pay award inflation of £15.4m covering both the award for 2022/23 which was agreed above the level budgeted for, as well as an assumed pay award of 4% for 2023/24. The budget also includes other inflationary pressures reflecting the wider economic context.

4.3 The budget proposal considered by the Executive on 7 February 2023 incorporated adjustments to the original budget proposal considered on 4 January 2023. The changes were in respect of £7m additional investment in highways (see Table 1) as well as formalising the preferred option in respect of increasing council tax by 4.99% in 2023/24 (see 3.8).

4.4 The report also referenced further changes to be made and tabled at the meeting due to the timing of receipt of information. This related to the final Local Government finance settlement; the financial impact of the completion of the deep dive into the education transport pressure, and; the receipt of local taxation data from the District Council's if received in sufficient time.

4.5 Accordingly, an updated budget proposal was tabled at the meeting which reflected the Council Tax and Business Rates information from Lincolnshire's District Councils (see section 3), and the addition of £9.4m to the contingency budget in respect of education transport pressures (see 5.51). Following the receipt of an additional £2m as a result of the final settlement (see 3.3), the overall use of reserves required has been reduced to £7.5m, from £9.5m. It is proposed that the sum of £7.5m is transferred from grant reserves to balance the revenue budget for 2023/24.

4.6 A more detailed analysis of the movement in budget for 2023/24 is shown at **APPENDIX J**.

5. REVENUE BUDGETS

5.1 Net revenue budgets for 2023/24 are shown in Table 2 below together with the comparison for 2022/23. **APPENDIX S** provides further details of the services undertaken in each service delivery area.

Table 2: Net Service Revenue Budget 2023/24

REVENUE BUDGETS	2022/23 Budget (£)	2023/24 Budget (£)
CHILDREN'S SERVICES		
Children's Education	13,350,149	13,118,506
Children's Social Care	83,172,022	84,276,266
ADULT CARE & COMMUNITY WELLBEING		
Adult Frailty & Long Term Conditions	126,722,909	137,918,051
Adult Specialities	92,939,086	100,206,426
Public Health & Community Wellbeing	30,914,476	31,191,591
Public Protection	5,334,059	5,406,827
Better Care Fund	(56,609,618)	(61,412,354)
Public Health grant income	(34,847,318)	(35,544,000)
PLACE		
Communities	84,994,680	86,422,072
Lincolnshire Local Enterprise Partnership	401,932	401,932
Growth	2,400,847	2,395,947
Highways	38,011,119	47,081,889
FIRE & RESCUE		
Fire & Rescue	21,884,595	22,210,142
RESOURCES		
Finance	7,626,069	7,892,202
Organisational Support	16,592,464	15,803,291
Governance	2,341,558	2,701,068
Corporate Property	13,783,052	19,342,739
Commercial	8,790,176	8,695,133
Transformation	5,077,096	5,138,096
IMT	15,480,480	17,331,064
Corporate Services	3,087,172	3,087,172
SERVICE TOTAL	**481,447,005**	**513,664,060**
OTHER BUDGETS		
Contingency	5,691,020	15,924,019
Capital Financing Charges	42,989,307	43,056,480
Other Budgets	19,423,438	34,832,014
OTHER BUDGETS TOTAL	**68,103,765**	**93,812,512**
SCHOOLS BUDGETS		
Schools Block	518,089,518	550,838,289
High Needs Block	110,116,512	125,371,876
Central School Services Block	3,391,650	3,223,169
Early Years Block	40,902,135	43,759,342
Dedicated Schools Grant	(675,175,730)	(725,868,591)
SCHOOLS BUDGETS TOTAL	**(2,675,915)**	**(2,675,915)**
BUDGET REQUIREMENT (pre-reserves)	**546,874,855**	**604,800,657**
Highway maintenance additional spend (2023/24)	-	7,000,000
Transfer to/from Earmarked Reserves	(2,304,000)	(7,543,384)
BUDGET REQUIREMENT	**544,570,855**	**604,257,272**

5.2 **Appendix Q** 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

5.3 Children's Education service activities are proposing to make savings of £0.421m in 2023/24. Of this sum, £0.370m is proposed in response to the Department for Education (DfE) decision to remove the funding for Local Authorities School Improvement Monitoring and Brokering Grant for school improvement activities supporting maintained schools from 2023/24. The grant itself is £0.585m representing c.50% of planned spending on School Improvement from core funding. The Council responded strongly to the DfE consultation opposing such a change, as did Council's across the country.

5.4 The Council has reviewed school improvement opportunities for general efficiencies and smarter working through both the strategic system leadership and the Council's statutory responsibilities for maintained schools for implementation from 2023/24. The Lincolnshire Schools' Forum maintained primary school members agreed at the October 2022 committee meeting to the recommendation of re-purposing existing de-delegation funding to support the direct work with maintained primary schools whilst still achieving our overall objectives for 2023/24. The remaining Council funding will continue to support the strategic system leadership for all schools and statutory responsibilities. The Council considers its investment in the education sector as a strategic priority to enable all children to prosper across all Lincolnshire schools and supports the continuation of the current approach of strategic system leadership and direct work with maintained schools, which is considered a lean school improvement support model. The Council has an important role in driving standards and joined up arrangements in the local area.

5.5 The remaining sums include legacy of savings delivered through the Budget 2020 exercise (£0.001m); Corporate savings through Business Support (£0.029m) and lease cars (£0.022m).

5.6 The only cost pressure in 2023/24 relates to the impact of the National Living Wage (NLW) rising in April 2023. The rise in the NLW / inflation will have a direct impact on the costs for delivering domiciliary care and direct payments in the support for children with disabilities (£0.190m).

Children's Social Care Services

5.7 Children's Social Care Services are proposing to make savings of £0.909m in 2023/24. The Children in Care (CiC) transformational programme is helping to realise our ambition of improving outcomes for children and achieving financial stability. The key strategic aims include providing the right help to the right children and for the right duration; to support families to come to their own solutions by focusing on building networks and providing care locally. CiC transformational savings, include the continued strategic management of placements (£1.076m) which is showing as a cost pressure reduction following an increase in funding of £3.013m in 2021/22, and the opening of two new children's homes in 2023 to ensure that more local and high-quality provision is available, which are more cost effective (£0.272m).

5.8 Children's Services carried out a review of its budgets to realise efficiency savings for 2023/24. £0.402m has been proposed through utilisation of Government grants that are continuing into future years, such as the Staying Put Scheme and Unaccompanied Asylum Seeker Children grant, and changes in demand levels for supported childcare. There are no service implications from these budget changes. £0.043m relates to the legacy of savings delivered through the Budget 2020 exercise delivered through the Supported Accommodation Pathway in meeting the needs of 16/17 year olds at risk of homelessness and care leavers, and the remaining sums relate to Corporate savings through Business Support (£0.125m) and lease cars (£0.067m).

5.9 Within this area, there are also proposed cost pressures of £3.089m in 2023/24. £1.404m to reflect the cost rises in CiC. Despite the recent growth and the potential for future increase, there continues to be an emphasis on prevention from children coming into care and exit planning from the care system where it can be achieved. It is unsurprising that the number of children subject to a Child Protection Plan (403 at December 2022) has increased, there are lasting impacts from the public health pandemic and increased pressures and financial hardship upon families at the current time. Child protection plans create safety, and early intervention with families and effective risk management continues to take place to ensure that only the right children are subject to a child protection plan.

5.10 Cost rises of £0.794m reflect the potential growth in CiC population rising by 2.0 per 10,000 p.a. from the current rate of 50. Even with the recent increase, the Lincolnshire number of CiC per 10,000 remains significantly below the most recent published figures both nationally and by our statistical neighbours (67 per 10,000 and 63.4 per 10,000 respectively as of 31 March 2021). Lincolnshire current CiC numbers are at 759. Further cost rises of £0.610m reflect the increased costs across the composition of placement types supporting this vulnerable group. Supporting our highly valued in-house foster carers is a key consideration to this. In addition, unfavourable market conditions for independent external placements including a national demand for placements are causing cost rises, which is unsustainable. The impact of Covid-19 and the national lockdowns has seen a pressure upon the marketplace and availability and cost of external placements, and the reduction in the availability of in-house foster placements.

5.11 The Council has a Children's Services system which is working well and a CiC Service which is outstanding, and the Council continues to strive for improved outcomes for children and families. The services benchmark well financially against national averages also, and measures are being taken to secure improved value for money.

5.12 A proposed cost pressure of £0.285m 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 Council 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 based on past trends.

5.13 A proposed cost pressure of £1.400m to reflect the higher than budgeted costs for social care legal costs due to the complexity of cases; reliance on expert advice; the use of counsel and increase in CiC numbers. Children's Services continue to apply the statutory threshold to initiating care proceeding and pre-proceedings. Pre-proceedings are an important process working with the family to reach an agreement about what needs to happen to protect the child.

Adult Care and Community Wellbeing (ACCW)

5.14 Aligned to the council’s corporate planning priority, Adult Care & Community Wellbeing is working to ensure ‘People stay as health, safe & independent as possible during all stages of their life’.

5.15 Underpinning the Councils Medium Term Financial Plan (MTFP), ACCW has embedded its MTFP. The ACCW MTFP is the key financial tool informing strategic financial decision making which underpins delivery of this vision and ensuring good value council services. ACCW MTFP forecasts the financial position through to 31 March 2027 using historic trends, sensitivity analysis and forecasting based on budget holder discussion and other internal and external factors.

5.16 ACCW financial priorities throughout the life of the MTFP are:

- Maintain ACCW strong financial performance by delivering services and supporting the market within the 2023-25 financial allocation and minimising cost increases across the life of the MTFP.

- Deliver the programme of transformation underpinning ACCW in pursuit of its stated aim. This programme will drive a shift in the cost structure away from the higher cost long term care towards a structure which supports people to maintain their independence.

- Deliver the Financial Assessment Improvement (FAIP) agenda. This programme will continue to improve the end-to-end adult social care financial process related to charging and management of debt.

- Consider the challenging economic climate and the impact this is having on individuals in receipt of services and the providers of their care when making financial decisions.

5.17 ACCW funding is structured into the following six delivery strategies reflecting budgetary responsibility:

- Adult Frailty & Long-Term Conditions. This strategy brings together older people and physical disability services as well as hosting the infrastructure budgets.

- Specialist Services & Safeguarding. The financial allocation of this strategy supports delivery of services for eligible adults with learning disabilities, autism and/or mental health needs and adult safeguarding services.

- Public Protection. Which joined the Directorate in early 2022, this strategy includes community safety, coroner and registration services, trading standards and emergency planning. The Public Protection Scrutiny Committee is receiving the budget proposals for these services.

- Public Health & Community Wellbeing. This strategy encompasses adult public health services funded through the dedicated public health grant and wellbeing services.

- Public Health Grant. Aligned to responsibilities held by the Director of Public Health this strategy encompasses the public health grant income supporting both adults and children's services.

- Better Care Fund (BCF). This strategy includes the council specific BCF income supporting both adults and children's services.

5.18 The budget covers the period 1 April 2023 to 31 March 2024. The budget by service can be seen in Appendix A.

5.19 The £15.1m increase in ACCW financial need results from the recurrent impact of the pay award and the following ACCW specific items:

- £11.7m net increase in cost incurred by uplifting rates paid to providers. With a 9.7% increase in the national living wage from 1 April 2023 to £10.42 and a 5.5% CPI forecast increase in inflation for 2023-24, this is the largest financial pressure impacting AF&LTC and adult specialties. ACCW Scrutiny will receive a rate specific proposal paper in February 2023.

- £4.0m increased cost resulting from between 2%-3.5% demand growth across homecare, community supported living services and residential care for working age adults.

- £2.4m reduction in costs resulting from delivery of ACCW programme of service improvement. The programme continues to broaden the offer available to service users. Improving capacity and/or access to such services supports more people to remain independent within their own homes / communities and improve the efficiency of how those services are delivered. The programme is beginning to deliver a material shift in the cost structure underpinning the aim to reduce the scale of financial impact of growth in demand.

5.20 The new funding confirmed in the settlement and included in ACCW budget is:

- £5.6m is Lincolnshire's 2023/24 forecast share of the new £400m ringfenced adult social care grant. The government expects this new grant funding will enable local authorities to make tangible improvements to discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector.

- £3.7m is Lincolnshire's social care 2023/24 forecast share of the additional £300m discharge funding. This funding will be required to be pooled as part of the Better Care Fund to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible, freeing up hospital beds for those who most need them.

In addition, the Council's share of social care grant funding for 2023/24 is due to increase by £21.2m. This funding is provided in recognition of increasing costs across adult and children social care services, and reflects the recent trend of increases being applied to service specific grants rather than non-specific grants.

5.21 There will be new grant conditions placed on both the ringfenced adult social care grant and the discharge funding and therefore the budget assumes new costs. The grant conditions are expected to be published early 2023.

5.22 ACCW is forecasting financial balance for 2023/24 through use of increases in the social care grant detailed above and ACCW reserves.

<u>Better Care Fund</u>

5.23 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.

5.24 The Lincolnshire Better Care Fund is an agreement between the Council and Lincolnshire ICB, overseen by the Health and Wellbeing Board. The BCF pools funds from the organisations to aid the objective of integrated service provision. The total pooled amount in 2022/23 is £279.5 million, made up of the minimum ICB contribution and additional iBCF monies received directly from the government.

5.25 The BCF value is expected to increase in value to reflect the new Discharge Support Fund announced in the Autumn Statement and contained in 5.20.

5.26 The Better Care Fund Framework for 2023 onwards is expected to be published during 2023 which will include the conditions attached to new funding contained in 5.20.

Public Health

5.27 The budget includes a forecast 2% uplift to the Public Health Grant. The allocation of this uplift will be confirmed early in 2023 once final grant allocations are published.

Financial Risk

5.28 There is a risk that demand for services exceeds the growth assumptions built into the medium term financial plan. To manage this risk, the structure of the improvement programme broadens the service offer which aims to bend the curve of higher cost services where it is appropriate for the person.

5.29 Aligned with the Councils responsibilities contained in the Care Act 2014, a Hardship Fund was created during 2022/23 to support commissioned providers with volatile costs forecast to spike for a limited period of time specifically energy, insurance and fuel. Whilst fuel prices are reducing, it is expected that other volatile costs will continue at the higher costs for longer. The fund will be reviewed as part of the 2023/24 rate setting process and any proposals contained within the rates proposals due to Scrutiny Committee towards the end of February 2023.

Place

Communities

5.30 From 2022/23 onwards, Transport Services has included the budget for providing Educational Transport which was previously reported under Children's Services. The budget proposals include an estimated cost pressure of £4.198m arising from continuing inflation and challenging market conditions for the delivery of this service to meet statutory and policy requirements. This is partially offset by savings resulting from the ongoing transformational programme, with the further development of new procurement tools and approaches, improved contract management, an overhaul of routing and demand management activity expected to yield savings in the year of £2.055m.

5.31 There are however significant external factors currently impacting the cost of passenger transport both in the public transport and educational transport markets, including national living wage rises, inflationary challenges, a national drivers' shortage and rising fuel prices. This gives rise to significant risk that the cost of educational transport, which is already a volatile, demand led budget, will need to increase further, over and above the estimated pressure. A comprehensive review of the cost base, taking into account changes in activity levels, and the impact that inflationary pressures and the change in the national living wage have on contract rates has been undertaken, with an additional £9.4m set aside within the contingency to mitigate emergent pressures (see 5.51).

5.32 The impact on public transport expenditure is currently expected to be manageable within existing budgets but as the high level of government support for bus operators put in place during the Covid pandemic is progressively withdrawn, this will be kept under review to help inform future budgetary requirements.

5.33 The current high levels of inflation also increase the risk that cost increases in contracted supplies will outstrip the budgetary provision. This is particularly acute in the Library service where the out-sourced service contract contains an indexation provision and although it is expected that this will be affordable within the current, overall Communities budget, it will continue to be monitored.

5.34 Savings of £0.735m are anticipated in Waste Management in 2023/24 from the continued roll-out of separated waste paper and card collections resulting in more efficient processing and improved value of the material collected. Other minor savings result from efficiencies in the car leasing scheme.

5.35 The on-going re-procurement of contracts for the operation of Household Waste Recycling Centres creates a forecast cost pressure of £0.456m. This is, however, planned to be funded in the short-term from additional income from the higher prices being achieved for electricity generation at the Energy from Waste Plant and therefore does not result in an immediate increase in the Waste budget requirement. However, the volatility in energy prices and the prospect of a government-imposed Electricity Generator Levy pose a risk to this position which will be closely monitored to inform the medium-term view.

Highways

5.36 The pronounced inflationary pressures being experienced in the construction sector result in a forecast increase of £5.488m in the cost of plant, labour, materials and equipment in the Highways maintenance contract. This is exacerbated by the growth of the highway network, with an average 18km of highway adopted each year inevitably leading to increased maintenance costs and bringing the total cost pressures in Highways Asset Management to £5.518m. This is slightly offset by savings of £0.030m arising from revised business support arrangements and lease car savings.

5.37 Increased energy costs for signals and street lighting driven by price inflation result in a further budget pressure of £3.833m for 2023/24.

Fire and Rescue

5.38 For Fire and Rescue, a net increase in budget of £0.326m arises from:

- Increased vehicle costs, primarily due to fuel cost inflation, resulting in a cost pressure of £0.175m.
- The progressive withdrawal of the Home Office FireLink grant and increasing FireLink costs causing a £0.161m cost pressure for 2023/24.
- Inflationary increases for the headquarters facilities at Nettleham of £0.060m.

These pressures are forecast to be partially offset by rent savings of £0.070m following the purchase of the Waddington Training Centre site.

Resources

5.39 The key changes to the budget proposal for 2023/24 are considered by the relevant service area below. There are two specific changes which cut across most if not all service areas:

- During the 2023/24 budget setting process, the Council identified a need to identify additional efficiencies, as part of its cost conscious approach to financial planning. Each directorate was allocated a 1% saving target to be delivered across a three year period. The target for Resources will be achieved through vacancy management and a realistic reduction in supplies and services.

- Inflation within the corporate support service contract which covers several areas, including; customer service centre, exchequer services and social care services among others, is expected to lead to £0.6m additional cost in 2023/24.

Business Support

5.40 The Council continues to progress a programme of transformation with the aim of reducing bureaucracy and reliance on manual processes, whilst also ensuring back office services are optimised. The business support review is an ongoing programme and is expected to reduce cost by just approximately £1m in 2023/24, with just under £0.8m attributable to Resources directorate with the rest achieved within other service directorates.

Legal & Governance

5.41 The Legal Lincolnshire operating model has in recent years operated on a net income basis whereby direct cost is more than fully recovered from internal and external customers, with a contribution to Council overheads. The cost of the model is currently under pressure due to recent recruitment challenges resulting in the need to recruit locum solicitors to ensure the service provision can be maintained. Work is ongoing to review the pricing structure of the model to ensure it remains current, and the budget makes allowance of £0.4m to mitigate against current financial risk.

Corporate Property

5.42 The cost of energy has increased significantly over the previous twelve months, initially reflecting an increase in demand after the economic activity started to surge following the relaxation of Covid-19 restrictions set against reduced supply levels. The Ukraine war has exacerbated supply issues further, with restrictions on energy from Russia. The budget proposal assumes a £4.4m increase in budgeted energy costs in 2023/24, although it is important to note that costs are already higher in 2022/23 and are expected to remain at higher levels for the foreseeable future.

5.43 Other inflation costs within property services are expected to lead to additional cost in 2023/24 of approximately £1.1m. This reflects the basket of indices which form part of the contract, and reference the prevailing rate of inflation in addition to the change in the national living wage. It also reflects a bigger base budget because of corporate landlord budget adjustments.

5.44 The property insurance contract (non-schools) is due to be re-tendered soon with the outcome expected in Spring 2023. It is estimated that the new contract will result in additional cost of £0.1m based on the existing portfolio.

Commercial Services (including customer service centre)

5.45 The focus on enhancing customer digital delivery through the customer and digital transformation programme is expected to enable savings of approximately £0.4m.

Information Management and Technology

5.46 The new contract for the East Midlands Public Service Network is forecast to cost the Council an additional £1m. This reflects a change in the cost and income model, with a reduction in income from schools and external partners ensuring a bigger cost share for the Council.

5.47 Other inflation costs within information management & technology contracts are expected to lead to additional cost in 2023/24 of approximately £0.6m. As with property, different contracts refer to different inflation indices and the current economic context has direct implications for contracted inflation.

5.48 Part of the information management & technology cost base is directly related to activity in respect of storage and other variables. As the Council utilises additional storage through the nature of core business, the cost to the Council increases. This is expected to amount to under £0.3m extra in 2023/24, although it must be noted that there is an opportunity review storage need and activity on an ongoing basis to reduce the need for increases going forward.

Corporate Services

5.49 No change proposed from the 2022/23 budget.

Other Budgets

5.50 Other Budgets incorporates central and technical budgets which do not relate solely to one service or directorate. This includes elements like the secondary rate lump sum contribution to the Local Government Pension Scheme (LGPS) and the ongoing revenue cost of capital financing. In addition, other budgets contains allowance for inflation (e.g. pay award), plus the in-year contingency budget which is held at £6.5m for 2023/24 as a mitigation against the risk associated with the current economic context.

5.51 As considered by the Executive at its meeting on 7 February 2023, the budget proposal was amended to incorporate an additional £9.4m in recognition of the identified risk within education transport. The pressure is being allocated to the contingency on an interim basis, with drawdowns to happen during the year once further progress has been made in respect of ensuring the delivery model and policy of provision remain the best approach. Drawdowns will take place when the financial forecasts better reflect the future shape and size of the service, rather than a costed estimate of the current position.

5.52 The cost of the 2022/23 pay award was in excess of the budgeted expectation. Therefore, the 2023/24 budget includes an increase of £7.5m to fund the cost on an ongoing basis. The cost in 2022/23 has been met through the use of the in-year contingency.

5.53 The 2023/24 pay award is expected to follow a similar structure to the 2022/23 pay award, with a flat rate likely. However, this is subject to the national negotiation process which is expected to commence shortly. The Council expects pay costs to increase by approximately 4% in total, which necessitates a set aside of £7.9m. The pay award for 2023/24 will need to ensure the bottom pay point exceeds the Low Pay Commission's estimate of the national living wage in April 2024. There is a risk that pay award costs end up higher than the budget assumption, which may require offsetting through the contingency budget as was necessary during 2022/23.

5.54 The budget proposal contains a £3m uplift for the anticipated additional cost of Local Government Pension Scheme contributions. The contribution rate and structure is changing from April 2023, with the current primary rate fixed percentage based on employee pay costs) and secondary contribution rate (lump sum payment to cover the historic pension fund deficit) changing to a single higher fixed percentage rate. The cost estimate is the current forecast with a detailed cost impact analysis due to be completed prior to April.

5.55 There are changes to the cost of capital financing, with a forecast increase in minimum revenue provision costs tempered by a reduction in the anticipated cost of borrowing, which reflects revised borrowing estimates and the proposed capital programme.

5.56 The Government confirmed the reversal of the health and social care levy in the Autumn Budget, therefore other budgets have been adjusted to reflect the removal of this cost from the base. The pressure from this for the Council which has now been reversed, equating to £2.6m. Important to note that the Services grant has been reduced by a greater amount than this change from 2023/24 onwards in recognition of this national policy change.

5.57 The Council maintains a central budget which exists to support services with temporary change costs. This has been reduced by £1m in 2023/24, to reflect the recent expenditure trend.

5.58 The cost of insurance is forecast to be £0.4m lower in 2023/24.

Schools

5.59 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2023/24, 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.

5.60 Lincolnshire's indicative DSG allocation for 2023/24 is £725.869m and will be used to support all schools in Lincolnshire including Local Authority schools and academies. Lincolnshire Schools block value is £550.838m. 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.

5.61 The Government implemented a 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 and has continued to replicate the NFF each year since then. The fundamentals principles of the Government's NFF are not changing for 2023/24.

5.62 For 2023/24, the policy decision is to continue adopting the Government's NFF, subject to affordability. The October 2022 schools census which is used for 2023/24 mainstream schools budgets has continued to see significant growth in both Free School Meals (FSMs) and FSMs Ever 6 with the cost of living challenges being a contributing factor to this. This has contributed to an affordability gap of £2.656m. With the Council unable to set an affordable formula and with limited time to consult, the Council will therefore continue to adopt the same principles for 2023/24 when addressing affordability issues of the Schools block. The measures of reducing the 2023/24 funding allocation for Schools Growth within the Schools block to meet the financial commitments for planned primary and secondary reorganisations (releasing £1.934m); a budget transfer to the Schools block of £0.495m from available funding from within the Central Schools Services block relating to historic commitments funding, and the remaining shortfall being met from a downward adjustment of 0.075% of the Key Stage Age Weighted Pupil Unit (AWPU) values from the Government's NFF rates in 2023/24, which is considered a sector-wide solution.

5.63 As part of the spending review the Government announced in 2021, the total core schools budget had planned to increase to £56.8 billion by 2024/25. This included the £4bn funding increase in the current year (including the supplementary grant) to £53.8bn compared to 2021/22 levels. The 2023/24 funding levels would rise by £1.5bn to £55.3bn or a 1.9% increase in per pupil funding. The Autumn 2022 statement announced a further £2bn increase in funding in each of 2023/24 and 2024/25 to respond to increasing costs faced by schools, particularly through staff pay awards and utilities. For Lincolnshire mainstream schools, this new grant equates to an additional 3.4% increase in per pupil funding, or a total grant allocation of £18.897m for the sector. A share of the £2bn additional grant allocation (£400m) will be directed through Local Authorities High Needs block allocations, which includes conditions of use. For Lincolnshire's High Needs block, this represents £5.008m.

5.64 The Government is continually 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 5% per head in 2023/24 compared to their 2022/23 High Need block allocation. The High Needs block allocation is £126.416m for 2023/24. This includes the additional £5.008m through the additional £2bn funding announcement. The SEND Green paper acknowledged the unsustainable SEND system and considers ways to address this. The outcomes of the consultation will likely have an impact on high needs funding allocated to Local Authorities and schools.

5.65 There continues to be a growing trend nationally, and this growth is being experienced in Lincolnshire with more young people requiring specialist support which is having a material financial impact on the High Needs block. This remains a financial challenge. In Lincolnshire, transformational work is considered fundamental to securing 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 the central Government allocation. The SEND Transformation Board is governing the transformational process and its key work streams, including of monitoring of progress against our ambitions.

5.66 Lincolnshire indicative Early Years block funding is £43.833m in 2023/24. This is determined through the Government hourly rates for Lincolnshire, and these funding rates are used to fund providers' for delivery of entitlement, and early years support services. The underlying principles and formula factors will remain in place for 2023/24, and the increased hourly rate funding from Government has been considered in the context of this and its agreed distribution.

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 2022 the balance stood at £16.4m. It is expected that general reserves, at 31 March 2023, will remain at £16.4m which is 2.71% of the budget requirement for 2023/24 and within the tolerance set.

6.2 There is no planned contribution to general reserves in the 2023/24 budget. This means that by the end of the 2023/24 financial year general reserves will have been maintained at 2.71% of the budget requirement for 2023/24.

6.3 As part of a comprehensive review of earmarked reserves, the Council has identified £8.7m of reserve balances which are able to be re-purposed. This was reported to the Executive in the January budget proposal.

6.4 The statement of earmarked reserves can be seen in Appendix K.

7. CAPITAL PROGRAMME

7.1 The proposed capital programme includes an updated programme for 2022/23, as well as schemes for 2023/24. Some of these are major schemes which stretch into future years. Due to the uncertainty of our future funding beyond 2024/25, no new projects have been added to the capital programme in this budget process. Instead, the block budgets for rolling maintenance programmes have been continued forward for the full ten years, and the capital budgets for some existing schemes have been increased due to rising costs or an anticipated or known increase in external funding. The capital programme net budget has therefore increased since last year's budget process. The gross programme is set at £136.9m for 2023/24, with grants and contributions of £54.2m giving a net programme of £82.7m to be funded by the County Council.

7.2 The overall capital programme and its funding are shown in **TABLE 3** below. The detailed capital programme is shown in **Appendix O**.

TABLE 3 – Capital Programme

Capital Programme (2022/23 plus Future Years)	Revised Gross Programme 2022/23 £m	Gross Programme 2023/24 £m	Gross Programme Future Years £m
Gross Capital Programme	**229.305**	**136.879**	**427.561**
Funded by:			
Grants and Contribution	82.822	54.223	152.473
Capital Receipts	0.000	5.000	45.000
Revenue Funding	14.416	0.161	0.759
Use of Reserves	16.760	0.000	0.000
Borrowing	115.308	77.496	229.328
TOTAL FUNDING	**229.305**	**136.879**	**427.561**

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

Children's Services

7.4 For Lincolnshire maintained 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 capital funding made available by the DfE for schools to enable it to manage critical priority issues.

7.5 An estimated grant award for the Schools Condition Allocation is £3.000m for 2023/24 to support Lincolnshire maintained schools. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2023 and the Government's overall funding quantum.

7.6 An estimated allocation for Devolved Formula Capital is £0.950m for 2023/24. 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 2023.

7.7 An allocation for Provision of Schools Place Basic Need Grant is £1.639m in 2023/24. 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 2024 school place pressures are accounted for with potential solutions in place. The notification for 2024/25 is a £0 grant allocation. A contributing factor is the reduction in the national allocation for Basic Need from £746m to £195m. The overall funding levels will be reviewed against the latest projections data.

7.8 The Building Communities of Specialist Provision; Together in Lincolnshire Strategy is making significant changes to the existing special education provision, creating an integrated and sustainable school system where pupils can attend their nearest special school, confident that their education and health needs can be fully met. The overall programme budget has been increased to £101.845m in response to the market volatility and higher level of inflation being experienced. This increase in budget has been funded by the DfE High Needs Provision capital allocation awarded for the period 2022-24 (£16.826m). The gross expenditure for the programme's individual special school schemes for 2023/24 is planned to be £33.364m reflecting the latest position.

7.9 New Schools capital: the Council through its school place planning has forecast within the ten-year capital programme a requirement for new mainstream schools.

7.10 The CiC Transformation programme: two new children’s homes are planned to be open in 2023 in the locations of Lincoln and Louth, which has been supported financially by the Council through the capital programme and DfE match funding. The schemes have been impacted by inflation; however mitigating / solutions have been put in place through value engineering to reduce costs, and new capital contributions through Council and DfE funding.

Adult Care and Community Wellbeing (ACCW)

7.11 The Council agreed to increase the Adult Care and Community Wellbeing capital allocation by £1m during 2022/23 from the previous years underspend. The opening balance for 2023/24 is forecast to be £10.2m. With the final payment made on completion of DeWint Court, the adult care and community wellbeing capital programme is structured to reflect investment in housing support (£8.8m) and day services (£1.4m). This investment will deliver benefits to residents through enabling independence for as long as is appropriate and revenue benefits to the Council through providing lower cost provision than residential care and these are built into the budget

Place

7.12 Issues in the construction of the eastern embankment for the Grantham Southern Relief Road bridge, in particular the underlying ground not being as robust as the designer had anticipated or designed the bridge to sit on, has necessitated the bridge being lengthened by approximately 70m to avoid the poor ground. This is expected to result in approximately 18 months delay and increase costs and consequently it is proposed to increase the budget allocation for this project by £24.478m.

7.13 Although construction of the North Hykeham Relief Road is not expected to commence until late 2025, the current material and labour inflation will have a significant impact on the scheme costs, and it is prudent to plan accordingly. This results in a proposed increase of £35.882m in the scheme’s budget.

7.14 As the Department for Transport (DfT) funding for highways maintenance is expected to continue to remain at the reduced level implemented in 2021/22 until at least 2024/25, this activity continues to be supplemented by the £12.3m approved by Council in the revenue budget in February 2022. However, inflation will continue to diminish the spending power of this funding.

7.15 To ensure the capital programme for 2023/24 is affordable and to recognise the remaining risks of the major highway schemes currently in progress, some budgets for schemes where spend has not yet been committed have been re-phased into later years to better reflect the likely spend pattern and to reduce the impact in the short-term of increased spend on schemes that have already commenced.

7.16 The highways and flood risk management capital programme is currently augmented by funding from the Development Fund Initiatives earmarked reserve, with a total of £3.444m having been approved in previous budgets to increase capacity to carry out drainage investigation and repair work, reducing deterioration and improving prevention of localised flooding issues. That scheme is continuing into 2023/24 with a forecast spend for the year of £1.387m.

Resources

7.17 There has been re-phasing undertaken during 2022/23, moving £2.9m of capital investment resource forward to 2023/24 which specifically relates to block capital investment in property maintenance and property area reviews. This will enable the service to continue its contribution towards the effective delivery of Council services.

Other Programmes

7.18 We receive government grant funding to support large parts of the capital programme including schools and road maintenance. Appendix P summarises the key grants that are expected to be received to contribute towards the cost of capital developments in 2023/24.

8. PRUDENTIAL INDICATORS

8.1 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 M**.

8.2 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 4.95% in 2023/24 from 4.67% in 2022/23.

9. MINIMUM REVENUE PROVISION

Minimum Revenue Provision Policy Statement for Repayment of Debt 2023/24

9.1 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.

9.2 This is achieved by applying the following methodology:

Borrowing	MRP Repayment Basis
Pre 1st 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. Consideration may be made to moving to the **Asset Life Annuity method** at a future date if deemed appropriate.
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. Consideration may be made to moving to the **Asset Life Annuity method** at a future date if deemed appropriate.
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 as 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, Minimum revenue provision will be made on the capital expenditure over the life of the asset financed. (This includes loans made for capital purposes, investment properties and 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**.

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

9.4 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.

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

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

10. SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF RESERVES – 2023/24

Summary

10.1 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.

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

10.2 Our Medium Term Financial Strategy (MTFS) has been refreshed to consider the financial position of the council to 2026/27. It also considers the funding sources and level of reserves required to demonstrate the financial resilience and sustainability of the council.

10.3 Our funding uncertainty continues, with the government announcing a single year financial settlement for 2023/24. The indications are that the long awaited 'Fair Funding' review will be deferred until at least 2025.

10.4 During the 2023/24 budget process, our budgets have been reviewed and updated to reflect continuing cost pressures which have been significantly impacted by the high level of inflation. This is to ensure the budget reflects an expected baseline of spend in 2023/24 and deliverable efficiencies.

10.5 Our transformation programme is supporting corporate initiatives focused on providing 'good value council services'. We seek to use digital options to reduce bureaucracy and reliance on manual processes, ensuring our back-office services are optimised. This approach will continue to allow the council to maintain and invest in its valued frontline services at a time when other councils are still reducing theirs.

10.6 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 whilst budget challenges and funding uncertainly continues.

The Budget Proposals

10.7 In relation to the 2023/24 budget, significant additions have been made to service budgets to reflect current cost pressures. 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 (ASC) continues to see a growth in demand on their services especially with working age adults with longer reliance on social care and increasingly complex needs. A service improvement programme is in place looking to manage demand in this area and across the Adult Care and Community Wellbeing Service.

- Elements of the Adult Care reforms have been delayed but contract rates continue to be reviewed, amidst a context of volatile costs which are impacting on the care market.

- Providing support to the adult care suppliers through our hardship fund, will not be sustainable in the long term, so other support mechanisms are being considered.

- 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 Education Transport budgets.

- A continuing complexity of needs of children in care and the cost of specialist placements with Covid-19 and the cost-of-living crisis intensifying issues at home.

- Increasing demands, contract costs and legislative changes impacting on the Education Transport budgets

- Increasing demand pressures of the High Needs element of the Dedicated Schools Budget (reflecting a national picture).

- Impacts of workforce shortages, supply chain pressures and inflationary increases on supplies and services including utility costs.

- Volatility and inflationary growth of construction costs increasing risk in our major capital projects and highways maintenance.

- The impact of reduced government grants, and particularly a reduced level of highways maintenance grant expected from the department for transport.

- Workforce retention and recruitment challenges impacting on capacity to deliver services.

- Continued reliance of specific grants to fund core activity, such as the improved better care fund and social care grant.

10.8 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.

10.9 A £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.

10.10 The capital strategy includes the role of the officer led Capital Review Group which aims to strengthen the monitoring and management of the Council's capital programme.

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

Funding

10.12 The government has provided a single year settlement for 2023/24, with indications that any review of funding will be deferred until at least 2025. The indication is that growth on public sector spending will slow from this time. This presents continued uncertainty of our future funding envelope.

10.13 Additional grant has been allocated for 2023/24 to support inflationary pressures, and the budget pressures prevalent in providing social care services.

10.14 The requirement to fund ASC services through local taxation is set to continue with a clear indication from government that increases in demand and cost of ASC provision will need to be met in the main from local taxation.

10.15 Given the future uncertainties set out elsewhere in this note and the wider budget papers, the officer advice remains to maximise Council tax increases within the allowable parameters and at 4.99% for 2023/24 specifically.

10.16 The Department for Transport grant for Highway Maintenance reduced in 2021/22 by £12.3m and remains at this lower level. As highway maintenance is a priority activity for Lincolnshire residents we have needed to use local council tax increases and use of reserves to maintain our level of spend. This continues to be the case in 2023/24.

10.17 The government provided sufficient financial support during the Covid-19 pandemic to compensate the council for costs incurred. This funding ceased in 2022/23 however the longer term impacts on our services are still a significant risk. This is now compounded by high levels of inflation and the cost-of-living crisis which creates a significant risk for our longer term financial planning.

Financial Performance & Resilience

10.18 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.

10.19 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.

10.20 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

10.21 There are a number of 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.

10.22 These existing and on-going risks include:-

The realism of budget estimates for,–

- Pay awards
- Price increases including forecast levels of inflation
- Challenges of staff recruitment resulting in more costly agency costs
- Income, including higher risk areas such as capital receipts
- Provision for demand led services including: children's services, education travel, waste disposal, adult care, adverse weather, support for the council tax, etc.

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

The provision against these general financial risks include:-

- A corporate contingency budget which was increased in 2022/23 and will continue at the level of £6.5m in 2023/24. This level on contingency was set as a direct response to the growing inflationary increases around our cost of delivering services (including staff pay, contracts and utility costs).
- 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.

10.23 There are a number of continued 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
Longer term impact of Covid-19 and cost of living crisis 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.
Workforce and supply chain challenges increasing our contract costs, delivery cost of services and capital projects.	Increased corporate contingency to respond to pressures caused by price increases not budgeted for. Our People Strategy is prioritising recruitment and retention of staff.
Excessive inflationary increases on supplies required to deliver services in particular utility costs.	Increased corporate contingency to respond to pressures caused by price increases not budgeted for.
Adult care reforms costing more	Continue to model costs and work

than funding available to deliver them.	with the sector to deliver a fair cost of care. Maintaining adequate earmarked reserves to support future financial uncertainty. Reviewing our systems and process to ensure Financial Assessment to establish contributions to care are undertaken in a timely manner
Delay in government reforms of local government funding.	Application of maximum available council tax levies when available. 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.	A longer term savings strategy has been adopted to deliver efficiencies. 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.

10.24 As many of these financial risks are mitigated by having 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

10.25 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.

10.26 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, has a current value of £46.922m. The recommendations set out in the budget papers do not plan to draw down on this reserve for the year 2023/24, however based on current assumptions this reserve will be needed to support the following financial years over the medium term plan period.

Conclusion

10.27 Taking into account all these factors I am satisfied that the budget for 2023/24 is realistic and reflects our expected service delivery requirements and that the current level of reserves is adequate to mitigate the current financial risks.

10.28 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.

10.29 The medium term financial strategy will continue to be updated and reviewed to consider the impact beyond 2023/24 of changes to the funding of Council and the continued cost pressures and demands on our services.

Andrew Crookham CPFA

11. CONSULTATION AND ENGAGEMENT

11.1 Individual Scrutiny Committees have received a report and presentation on their respective budget areas and have had chance to comment on their 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 7 February 2023.

11.2 Businesses, Trade Unions and other public organisations were invited to a budget consultation meeting on 27 January 2023. Comments from participants made at this meeting were collated and presented to the Executive when it considered the Council’s budget on 7 February 2023.

11.3 The Council also invited the public to comment (via the Council's Website or via email) on the Council's budget proposals outlined in the 4 January 2023 Executive report.

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

REVENUE INVESTMENT 2023/24 **APPENDIX A**

2022/23 Budget (£)	REVENUE BUDGETS	2023/24 Change (£)	2023/24 Budget (£)
	CHILDREN'S SERVICES		
13,350,149	Children's Education	(231,643)	13,118,506
83,172,022	Children's Social Care	1,104,244	84,276,266
	ADULT CARE & COMMUNITY WELLBEING		
126,722,909	Adult Frailty & Long Term Conditions	11,195,142	137,918,051
92,939,086	Adult Specialities	7,267,340	100,206,426
30,914,476	Public Health & Community Wellbeing	277,115	31,191,591
5,334,059	Public Protection	72,768	5,406,827
(56,609,618)	Better Care Fund	(4,802,736)	(61,412,354)
(34,847,318)	Public Health grant income	(696,682)	(35,544,000)
	PLACE		
84,994,680	Communities	1,427,392	86,422,072
401,932	Lincolnshire Local Enterprise Partnership	-	401,932
2,400,847	Growth	(4,900)	2,395,947
38,011,119	Highways	9,070,770	47,081,889
	FIRE & RESCUE		
21,884,595	Fire & Rescue	325,547	22,210,142
	RESOURCES		
7,626,069	Finance	266,133	7,892,202
16,592,464	Organisational Support	(789,173)	15,803,291
2,341,558	Governance	359,510	2,701,068
13,783,052	Corporate Property	5,559,687	19,342,739
8,790,176	Commercial	(95,043)	8,695,133
5,077,096	Transformation	61,000	5,138,096
15,480,480	IMT	1,850,584	17,331,064
3,087,172	Corporate Services	-	3,087,172
481,447,005	**SERVICE TOTAL**	**32,217,055**	**513,664,060**
	OTHER BUDGETS		
5,691,020	Contingency	10,232,999	15,924,019
42,989,307	Capital Financing Charges	67,173	43,056,480
19,423,438	Other Budgets	15,408,576	34,832,014
68,103,765	**OTHER BUDGETS TOTAL**	**25,708,747**	**93,812,512**
	SCHOOLS BUDGETS		
518,089,518	Schools Block	32,748,771	550,838,289
110,116,512	High Needs Block	15,255,364	125,371,876
3,391,650	Central School Services Block	(168,481)	3,223,169
40,902,135	Early Years Block	2,857,207	43,759,342
(675,175,730)	Dedicated Schools Grant	(50,692,861)	(725,868,591)
(2,675,915)	**SCHOOLS BUDGETS TOTAL**	**-**	**(2,675,915)**
546,874,855	**BUDGET REQUIREMENT (pre-reserves)**	**57,925,802**	**604,800,657**
-	Highway maintenance additional spend (2023/24)	7,000,000	7,000,000
(2,304,000)	Transfer to/from Earmarked Reserves	(5,239,384)	(7,543,384)
544,570,855	**BUDGET REQUIREMENT**	**59,686,418**	**604,257,272**
	FUNDING		
(344,871,853)	County Precept (4.99% increase)	(20,682,851)	(365,554,704)
(122,594,790)	Business Rates	(18,729,385)	(141,324,175)
(41,913,028)	Non-Specific Government Grants	928,764	(40,984,265)
(35,191,183)	Social Care Grants	(21,202,945)	(56,394,128)
(544,570,855)	**TOTAL FUNDING**	**(59,686,418)**	**(604,257,272)**

Council Tax Requirement	**£**
Total Budget Requirement	604,257,272.26
less Government grants and other funding	238,702,568.18
County Precept	365,554,704.08
less net surplus on Council Tax element of collection funds	2,026,229.00
Council Tax Requirement	363,528,475.08

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	25,249.48	37,965,875.61	-663,775.31	37,302,100.30
Boston	20,274.00	30,484,594.62	-153,298.28	30,331,296.34
East Lindsey	46,377.00	69,733,848.51	593,807.99	70,327,656.50
West Lindsey	31,696.76	47,660,199.24	1,369,700.00	49,029,899.24
North Kesteven	39,000.00	58,641,570.00	563,758.99	59,205,328.99
South Kesteven	49,329.00	74,172,564.27	71,758.00	74,244,322.27
South Holland	29,841.00	44,869,822.83	244,277.61	45,114,100.44
Total	**241,767.24**	**363,528,475.08**	**2,026,229.00**	**365,554,704.08**

County Council Element of Council Tax by Property Band

Property Band	Proportion of Band D	Council Tax per Property £
Band A	6 / 9	1,002.42
Band B	7 / 9	1,169.49
Band C	8 / 9	1,336.56
Band D	9 / 9	1,503.63
Band E	11 / 9	1,837.77
Band F	13 / 9	2,171.91
Band G	15 / 9	2,506.05
Band H	18 / 9	3,007.26

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 rate for the 2023/24 financial year	**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	17/02/2023	**Version control**	1.0
Is this proposed change to an existing policy/service/project or is it new?	Existing policy/service/project	**LCC directly delivered, commissioned, re-commissioned or de-commissioned?**	Directly delivered
Describe the proposed change	Each February the County Council sets a budget for the forthcoming financial year. Part of the budget proposal requires a decision on the amount of Council Tax to be levied in that year. The proposed increase in council tax takes into account various factors such as; the council tax setting framework set by Government; the economic context; the change in its cost base because of demand, inflation, policy change, savings and other changes; the change in non-council tax funding set out in the finance settlement, and; the medium term financial outlook for the Council. For 2023/24, the original budget proposal assumed that the County Council will increase council tax by up to 4.99%. As set out in the report, the preferred option is now to raise council tax by 4.99% in 2023/24.		

	The Government sets the framework for council tax setting decisions, which includes limits on how much council tax can increase by. The national position on council tax increases has changed significantly since 2010. In the early part of the previous decade, the Government utilised policy tools to limit council tax increases, and actively incentivised Council's to freeze council tax rates. Since then, the Government adapted their position and altered the framework to enable larger increases, partly in recognition of escalating social care costs. In effect, this shift amounted to an expectation from the Government that local tax payers would need to contribute more to fund the increasing cost of local public services. Most recently, the significant change in economic environment since Autumn 2021 has seen the rate of inflation increase to record high levels. The rate of CPI inflation peaked at 11.1% in October 2022 and has remained high ever since. This has knock on effects to the cost base, which is further impacted by increased demand for services. The draft finance settlement contained additional grant funding, however the scale of increase is not sufficient to accommodate inflationary and demand pressures. In addition, the Government have signalled that there will be lower increases in public spending beyond 2024/25, which gives rise to the possibility of another era of austerity and funding not increasing like it has in recent years. This context supports the preferred council tax proposal. It must be noted that the Council strives to keep council tax as low as possible, evident by it having the seventh lowest council tax rate when compared to other shire counties, placing it fractionally above the bottom quartile. With the fire and rescue precept excluded, the County precept is in the bottom quartile. This is despite significant reductions in grant funding between 2011/12 and 2019/20 combined with significant cost pressures since 2011/12 necessitating the achievement of significant savings. It is acknowledged that maximising the rate of council tax places a greater burden on residents, at a challenging time economically. However, doing so is expected to enable the Council to provide better quality services for a longer duration if austerity is to return from 2025/26. The council tax system requires each billing authority (i.e. district council) to establish and maintain a local council tax support scheme which is a means tested system to allow those on low income to gain financial support to meet their council tax bill either in part or in full. Schemes vary within the county but some schemes positively favour certain classes of council tax payers with protected characteristics (e.g. disability). These schemes are themselves the subject of equality impact assessments undertaken by the individual district council concerned. The County Council is consulted each autumn by the Districts on any changes to their council tax support schemes.

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.

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

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

Age	The proposed increase in the council tax of 4.99% 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. 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. 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.
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 2023/24. The other key aspect is a range of across the board efficiency savings totalling £11.4m. The Council has undertaken a public engagement 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 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.

Actions required Include any actions identified in this analysis for on-going monitoring of impacts.	**Action**	**Lead officer**	**Timescale**
	NONE		
Signed off by	Michelle Grady	**Date**	24/01/2023

This Appendix provides details of the budget engagement events which have taken place in January 2023.

Statements on Budget Proposals for 2023/24 from Overview and Scrutiny Committees

The following statements have been received from Scrutiny Committee meetings which have taken place during January 2023:

Adults and Community Wellbeing Scrutiny Committee – 11 January 2023

The Adults and Community Wellbeing Scrutiny Committee has made the following comments:

(1) The Committee supports the proposals for the Adult Care and Community Wellbeing budget for 2022/23, and the Committee acknowledges the pressures on the budget such as inflation and increases in demand for services, as well as the risks. The Committee welcomes the contribution to budget reductions by the improvement and development programme, whose extensive scope has included improvements to the financial assessment process for clients.

(2) The Committee welcomes the continuing emphasis on preventative services and initiatives, which have the potential to improve the outcomes for people. Reducing demand for other services in turn leads to savings for both Lincolnshire County Council and the public sector overall. For example, effective substance misuse services can lead to reduced demand on the NHS and the criminal justice system, realising benefits over the longer term.

(3) The Committee welcomes comparative financial and performance measures, which enable comparisons to be made with other local authorities. These comparisons generally show that Lincolnshire County Council provides good value in its adult social care and public health services.

(4) The Committee has suggested that in the light of further anticipated constraints on public expenditure, expected in two years' time, consideration be given to developing a mechanism for valuing the benefits of the services provided. This could take the form of evaluating costs per head; and how expenditure on one service might lead to savings in another. This would assist the Council if difficult decisions were to be required on the levels of future services, although several services are statutory, and discretion in these areas would be limited.

(5) The Committee would like to promote the concept of self-help and self-responsibility, so that people have the knowledge to make informed choices about their own health and lifestyle, so as to lessen the demand on services overall.

Children and Young People Scrutiny Committee – 13 January 2023

The Children and Young People Scrutiny Committee unanimously supported the budget proposals for Children's Services for 2023/24.

The Committee explored the risks facing Children's Services which could have an impact on the budget proposals. The following areas of high risk were identified:

1. Children in Care – this was a key financial risk due to the increasing number of children in care, complexity, type and cost of placements, and rising demand which was difficult to predict. The number of children in care was expected to continue to increase due to population growth and migration into Lincolnshire through the national transfer scheme. Assumptions had been built into the 2023/24 budget based on trends over the last year, both locally and nationally, which was why a cost pressure of £1.404m had been identified. There were several strands of proactive work being undertaken to support families and prevent children needing to come into care, such as the Early Help offer and edge of care support. Placement planning was reviewed weekly to consider any options for reducing the number of high-cost external placements. In addition, there was the ongoing children in care transformation work to address these pressures, which included two new children's homes due to be opened in 2023.

2. Social Work Workforce – the challenge of recruiting and retaining social workers presented a financial risk due to the use of agency workers to cover any staffing shortages, which were a lot more expensive than social workers. To address this challenge, there were now additional social care apprenticeships being offered and an uplift in pay for social workers in frontline teams was being provided to prevent staff from being attracted to agency work wherever possible. A number of the social care apprentices had come from other teams in Children's Services such as Early Help, which were easier to recruit to. These measures were starting to stabilise the social work workforce.

3. Inflation – the increase in costs due to inflationary pressures was also identified as a financial risk. Some of these inflationary costs were beginning to normalise but would continue to require close monitoring. Workforce costs were significant, and inflation and the staff pay award were being built into the budget. As the majority of services were delivered in-house, the Council's Medium-Term Financial Plan had already built-in staff pay assumptions. In addition, there was a range of commissioned activities for Children's Services which impact on the Council's budget. Contractual inflationary costs for these commissioned services had also been built into the budget proposals in line with the Council wide recommendations. Work however was ongoing with partners to monitor the situation through contract meetings to ensure they remain financially sustainable.

   In relation to the financial and inflationary challenges facing Local Authority maintained schools, the Government's Energy Bill Relief Scheme was providing support to schools with rising energy costs, but the energy cap changes from the end of March 2023 would create additional costs for schools. The Government has however responded to this change by providing additional funding to schools to spend on energy efficiency upgrades to help save on energy bills going forward. Schools were also having to manage increased staff costs and overcome the challenge of teacher recruitment. There were currently around ten maintained schools in Lincolnshire which were experiencing a budget deficit. The Council would work with these individual schools to set a budget recovery plan. As the Local Authority was not allowed to fund overspends in maintained schools, there would be no financial risk to the Council. The Autumn 2022 statement announced a further £2bn increase in schools funding in each of 2023/24 and 2024/25 to respond to increasing costs faced by schools, particularly through staff pay awards and utilities, which was welcomed.

4. National Funding Formula - the policy decision to continue adopting the national funding formula for mainstream schools was currently being assessed for affordability. The Local Authority has to set an affordable schools formula and the Local Authority would continue to adopt the same principles as in prior years ensuring fairness in approach was applied. An Executive Councillor decision would be taken on the affordability steps. The funding formula would be published by the 28 February 2023 deadline.

The Committee also made the following comments:

- The Committee was concerned with the loss of the Local Authorities School Improvement Monitoring and Brokering Grant and what impact this would have on supporting schools judged as inadequate or requiring improvement. The Committee was pleased to hear that maintained schools had supported the Council to repurpose the de-delegated budgets for maintained schools to maintain the provision for school improvement. The de-delegation budget would usually be used to provide other school improvement services to schools, such as an interim headteacher service, but those services had been used less over recent years due to more stability in the school sector.

- The Committee was pleased to hear that the Council was receiving additional grant funding from the Department for Education to enable Children's Services to provide support to other Local Authorities, such as North East Lincolnshire Council. This funding was separate to the budget proposals for Children's Services and was reviewed every three months. The current funding was agreed until the end of March 2023 and work was ongoing to assess what further support would be required for the six-month period post March 2023.

Environment and Economy Scrutiny Committee – 17 January 2023

The Environment and Economy Scrutiny Committee has made the following comments:

(1) The Committee supports the proposals for the Environment and Economy Services budget for 2022/23, and the Committee acknowledges the pressures on the budget such as inflation and increases in demand for services, as well as the risks.

(2) In relation to the £735,000 saving on the Waste Contract (relevant to the roll out of paper and card recycling scheme), the Committee enquired what the impact was for District Councils that implemented the scheme. Officers explained that financial gains

from the twin stream (paper and card separate collection) were not shared with DCs and added that LCC bore the sole risks for the scheme. It was clarified that LCC paid for the bins and supported DC staff with a team of employees who delivered the project, whilst enduring ongoing risks of paper prices dropping following a high of the past 12 months. Prior to the project commencing District Councils were offered the opportunities to share in the costs and benefits but they declined. Income generated by the project was put back into an improved engagement programme that included school visits and talking to residents with the overall objective of improving.

(3) The Committee acknowledged the enormously important value of broadband provision across the whole of the County. In relation to inclusion of the £5.5m for the provision of super-fast broadband in future years, Members requested more information on what that included. Officers explained that the overall budget for the programme had not been increased and the inclusion of this figure was due to phasing. The programme has already provided 96% of properties in Lincolnshire with super-fast broadband; this triggered a performance bonus that was agreed with the contractor (BT) in 2012 and which would be used to fill gaps in provision and in increasing broadband speeds. There was an ongoing process whereby the Government was expected (within the course of the next 9 months) to identify what gaps they were covering, following which there will be a decision on which elements the remainder of the funds would be allocated to.

Highways and Transport Scrutiny Committee – 23 January 2023

On 23 January 2023, the Highways and Transport Scrutiny Committee considered a report in relation to the Revenue and Capital Budget Proposals for 2023-24 and supported the Recommendations set out in the report to the Executive.

The following points were highlighted:

- In relation to the increased funding allocation for the North Hykeham Relief Road, Members sought assurance that despite funding pressures, the NHRR was still being delivered as a dual carriage way bypass. Officers explained the increase of funding in further detail and gave assurance that the NHRR was still planned to be delivered as expected, adding that the next key milestone was in September 2023 (Executive and Planning). Further, in relation to cost increases, Officers clarified that costs are bound by contract frameworks and changes in terms of repricing were being considered by the Executive for a key decision prior to contractual agreements being signed with contractors. Increases in figures emerged due to inflation, and price increases within the construction market which were outside LCC's control.

- Members pointed out that delays in the delivery of schemes may incur increased costs owing to inflation and other cost rises. Assurance was sought that LCC was not delaying the construction and delivery of planned schemes and projects. Officers explained that projects required a design process, which included the capture of data, ground investigations, geophysical surveys etc. Following the design process the procurement and delivery mechanisms commenced. Successful contractors are incentivised to expedite delivery to avoid unnecessary spending.

- In reference to point 1.27 of the report, Members enquired what the likely spend pattern entailed and asked for some tangible examples where rephasing was considered. In terms of re-phased project budgets, Officers clarified that budgets for some projects (e.g., Spalding Western Relief Road Section 1, were being put back to future years to allow the capital allocated to that to be re allocated towards increases in other areas such as the Grantham Southern Relief Road.

- Impact of decline in the price of diesel on budgets and whether that was considered already was queried by Members. Officers explained that in regard to passenger transport the impact of the price fall depended on the particular contract model in place and the indices that were built in around fuel; which is currently being reviewed. Overall the price decrease was anticipated to have a positive long-term effect if it continued. Officers emphasised that fuel prices were not the sole driver of cost increases in the market, with other pressures including wage rates, driver shortages and vehicle shortages.

- Members raised questions around whether future plans included the improvement of other highways in the region (e.g., Hykeham Roundabout and Skellingthorpe Roundabout) and were informed that those raised in particular by Members came under National Highways and therefore fell under the National Highways' decisions on network expansions; nevertheless, Officers gave assurance that they actively canvassed for opportunities.

Overview and Scrutiny Management Board – 26 January 2023

On 26 January 2023, the Overview and Scrutiny Management Board supported the Council Budget proposals for 2023/24 as set out in the report to the Executive on 4 January 2023. Three councillors abstained.

The Board acknowledged that the Council was facing difficult financial decisions for 2023/24 and beyond, but recognised that additional funding was required to enable the Council to continue providing the same level of services to residents. Several members of the Board supported the proposal for the 4.99% increase in council tax, as recommended by the Section 151 Officer, to avoid a deeper year on year reduction in available funding going forward and depleting the Council's reserves more quickly. However, the Board also acknowledged the impact that a rise in council tax would have on residents during the current cost of living increases, and that there was a need to ensure residents fully understood why it needed to increase.

With respect to the public consultation on the budget proposals, the Board welcomed the range of options being consulted on for the increase in council tax, but was disappointed with the low number of responses, which stood at 58 at the time of the meeting. It was recommended that the public consultation should be revisited to maximise engagement in the future.

In relation to the 2023/24 details, the following points were clarified for the Board:

- With regards to the grant conditions on ringfenced adult social care grant and the discharge funding, it was confirmed that the discharge funding had been put in place by the Government to support the NHS with discharging patients from hospital quicker. This meant that the Council was commissioning care beds which it would not normally commission, so there were costs being incurred by the Council which would not usually be incurred through normal service delivery. Some of the grants received for adult social care come with costs that would not usually be incurred through normal service delivery, but these were offset by the £4.8m discharge funding received.

- There was no information currently available as to when the Fair Funding review would take place, but it was expected that the earliest it would happen would be in 2025/26 after the next general election.

- Regarding the loss of the £12m funding from the Government for highways maintenance, it was confirmed that this had been included in the base budget for highways for now to cover the shortfall, but the continuation of this funding would depend on what funding and savings were available to the Council in the future.

- There was £240m held in total in the Council's reserves at the start of the year. Of this, £28m was for schools' carry forward and half related to revenue grants received for specific purposes. The largest reserve was the Financial Volatility Reserve which stood at £47m and would support the Council to plan its finances moving forward.

The Overview and Scrutiny Management Board also considered the budget proposals for 2023/24 for the Council's Resources directorate and Corporate Services. The following points were clarified for the Board in relation to questions raised by Members:

- In relation to the Capital Programme, there were a number of fixed cost elements for the Resources directorate such as refreshing IT equipment and property maintenance on the buildings owned by the Council. A decision could be made in the future to reduce the level of property maintenance, but this would need to be balanced against the potential negative impacts on service delivery and higher costs in the long run if assets fall into a state of disrepair.

- Following the introduction of the Smarter Working policy in 2022, it was confirmed that a review of the Council's capital estate had commenced to determine what buildings would be required in the future on the Newland campus in Lincoln and in the localities, based on the usage of the Council's buildings over the past year. The recommissioning of the corporate support services could have an impact on the Newland campus as some teams would be insourced and the Council's premises could be utilised as part of the procurement of a customer service centre. A report would be brought to the Overview and Scrutiny Management Board in Spring/Summer 2023 on a strategy for the Newland campus once the future requirements had been determined.

Public Protection and Communities Scrutiny Committee – 31 January 2023

On 31 January 2023, the Public Protection and Communities Scrutiny Committee considered a report in relation to the Revenue and Capital Budget Proposals for 2023-24 and supported the Recommendations set out in the report to the Executive.

The following points were highlighted:

- Registration and Celebratory Services:
    - Members asked what the Registration services budget was likely to look like in the 2023/24 in order to meet the inflation that is on the rise and deliver a full cost recovery model. Officers provided assurance that the costs that came into the service were reduced due to diverting some of these online through the improved digital service offer.

- Fire and Rescue Service:
    - The impact of fluctuation in fuel prices on the Fire and Rescue Service was queried. The ACFO explained that the current decline of fuel prices was not anticipated to remove cost pressures, most of which had already been incurred in the current year.

    - In relation to "unavoidable service specific cost pressures" (para 1.15- relevant to FRS) that amounted to £487,000, Members asked what these entailed; Officers explained that these included fuel costs, costs of facilities and headquarters related costs and explained that these were partially offset by savings that emerged from the rent savings following the acquisition of the Waddington Training Centre site.

    - Members requested further information about the rolling programme for the replacement of FRS fleet vehicles and associated equipment increase to c£2.6 million. The ACFO explained that this covered vehicles (e.g., fire engines) and operational and specialist equipment (e.g., thermal imaging cameras, cutting equipment, FRS boats etc). These were reviewed as to establish their life expectancy, to assess damage and repairs/maintenance required, to ensure technological compatibility which reduced the risk of adverse impacts owed to condition of these.

- Reference was made to the withdrawal of the Firelink Grant (para 1.18, second bullet point) which resulted in fire services incurring the costs for communication and mobilising systems used.

- Assurance was provided that although no new projects were added to the Capital programme (para 1.22), a new developments capital contingency within the programme at £5 million per annum, was available to be used to fund any projects brought forward during the year. This meant that there was £50 million of capital available (over the 10-year capital programme) for other projects in addition to those already featured within the capital programme. Members were satisfied that despite increased costs and inflation rates, the services needs were being met and projects were not being delayed or deferred due to cost pressures.

- Members noted the absence of an increase in funding to Citizens Advice Lincolnshire (CAL). In line with the cost-of-living crisis and inflation in the market, CAL was a valued source of advice and support to residents that lack resources and experienced hardships. Members were concerned by the increased pressure on CAL to support residents on restricted funding. Officers gave assurance that there were ongoing negotiations with CAL and looked at efficiencies that could be achieved through better use of resources that were available. In addition, the role of CAL was under review and officers offered to bring back a report relating to the procurement process and the commissioning arrangements with CAL.

Meeting with businesses, trade unions and other public bodies – 27 January 2023

BUDGET CONSULTATION MEETING 2023

A list of attendees is detailed at the end of these notes.

Councillor M A Whittington, Executive Support Councillor for Resources and Communications welcomed everyone to the meeting. Attendees were informed that this meeting was part of the normal consultation process which the authority undertook when setting its budget and provided the opportunity for partners and other organisations to take part in the consultation. It was reported that the proposed budget was also examined by each of the County Council's scrutiny committees who would look in more detail at the budgets for individual service areas. Recommendations would then be made to the full Council at its meeting on 17 February 2023, where the budget would be formally approved.

Michelle Grady, Assistant Director – Finance and Adam Hopley, Strategic Finance Lead - Corporate, introduced a presentation on "Budget Engagement Meeting with Key Stakeholders, 27 January 2023", 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.

During discussion the following main points were highlighted:

- In terms of the economic and financial context, inflation had peaked at 11.1% in October 2023, and it was noted this would have been higher without government intervention in energy prices etc.
- In the government's Autumn Statement, specific consideration was given to the current economic issues, and in the short term there would be more fiscal intervention as the economy got back to a more stable point. In terms of the medium term outlook, once the economy was growing again, then the investment in public services would grow at a slower rate.
- There had been many world factors which had contributed to the high inflation rate, however the Bank of England was able to influence this through the interest rates, which had been increasing gradually over the past year, and it was expected that they would increase further. It was hoped that this would start to bring the inflation rate back down. In terms of impacts on the County Council, this increased the costs of borrowing for schemes included in the capital investment programme.
- This was now a much riskier environment financially, than it had been for a number of years.
- The Autumn Statement had a number of headlines for local government, which included the delay to the social care reforms of two years, however, the funding which had been earmarked for this had been retained within Adult Social Care (ASC). There was also an additional investment of £1bn for 2023-24 and £1.7bn in 2024-25 to aid with hospital discharge. The County Council was also able to increase its council tax by a maximum of 5% (3% general and 2% for the ASC precept). Another consideration would be the increase to the National Living Wage by 9.7% to £10.42 an hour from April 2023.
- In terms of the provisional local government finance settlement it was highlighted that LCC would receive a notional £62.5m increase in core spending power. This would be split between grant funding and extra council tax. However, it was predicated on the County Council increasing its council tax by the maximum figure of 5%. There were also increases for the ASC market sustainability and improvement fund, ASC discharge and a settlement funding assessment. However, there were also reductions in the New Homes Bonus, and the Service grant to reflect the reversal of the health and social care national insurance rise. It was also noted that this was a one-year settlement, but overall it was better than expected.
- It was queried whether the Council would receive any additional funding to cover the public sector pay increases. Officers advised that the LCC employees pay was negotiated through a national scheme, but organisations were expected to manage these increases through their own budgets. The pay increase for 2022 was funded through use of the Council's contingency fund.

- It was queried whether it was likely that the funding situation would change if there was a change of government. It was acknowledged that Lincolnshire received a lot less funding than some of the counties in the south east, for example. Officers commented that the government had committed to a Fairer Funding Review, however, this had been pushed back to the next Parliament.
- It was commented that there were pockets of deprivation in Lincolnshire, both within rural areas and within towns, and there was a need for the government to recognise this. It was noted that some of the grants received by the County Council were weighted for those authorities with a lower tax base, and so Lincolnshire had benefitted from these.
- It was discussed whether having more decision-making at a lower level would be beneficial, however it was commented that this would need to include the power to remove the maximum cap for council tax increases, and this was not possible under the current funding mechanism.
- It was noted that how schools were funded had changed significantly over the years. The Council now received a dedicated schools grant which was very specific in how it could be used.
- A query was raised in relation to reserves, and whether the council was happy with the current levels. It was noted that there were some reserves which had a specific purpose, such as the winter maintenance budget which was there to cover gritting of roads during the winter months, and there was a need to maintain this type of reserve. It was also highlighted that there was a financial volatility reserve which was there to help the council to manage if costs exceeded income. In terms of earmarked reserves, which totalled around £240m, around half of this was held for schools, and the remainder was made up of grants, such as for public health, as well as an insurance fund reserve and a development fund. There was also a contingency budget, which this year had been increased to £6.5m and had been used to cover the staff pay award.
- It was commented that the County Council had always done a good job of managing its finances, including during the pandemic, when other authorities began to struggle.
- Officers advised that the Council had received additional grants during the pandemic to help manage additional costs. It was also noted that having well run services was beneficial when managing budgets. The Council was fortunate that it had not had to cut any services over the past couple of years.
- It was commented that during the pandemic, information had been cascaded down to providers well. Officers noted that the Council had dealt with providers individually during the pandemic to determine how best to support them.
- In relation to a devolution deal, officers advised government was being lobbied on this and it would create an extra layer of funding and decision making. This was something which Greater Lincolnshire was actively looking for. However, it was commented that devolution was one thing, but local government reorganisation was something different. It was likely that any funding received in relation to devolution would be geared towards infrastructure or higher level projects.
- In relation to the Medium - Term Financial Position, the main drivers for the budget shortfall were higher cost pressures due to the current inflationary environment.

- It was highlighted that one area of risk which was still being worked through was Home to School Transport, where a deep dive of this area was being undertaken. There were cost pressures which were not yet included in the budget, but this work would be concluded for the report which would be presented to Council on 17 February 2023 for approval.
- In terms of the reversal of the National Insurance levy, it was clarified that the Government had amended the Services Grant funding stream to reflect the reduction in cost this would cause. The amount recovered was higher than the levy cost to LCC. Separately, the 2022/23 pay award cost was higher than had been planned, which required the Council to cover this through the corporate contingency.
- In terms of the Capital Programme, it was noted that no major projects had been added, and the focus would be on those that were already underway which included Spalding Western Relief Road, Grantham Southern Relief Road and the North Hykeham Relief Road, as well as the delivery of the SEND schools provision. This was to ensure that the programme remained affordable.
- The Council was thanked for maintaining its commitment to deliver the SEND Schools provision.
- In relation to the SEND schools budget, it was noted that the provision was better for the child as they could remain local to family, and it also reduced the Councils ongoing costs as children would not need to be placed out of county. It was noted that the Council did try and take the approach of prevention wherever possible with services as it would be better for the person, and would save money over the long term.
- It was also highlighted that Lincolnshire was one of the few counties that had managed to keep all of its Children's Centres open.
- It was noted that all areas of government were having problems attracting good staff, but Lincolnshire was not experiencing as many problems as other areas. There were still difficulties in attracting staff, however, Lincolnshire was able to retain staff fairly well. Having the university was a benefit as people would often stay in the County after graduating. There was a hope that the medical school in Lincoln would also encourage people to stay in the County.
- In relation to the Council Tax proposals, it was reported that there were three options being considered and consulted upon:
    - Option A – (2% ASC precept and 0.99% general precept)
    - Option B – (2% ASC precept and 1.99% general precept)
    - Option C – (2% ASC precept and 2.99% general precept)
- A discussion took place around the options for setting the council tax level and it was acknowledged that this was a difficult decision, particularly with consideration of the cost of living crisis when all other prices were increasing as well. There was understanding around the need for council tax to be increased. However, it was highlighted that there were schemes out there to help people who were struggling, and all district councils had schemes to help people with paying their council tax. There was a need to explain to people how their money was actually spent, and that there were also efficiency savings being made.

- It was suggested whether the increase in hybrid working could help with organisations becoming more efficient (although it was acknowledged that this would not work for all services). It was noted that more hybrid working could lead to reduced mileage claims as well as reducing the impact on the environment.
- The challenge with two tier authorities was that responsibilities were split, however the county council had continued to work with district councils on issues such as housing provision.
- In terms of next steps, the updated budget proposals would be considered by the Executive on 7 February 2023, and then the budget would be recommended to Council for approval on 17 February 2023.

Present	**Representing**
Councillor M A Whittington	Lincolnshire County Council
K Rustidge	NEU
P Allison	Linkage
M Grady	Lincolnshire County Council
A Hopley	Lincolnshire County Council
R Wilson	Lincolnshire County Council

Public Engagement via the Council website

Following consideration of the budget proposals 2022/23 by the Executive on 5 January 2022, a public engagement was published on the Council website, and closed on 26 January 2022. The following two responses were received by email:

Response 1 by email

OptionB please, as a retired resident I would like services maintained to a improving standard ,and as a parish councillor I would like to the money spent wisely....

Regards
VCI (*name redacted*)

Response 2 by email

Overall opinion , recognise challenges faced BUT many of residents in E LDC whilst asset rich , owning own homes, are elderly retirees on pensions already facing challenges of rising cost of living, fuel rises simply will not be able to afford option B Or Option C.

Overall suggest Option A is the way forward.

South Cockerington Parish Council

Response 3 by email

Good afternoon

Gedney Parish Council would like to opt for Band B

Kind regard
Gedney Parish Council

Response 4 by email

Dear Sir/Madam,

Thank you for the email regarding the budget and council tax proposal, and for giving us the opportunity to have our say.

Waddington Parish Council discussed this at their meeting and agreed on Option C. They believe that a difference of £30 a year for a band D household is not a lot, and that the reserves should be kept where possible, as with the current climate who knows when these may be needed.

Kind regards.

Waddington Parish Council

Response 5 by email

Spridlington Parish Council supports Option B

Regards
Spridlington Parish Council

Response 6 by email

Good afternoon,

I am writing to you, on behalf of North Hykeham Town Council, to confirm that at the last meeting of the Finance and Policy committee the LCC request for views on the budget and council tax proposals for 2023/24 were discussed. It was resolved to support Option C: 2% adult social care precept + 2.99% general precept = 4.99% precept.

Kind regards,
North Hykeham Town Council

Response 7 by email

South Willingham Parish Council would support option B.

Yours faithfully

South Willingham Parish Council

Responses posted on council website (Let's talk Lincolnshire), at 24/1 (all comments included here are as they were entered onto the Let's talk Lincolnshire platform/Sic)

Response 1 on Let's talk Lincolnshire

Option B - the middle one of the 3 evils.

Response 2 on Let's talk Lincolnshire

It would be better to have more detail on the budgets for people to comment on, and jargon used that perhaps the general public would understand, rather than the term precept. Doesn't really explain how much it's going to cost each household taking into account the cost of living crisis.

Response 3 on Let's talk Lincolnshire

There are many things that can be done to improve and save costs in adult social care all legal and approved under the statutory guidance. Before considering precepts may be it would be wise to look at the process and see how they could be streamlined to save money time and resources
See post at: https://haloabletec.blogspot.com/2022/02/saving-resources-time-and-money-in.html
And
https://haloabletec.blogspot.com/2022/04/direct-payments-care-markets-and.html
Promoting and letting people manage there own carecould save substantial amounts of money.
We need social care to move forward and think in fresh ways to deliver the service which is not staff extensive and reduce costs.

Response 4 on Let's talk Lincolnshire

Option A is essential unless others options will result in massive improvement in road quality, otherwise these increases will not be stomached in present circumstances.

Response 5 on Let's talk Lincolnshire

I vote for Option A. I would also like to query why you no longer have public forums to answer direct questions about your plans for our money ?

Response 6 on Let's talk Lincolnshire

As you should know there are less fires and less usage of fire service which is why they diversify into other jobs such as first responder etc. to try and keep jobs. I would recommend giving them £15 million and the £7 million going to highways.

Response 7 on Let’s talk Lincolnshire

Care should really come from Central Government.   However if forced I would choose option A. All my cost are going up and income is not...so sorry

Response 8 on Let’s talk Lincolnshire

The consultation process should help the Executive to decide on the most appropriate option to recommend - not the other way round.
Given the financial pressures on local authority and NHS services adversely impacting on the quality and quantity of services available to the public, and reducing reliance on reducing the County Council's reserves, which may be needed if the financial situation worsens, it would seem that the most appropriate and prudent approach would be to go with Option C.
This recognises that on the one hand it will impact on individual household finances, but on the other hand it will support the funding those people services such as help for older and frailer people, people with disabilities and mental ill health and children and families in need to access services, rather than having to wait and be denied services which if provided in a timely manner and on an early intervention and prevention basis will save money further down stream.
The staffing situation affecting Social Care and Health Care services is at crisis point and needs addressing immediately with levels of remuneration that will attract the right quality and quantity of staff into the system - opting for Option C will provide fee rates to Care Providers to enable them to achieve that goal.

Response 9 on Let’s talk Lincolnshire

I don't have enough knowledge to confidently comment except for a couple of comments one being that generally the highways are in a very poor state with constant requests to fix dangerous potholes. You should not be relying on public reports, you should have dedicated people to do the reports. The other would be that I don't want to see my council tax increase again. I see increases every year without an understandable reason particularly with increases for the police. I never see a policeman, where are these increases going? Being cynical I would expect it goes to increased pay for people at the top.

Response 10 on Let’s talk Lincolnshire

I don't think you should be raising Council Tax at all at a time of massive inflation and cost of living crisis. Who can afford it? If you raise Council Tax by 3-5%, you must raise salaries by 3-5%, except for those on top rate tax brackets.   Balance the budget by reducing expenditure on roads; prioritise children and adult social care; reduce the numbers of senior managers and make decision making and commissioning and more efficient (more empowered decision making and leaner process) and therefore cost effective. Council processes are laborious and costly. Use more of the reserves. Be transparent and accountable about ethical investment of reserves and unspent budget. Don't use hotels for meetings. Be frugal in the use of resources. Put pressure on government for proper funding of adult social care. Use what you have more smartly. Be seen to reduce wastefulness. Generate more income from assets.

Response 11 on Let’s talk Lincolnshire

Option C - it’s about time the public were clearly told the true cost of public services; once the monies are made available to the Council, the public will expect better services. We need to ensure that the ageing demographic is looked after appropriately.

Response 12 on Let’s talk Lincolnshire

This is poor. You're basically asking people to agree to an increase despite all the cost of living increases. I dont want an increase AT ALL. I am already struggling month to month. OPTION A is only thing I would be prepared to agree to.

Response 13 on Let’s talk Lincolnshire

1st - "community wellbeing" - drop exerything in this category, it is a populist and meaningless concept/grouping that provides nothing of value (long/mediem term) to any community. It is a squandering waste of public funds. Every manager/employee associated with those "activities" should be made redundant as they are fulfilling non-jobs only to satisfy box-ticking, but still at the unjustified expense of the taxpayer.
2nd - "Option A" - 2%+0.99% for the 2.99% precept. I also criticise and formerly complain about your disingenuous presentation of numbers to decieve the the electorate, 0.99% is 1% so say what it actually amounts to and stop offensive word redacted about, there's nothing clever about your infantile deception attempt. Whoever the culprit with that idea on the Executive should be sacked for gross-misconduct.

Response 14 on Let’s talk Lincolnshire

Option A at the most , ideally zero increase as low paid workers are really struggling. Lots of ways to save money, use all your reserves for a start as by next year Lcc may be gone, share facilities with others, work from home to the max so you can sell off county hall and cut back the oap bus passes for a start to just what they are entitled to and charge for things you can do eg call connect and library fines. But please no tax rise thank you.

Response 15 on Let’s talk Lincolnshire

I see no issues with drawing from reserves, that is why they are there. For the options presented, I would support option B as all are similar. It would have been good for a further option to allocate more to adult social care.

Response 16 on Let’s talk Lincolnshire

I would also agree with previous comments that social care should come from central government, however given the options presented i am of the view that drawing from reserves is acceptable so I would support Option B

Response 17 on Let’s talk Lincolnshire

I select option A, 2% +0.99%, but there should be options in weighting on the distribution funds to other areas too. I'm disappointed that the "plans includes:" section did not give some sort of brief or reference to the stresses of those areas listed with values or point us into an area that identifies the details that lead support the decision, the impact and numbers; it seems deliberate and no help to the public to provide effective feedback due the lack of quality informed information. I don't think the weighting reflects the situation now, for example our highways are in a right mess but due to the lack of informed content how can we see that it should be higher and another area lower or not etc.

Response 18 on Let’s talk Lincolnshire

Option A would seem to be the best of a bad deal. In the current financial crisis I think a zero increase would be another option. There appears to be so much money wasted on projects that are of no benefit to anybody except the people being paid to do the research, the council should look at reducing the number of managers at the top of the tree

Response 19 on Let’s talk Lincolnshire

Option D - no increase at all - the PCC increased our council tax last year we dont want another increase

Response 20 on Let’s talk Lincolnshire

None of these: many people are experiencing great hardship at the moment as prices, mortgages, food, home heating costs rise inexorably and many will expect to lose their jobs or businesses in the coming year as the recession deepens. LCC needs to cut its management structure, stop wasting money on bureaucratic exercises, reduce its headcount, cut councillors' allowances, contributions to external Quangos and NGOs. Instead it should concentrate on its social care responsibilities (and again, cut the bureaucracy and management); concentrate on repairing the county's lamentable and dangerous roads; and consider every aspect of its expenditure and if necessary, subsidies. It should decrease its precept on tax bills and urge the Police and Crime Commissioner (a true waste of every penny sent there) to cut his demands and to take more from reserves (which is what they are there for). The overall bill has got to go DOWN, not up: people can no longer afford to subsidise this bloated bureaucracy and the lifestyle of its employees and participants.

Response 21 on Let’s talk Lincolnshire

I trust LCC to do their best. None of us would agree with everything they do or spend but overall I think they do a good job in difficult circumstances. I go for Option B

Response 22 on Let’s talk Lincolnshire

With regret, I go for Option C.

I agree with the use of reserves, but the shortfalls over the medium term exceed the given amount of reserves.

I also agree with the comments about top-heavy management, and non-jobs. Pay the workers, and remind the councillors they are performing a public service, not riding a gravy train.

Do road repairs properly the first time, don't waste money on repeated bad jobs.

Response 23 on Let’s talk Lincolnshire

I would prefer choice A, whilst I appreciate the council have less disposable income, so do the general public.
I have had to leave work due to disabilities, I need heating and hot water but I'm using less due to cost and yet the bill is two and a half times last year's, every penny is accounted for, to have too much of a raise in council tax could be the straw that breaks the camel's back.
We don't get expenses etc paid like councillors.

Response 24 on Let’s talk Lincolnshire

In my opinion the most appropriate option would be Option C so that council services can be maintained and even enhanced. For too long Lincolnshire County Council seems to have been proud to claim that it has one of the lowest council taxes in the region. Indeed I was told at a meeting that to be otherwise would be a vote loser....so be it if it is

Response 25 on Let’s talk Lincolnshire

I retired in 2008, but every single year (up until 2022), my income has gone down due to reducing interest rates. No doubt that will not be of interest to councillors, but it still means that any and all increases have a massive effect on my position. I would suggest that continuing to operate on principles such as poor quality of road maintenance is only going to cost more in the long run (i.e. the substructure of roads is now being severely undermined by lack of maintenance - and that will cost a lot more to fix later). Another classic example of short term solutions with long term consequences is not clearing drains - - we will all suffer from that silly decision before long with climate change under way. The long term effects of short term slip-shod solutions should be thought through much more thoroughly before implementing any budget changes, but without doubt just shoving up council tax without dealing properly with waste first (on all fronts), is just bad management. None of us can afford for councillors not to use pure common sense on every decision rather than the other mis-guided priciples currently being used. Go for option B this year and then deal with mis-guided principles before next year's budget review.

Response 26 on Let’s talk Lincolnshire

I support a rise of £5 as the Council does a great job and I understand about rising costs

Response 27 on Let’s talk Lincolnshire

Option A. The country is facing an economic crisis as not seen for a generation. Households have generally seen their real incomes fall at an unprecedented rate over the last 12 months. Ideally no increase should be put upon the public at this time & the reserves should be used. If not at this crisis time when else should reserves be used? Increased productivity at every level of the council should be inreased to obtain better value for money from our public services. As others have alluded too, the Senior Management seem to think they have more important jobs than the Prime Minister as they pay themselves more. Scandelous. Looking at road and path maintenance workers, perhaps they could explain why it takes 5 times longer to complete a task in Lincolnshire than it does in London? As for Adult social care, when our family needed support from the Council for my father-in-law, not a single penny was forthcoming from the Council as he was one of those conscientious individuasl who had worked his whole life and saved only to have it all taken back in Care Home fee's without any local government support whatsoever. I for one, begrudge paying into a system that is never going to offer me or my family anything in return.

Response 28 on Let’s talk Lincolnshire

Option C would be my choice.
The disparity between senior officers holiday entitlements needs to be addressed. Senior officers need a reduction in their leave entitlements.
Education needs more autonomy within a devolved budget making them responsible for education welfare provision.
The post of police commissioner needs slimming down and savings diverted to beat officers/ community.

Response 29 on Let’s talk Lincolnshire

Option D would allow more money to be spent on potholes which are a danger to all residents in Lincolnshire causing accidents which impose on our hospitals and police.Less money should be spent on Quango meetings within social care which expect more money than the Prime Minister for doing less work.The Police Crime commissioner is a drag on Police finances and his powers should be decreased and pay reduced acccordingly.This would leave more money for the important expenses within the county. Council expenses should be carefully audited by outside auditors.

Response 30 on Let’s talk Lincolnshire

I think that the cost of living crisis is having such an impact on household budgets that it warrants dipping into Council reserves for this next year. Anything that can help consumers should be considered. I know it isn't a long term solution but it does feel like the country is facing a unique crisis at the moment.

Response 31 on Let’s talk Lincolnshire

The situation will remain very difficult for several yer. option A is "attractive" short term in view of the cutest pressure on households but will result in increased pressure in subsequent years. Option B seems to be the least bad choice for the moment

Response 32 on Let’s talk Lincolnshire

Would prefer option C. There are many elderly people in the area who lived & lost in WW2 = we owe these people a decent standard of care in their last years.

Response 33 on Let’s talk Lincolnshire

I think option A as people are struggling enough at the moment, without additional financial burden.

Response 34 on Let’s talk Lincolnshire

I don't agree with any of them, the pensioners will get a pay raise and then they have to pay more on Community tax, so basically gaining nothing. Community tax should be looked at, I thought everyone paid the same, but certain parts of the Country pay a lot less than ELDC banding is, I think the Council themselves needs to look at saving money, stop their high pay raises, and other expenses. District/country councillors should be paid for what they achieve and how many meetings they actually attend.

Response 35 on Let’s talk Lincolnshire

It’s essential to future proof so understand the options proposed. It’s also essential to understand the genuine pressures on local people so I think option B helps balance the books, doesn’t move the pressure to individual households and demonstrates compromise/meeting in the middle. Alternatives must be looked at to avoid reliance on government grants and a constant need to increase local council tax burdens. I am grateful that consideration and funds are being given to services that most need them.

Response 36 on Let’s talk Lincolnshire

As an ex-pro in the Social Care sector, I know that financial decisions are a workaround the Big Taboo, which I have supported since I first heard it in the 1980s: social care will be a huge financial headache unless and until there is a National Care Service in parallel with the NHS. That said, your option B strikes the best balance. Whatever you do, keep up the effort with highways & potholes etc.- that affects everyone, including those going by road to a care home, or to care delivery in the client's home!

Response 37 on Let’s talk Lincolnshire

Option B seems to be fair. With rising costs, it's clear we need to have a larger increase, however this needs to be affordable and the cost of living crisis is having a huge impact on the residents of Lincolnshire. Perhaps when the cost of living is more under control (hopefully 2024!) a larger increase would sit better with the public

Response 38 on Let’s talk Lincolnshire

The annual County Council claim of poverty - we all know that spending is being cut in real terms, and that Local Govt. is an easy target for central govt. so this claim is completely understandable. However, if LCC is serious about saving money, why is it proposing to spend £200m on the Lincoln Southern ByPass alone (now renamed North Hykeham Relief Road I understand)? We know historically that final costs of large civil engineering costs are much higher, so considering the recent inflation hikes and unforeseen costs on site, this could realistically end up as £280 to £300m.
Does this represent good value for money? Does it really paint a picture of an authority strapped for cash? More importantly, we are no longer living in the 20th century - the car is not king anymore, how does the County Council reconcile its 2019 commitment to becoming a carbon neutral authority by 2050 with the huge new road building programme (Spalding, Grantham, North Hykeham, Orby, Skegness...)? What kind of responsible authority these days promotes such an extensive and environmentally damaging road building programme?
The carbon costs captured must include service life of the roads, the traffic they generate (let us not kid ourselves anymore that new roads relieve traffic), maintenance costs, raw material extraction, and ultimately the costs associated with the housing projects they will generate. Planting a few trees does not balance the destruction of environment for material quarrying. If LCC wants to save money, and contribute to saving the planet (this old phrase is no longer an exaggeration is it?) - STOP building new roads (please).

Response 39 on Let’s talk Lincolnshire

Can LCC provide any form of additional data to justify the proposals as they sit? Especially regarding the total amount or percentage of council tax payers who use the adult social care system? Given this remains a constant in all three proposals it would indicate that this decision has been made and yet there is likely to other areas that members of the public would want targeted funding (such as highways given the extremely poor state of roads in our county).
Also LCC need to reassess their current costs for projects they routinely announce and if they are truly value for money. Only recently was a spend of £300k announced to rebuild a footpath which can hardly be justified in the current climate whilst still proposing an increase in council tax.

Response 40 on Let’s talk Lincolnshire

Option A

Response 41 on Let’s talk Lincolnshire

My hart says option C, BUT my financial postion, as a disabled veteran, on a pention, I can only say option A, as every pound and penny i get/have is already acounted for, (more than once). Sad but true......

Response 42 on Let’s talk Lincolnshire

Option A no matter how much we want to help the situation will only get worse if those with no money left end up struggling even further. going higher would long term cause more problems that you are trying to help

Response 43 on Let’s talk Lincolnshire

I note that there is no option for a zero% position nor one for a reduction in Council Tax and associated precepts.
I challenge you to offer a real consultation -
Option D 2% adult social care precept + -2.0% general precept = 0% precept
Option E 2% adult social care precept + -7.0% general precept = 5% precept
Past time for LCC and District Councils to reduce their expenditure, just as many families are having to do, and pass on the cuts to struggling households.
Option E

Response 44 on Let’s talk Lincolnshire

In the current economic situation, difficult decisions have to be made. I am staggered by the amount of money going into adult social care compared to other services. With that in mind, in my opinion option A should be considered.

Response 45 on Let’s talk Lincolnshire

Option c.

Response 46 on Let’s talk Lincolnshire

Can I propose Option B is put forward (2% adult social care precept + 1.99% general precept = 3.99% precept). Noting the reserves detailed in the report Option B seems a good compromise. Option A removes too much from the reserves when viewing the future predicted shortfalls, whilst option C places too much on the people of Lincolnshire with the way inflation has rocketed.

Response 47 on Let’s talk Lincolnshire

Fotherby Parish council considers option C to be appropriate

Response 48 on Let’s talk Lincolnshire

Option A. In the current climate please use cash from reserves. It's there for rainy days, and it's pouring down.

Response 49 on Let’s talk Lincolnshire

Hemswell Cliff Parish Council supports option C.

Response 50 on Let’s talk Lincolnshire

Option A - taxes have gone up by enormous amounts over the last few years, appreciate that this isn't getting through to local Government but the country is overtaxed. Difficult choices need making.

Response 51 on Let’s talk Lincolnshire

Option a and ideally option e below as people don't have anymore money to pay a council tax rise this yearnot everyone is working, alot jn the area of East lyndsey are unemployed,retired and disabled please think of a reduction and higher boses take a pay cut like us people in the community are having to cut back, the alternative is freeze the council tax this year and the council learn how to do cut backs too, irs nad enough pay council tax and still have to pay for green waste 50 a year think is over charges and you could do a direxy debit option for the green waste which would help residents to beabke to subscribe to the service. Think of the public pocket first please this year we all have no more money in the pot.

Response 52 on Let’s talk Lincolnshire

Option D
please people don't have anymore money in the post at all we have all having to cut baxk so council will have to do the same instead of passing your costs onto us all the time

Response 53 on Let’s talk Lincolnshire

Option A - costs for everyday living are escalating daily and many people are struggling

Response 54 on Let’s talk Lincolnshire

Following an email to Utterby Parish councillors they supported Option A: 2% adult social care precept + 0.99% general precept = 2.99% precept

Response 55 on Let’s talk Lincolnshire

Scotter Parish Council discussed the option in their January meeting. They agreed option A was the most acceptable in the current climate

Response 56 on Let’s talk Lincolnshire

No surprise that councils on here are backing the higher increase...

None of these options actually address the main issue that concerns the general public, which is value for money. This is simply asking for more money rather than the public seeing genuine basic improvements to our local areas. Expenditure appears to be a black hole filled with bureaucracy, overpaid and overmanned middle to senior management, with poor communication throughout. One look at the proposals for major works in the county show that projects are stuck in the system year after year and the costs increase with each delay. The longer these things take, the more expensive they become. As a result, it appears that the public have to make increased payments to cover this inefficiency without seeing any increase to standards.

This is then compounded when those who have paid into the system for years, finally retire and eventually rely upon the care system, only to find they yet again have to pay out of their own pocket because the council refuse to support them. There is no benefit to working hard, having personal savings, or indeed contributing to the public purse, as all it does it exclude you from support of any kind when you need it, whilst you pay more and more for a net worth of nothing.

The council need to be more accountable for how the money is spent.

1. Introduction

1.1. The Medium Term Financial Strategy (MTFS) sets out how we plan to manage our finances for the period 2023/24 – 2026/27 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. Although recent budget announcements have provided an increase in government grant funding, Local government has seen its government funding reduced significantly in real terms since 2010 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 government review of Local Government funding and business rates retention has not been undertaken and indications are that government will defer any review until 2025/26 at the earliest. This has meant that in 2023/24 we have had single year financial settlement for fourth year running and indications are that growth public spending will slow from 2025/26 so we continue to have uncertainty in our longer-term financial envelope.

1.4. Following on from the Covid Pandemic, the global economic crisis with inflation rising to unprecedented levels is now the main challenge and on-going risk for the council's financial strategy. Higher than planned for inflationary growth during 2022/23 is being reflected in our employee pay costs , utility costs and contracted provision, and the impact will continue into future years.

1.5. Government grants have been provided to support the reform of the Adult Social Care service and although some elements of the reforms have been delayed the aim is to make the market more sustainable by reviewing fee rates and supporting the workforce. This service faces workforce and inflationary challenges and the fragility of some areas of this supplier market presents significant financial and service delivery risk.

1.6. 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.

1.7. 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 requirement for the medium term financial years 2023/24 – 2026/27. 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 period from 2010 has been a time 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 and the last three years has seen a small increase in overall grants received, however 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
2021/22	21	88	109	12	31	1.99%	0
2022/23	21	104	125	10	54	4.99%	-2

3.3. The current regime for funding councils has been in place since 2013 and is now out-dated. The Government had 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 delayed due to Brexit, then by the Covid-19 pandemic and are now further delayed whilst the government responds to the cost of living crisis. Indications are that any review of needs and resources will be deferred until at least 2025 and then reflected in future local government funding settlements.

3.4. During 2021 the government set out its new plan for adult social care reform in England. This included a lifetime cap on the amount people in England will need to contribute to their personal care and a more generous means test for local authority financial support. The government also announced that it would be providing funding to support local authorities move towards paying providers a fair rate of care. During 2022 the government rescinded the Health and Social Care Levy introduced to fund these changes and has also deferred elements of the proposed Adult Care reforms to October 2025. The government continues 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. **Inflation** – price increases on items such as consumer goods saw the consumer price index (CPI) has peaked at 11.1% in October 2022. This exceeds the Bank of England target of 2% set by the government. Whilst OBR forecast a reduction during 2023 , many price increases resulting from inflationary pressures will be locked into our cost base.

4. The Forward View

4.1. In November 2022, the Chancellor announced his Autumn Budget which contained policy measures relevant to Local Government , this was followed by a draft finance settlement for a single year of 2023/24.

4.2. The settlement seems positive for local government, and reflects the inflationary pressures needing to be met to deliver local services. It offered a level of funding stability in the short term with a rollover of the majority of government funding streams with some new funding for social care services. Announcements included a National Living Wage increase to £10.42 per hour from April 2023; increases to the council tax referendum limit to no more than 5% (3% general increase and 2% adult social care precept); business rates multiplier frozen with compensation for councils; and delays to elements of the adult care reforms until October 2025.

4.3. 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.

4.4. We have adopted a longer-term savings strategy to deliver efficiency savings with an aim to manage future demand, reduce processing time and ensuring back office functions are fully optimised. This will in the main be delivered through the councils' transformation programme and whilst is challenging, will allow the council to continue to invest in valued front line services at a time when other councils are still reducing theirs

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 Settlement for 2023 the Government has proposed a referendum limit for general Council Tax of no more than 3%, and continues to allow the raising of local tax to support Adult Social Care with an additional 2% precept.

6.2. Our budget proposals are to implement a 2.99% general increase to support expected cost increases for all services and 2% Adult Social Care Council Tax increase for 2023/24. Our modelling assumes that beyond 2023/24 our Council Tax increases will be 2.99% 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 small deficit for the Business Rates element of the Collection Fund in our budget assumptions, which relates to part of the deficit from 2021/22 which was allowed to be spread over three years. 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 reliefs offered to business. The government has announced the freeze of the business rates multiplier for 2023/24 and we are expecting to be compensated for this and other rates reliefs offered.

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 and we have assumed an income position of £2.035m for 2023/24.

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 £21.220m in 2022/23. 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 2022/23 we have assumed a continuation of funding at current levels plus inflation for these grants unless the government has indicated that grants will be cash flat or reducing.

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 £113.600m planned income from these charges in 2022/23. 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 £16.400m, 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 3.01% of the 2022/23 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, if required, to ensure that the level of these reserves keeps pace with the budget requirement.

6.13. Our Earmarked Reserves are currently valued at £244.267m, which includes an Earmarked Reserve which is ring-fenced for Schools of £26.553m. 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. This position has continued in the current year (2022/23) and is assumed to continue in future years.

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 proactive 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 supporting financial resilience to be maintained;
- 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 CIPFA Financial Management (FM) Code. The code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Our analysis and actions required to improve compliance has been reported to Audit Committee who will continue to review our approach to full compliance as recommended.

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 delegations set out in the Constitution. 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 of 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 such as cost increases due to inflation or supply issues.

6.20. The assumptions and pressures impacting on our service budgets are looked at on an individual and detailed basis to best establish the required budget for the delivery of services and the level of risk in those calculations. This has been imperative to reflect the inflationary impacts on our budgets. We have also increased our revenue contingency to mitigate any in year pressures from the current inflation growth.

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. Our financial planning includes a Transformation programme, that allows us to invest time and resource to look at how we can improve how we deliver our services ensuring they are as efficient and effective as possible. The following examples are part of our financial planning and MTFS to support transformation and continuous improvement:

- 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 which will be £5m per year . Officers 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 2023/24. To support our summary budget position the MTFP table below sets out our expected budget position for the period 2023/24 – 2026/27.

SUMMARY REVENUE BUDGET	2023/24 Budget (£)	2024/25 Budget (£)	2025/26 Budget (£)	2026/27 Budget (£)
EXPENDITURE				
Net Base Budget	546,874,855	604,800,657	628,810,462	647,186,963
Cost Pressures (including inflation)	74,109,291	32,941,197	23,331,879	23,326,426
Savings & Additional Income	(11,380,753)	(6,187,297)	(3,955,378)	(1,128,880)
Other Movements (e.g. service grant funding)	(4,802,736)	(2,744,095)	(1,000,000)	-
Total	604,800,657	628,810,462	647,186,963	669,384,509
Highway maintenance additional spend (2023/24)	7,000,000	-	-	-
RESERVE ADJUSTMENTS				
Transfer to/from Earmarked Reserves	(7,543,384)	1,153,498	(3,735,038)	(4,983,988)
Transfer to/from General Reserves	-	-	-	-
BUDGET REQUIREMENT	**604,257,272**	**629,963,960**	**643,451,925**	**664,400,521**
FUNDING				
County Precept	(365,554,704)	(381,524,121)	(398,746,676)	(416,764,450)
Business Rates	(141,324,175)	(143,667,592)	(146,540,945)	(149,471,768)
Non-Specific Government Grants	(40,984,265)	(39,199,273)	(32,591,329)	(32,591,329)
Social Care Grants	(56,394,128)	(65,572,974)	(65,572,974)	(65,572,974)
TOTAL FUNDING	**(604,257,272)**	**(629,963,960)**	**(643,451,925)**	**(664,400,521)**

7.2. The MTFP table shows how our base budget each year during 2023/24 – 2026/27 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.

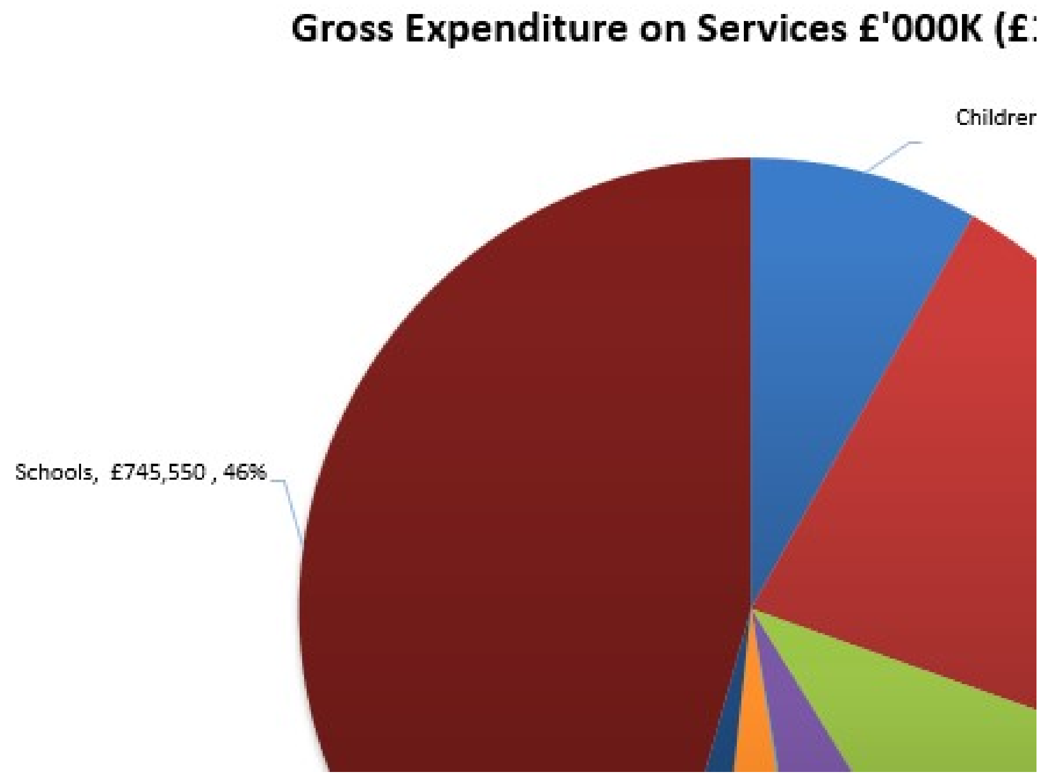
7.3. The MTFP shows that following the settlement from government we will draw down £7.5m of reserves of have a balanced budget, with a minor surplus currently forecast in 2024/25 of £1.2m, followed by a budget shortfall in the following years of £3.7m in 2025/26 and £5.0m in 2026/27. It's worth noting that this time last year, the value of cost pressures forecast for 2023/24 was £21.3m.

7.4. Whilst we are expecting a balanced budget in 2023/24 with use of reserves, this is still very reliant upon council tax and business rates updates that will be provided by the District Councils. To reach a sustainable budget position for future years an assessment of further likely savings will need to be made during 2023/24. This can be supported by our Financial Volatility Earmarked Reserve to smooth the delivery of future savings required

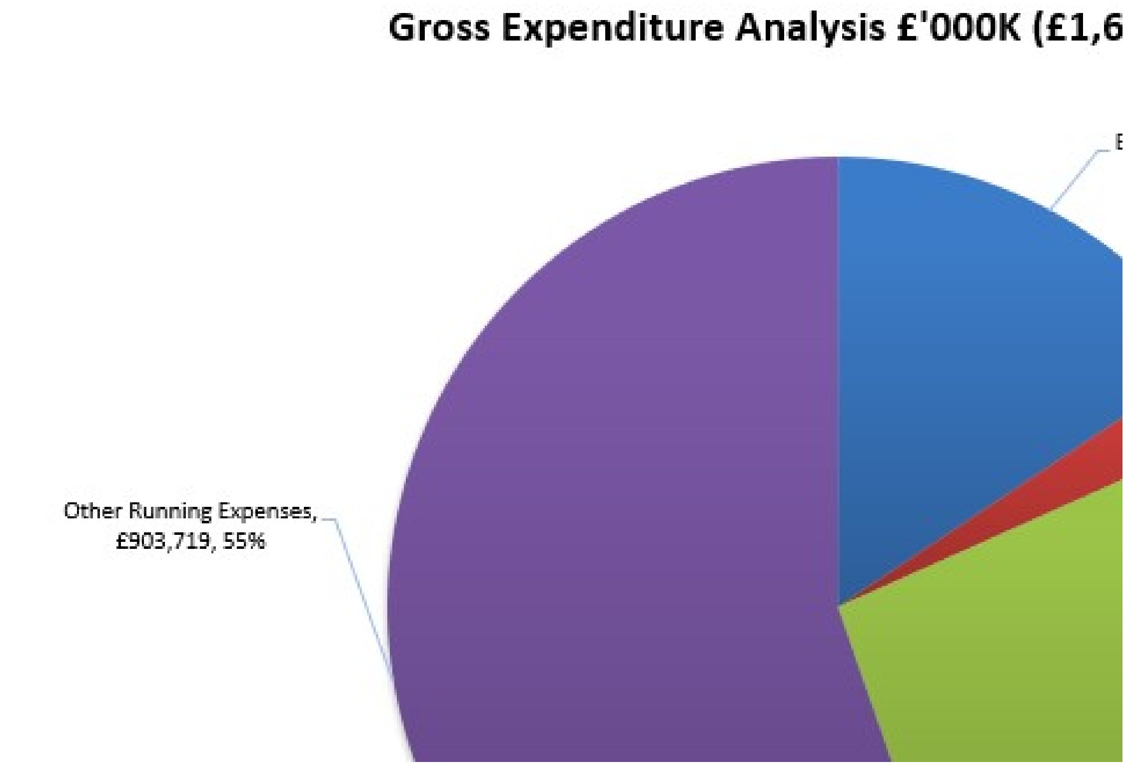
7.5. We have a ten year Capital Programme, which is a budget set aside to deliver new or improved assets and to maintain existing assets used to deliver services. The proposed Capital Programme is affordable over the longer term, within the context of our budget assumptions and in line with our Capital 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:

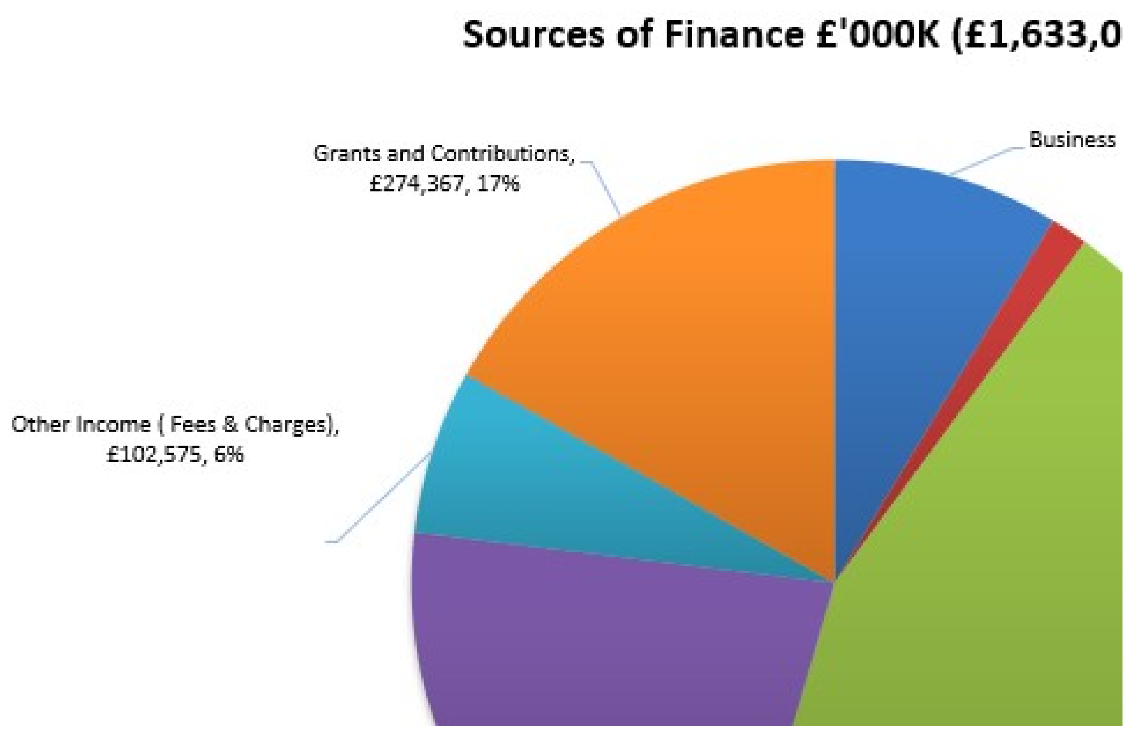
Capital Programme (2022/23 plus Future Years)	Revised Gross Programme 2022/23 £m	Gross Programme 2023/24 £m	Gross Programme Future Years £m
Gross Capital Programme	**229.305**	**136.879**	**427.561**
Funded by:			
Grants and Contribution	82.822	54.223	152.473
Capital Receipts	0.000	5.000	45.000
Revenue Funding	14.416	0.161	0.759
Use of Reserves	16.760	0.000	0.000
Borrowing	115.308	77.496	229.328
TOTAL FUNDING	**229.305**	**136.879**	**427.561**

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 27 county councils)
2	Government grants	Lobby for annual increases in general government grants to be above the county average
3	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income
4	Accounting	Unmodified external audit opinion
5	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requiremen net of Dedicated Schools Grant



Please refer to **Appendix S** for the key activities contained within each area.


Gross Expenditure Analysis £'000K (£1,6
Other Running Expenses,
£903,719, 55%


Sources of Finance £'000K (£1,633,0
Grants and Contributions,
£274,367, 17%
Business
Other Income (Fees & Charges),
£102,575, 6%

REVENUE GOVERNMENT GRANTS 2023/24

The revenue budget for 2023/24 includes the following government grants which have been allocated to the County Council:

	£'000
Council's Non-Specific Grants	
Social Care Support Grant	56,394
Revenue Support Grant	23,392
Rural Services Delivery Grant	8,134
Services Grant	4,508
Extended Rights to Free Travel	1,503
Fire Pensions Grant	1,437
Business Rates levy surplus distribution	935
Homes Bonus Grant	850
Inshore Fisheries Conservation Authorities	127
Virtual Schools Head Grant	98
Schools Budgets	
Dedicated Schools Grant (ring-fenced) (*1)	725,869
Pupil Premium (*2)	12,547
Universal Infant Free School Meals Grant	3,120
PE and Sport Grant	2,903
Service Budgets	
Public Health Grant (ring-fenced)	35,544
Better Care Fund - Improved Element	34,255
Better Care Fund - Funding	24,884
Market Sustainability and Fair Cost of Care	2,273
Total Revenue Grants	**938,773**

(*1) Dedicated Schools Grant. Lincolnshire has been awarded £725.869m, which is for all schools in Lincolnshire including local authority schools and academy schools. Approximately 73% 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. The Pupil Premium allocation covers the allocation for local authority schools only. The figure for 2023/24 (£12.547m) is currently an estimate, based on October 2022 census data and includes a 5% increase in the amount paid per pupil. There have been no changes to the grant allocation methodology. The final allocation for 2023/24 is not expected to be announced until later in 2023.

REVENUE BUDGET
COST PRESSURES AND SAVINGS BY SERVICE AREA

	2023/24 Cost Pressures (*1) £'000	2023/24 Savings/ Additional Income £'000
Children's Education	190	(422)
Children's Social Care	2,013	(909)
Adult Frailty & Long Term Conditions	19,218	(8,023)
Adult Specialities	8,084	(817)
Public Health & Community Wellbeing	697	(420)
Public Protection	91	(18)
Communities	4,218	(2,790)
Lincolnshire Local Enterprise Partnership	0	0
Growth	0	(5)
Highways	9,351	(280)
Fire and Rescue	396	(70)
Finance	266	0
Organisational Support	67	(856)
Legal and Governance	400	(40)
Corporate Property	5,673	(113)
Commercial	356	(451)
Transformation	61	0
Information Technology	1,851	0
Corporate Services	0	0
Total Service Budgets	**52,932**	**(15,214)**
Other Budgets	30,176	(4,468)
Total Expenditure	**83,108**	**(19,682)**

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

CHANGE IN REVENUE BUDGET BETWEEN 2022/23 AND 2023/24 APPENDIX J

CHANGES BETWEEN 2022/23 & 2023/24 BUDGET

	Impact on budget requirement	
	£'000	%
COST PRESSURES:		
Children's Education	190	0.03%
Children's Social Care		
Children in Care	1,404	0.23%
Social Care Legal Costs	1,400	0.23%
External Specialist Placements	(1,076)	-0.18%
Children's Social Care - Other Cost Pressures	285	0.05%
Adult Frailty & Long Term Conditions		
Inflation and Demographic Growth	8,311	1.38%
Adult Social Care Discharge Grant	5,613	0.93%
Better Care Fund	3,683	0.61%
Adult Frailty & Long Term Conditions - Other Cost Pressures	1,611	0.27%
Adult Specialities		
Inflation and Demographic Growth	5,499	0.91%
National Living Wage	1,647	0.27%
Adult Specialities - Other Cost Pressures	938	0.16%
Public Health & Community Wellbeing	697	0.12%
Public Protection	91	0.02%
Communities	4,218	0.70%
Highways		
Contract Inflation	5,488	0.91%
Energy Costs	3,833	0.63%
Highways - Other Cost Pressures	30	0.00%
Fire and Rescue	396	0.07%
Corporate Property		
Increased Utility Costs	4,388	0.73%
Contract Inflation	1,070	0.18%
Corporate Prorerty - Other Cost Pressures	215	0.04%
Commercial	356	0.06%
Transformation	61	0.01%
Information Technology		
Broadband Provision	1,000	0.17%
Information Technology - Other Cost Pressures	851	0.14%
Finance	266	0.04%
Organisational Support	67	0.01%
Governance	400	0.07%
Corporate Services	0	0.00%
Other Budgets		
Pay Negotiations and National Pay Spine	15,413	2.55%
Contingency	10,233	1.69%
Employers Pension Contribution Increase	3,163	0.52%
Minimum Revenue Provision	580	0.10%
Other Budgets - Other Cost Pressures	787	0.13%
TOTAL COST PRESSURES:	**83,108**	**13.75%**

continued on next page

SAVINGS:	£'000	%
Children's Education	(422)	-0.07%
Children's Social Care	(909)	-0.15%
Adult Frailty & Long Term Conditions	(8,023)	0.00%
Adult Specialities	(817)	-0.14%
Public Health & Community Wellbeing	(420)	-0.07%
Public Protection	(18)	0.00%
Communities	(2,790)	-0.46%
Growth	(5)	0.00%
Highways	(280)	-0.05%
Fire	(70)	-0.01%
Corporate Property	(113)	-0.02%
Commercial	(451)	-0.07%
Transformation	0	0.00%
Information Technology	0	0.00%
Finance	0	0.00%
Organisational Support	(856)	-0.14%
Governance	(40)	-0.01%
Corporate Services	0	0.00%
Other Budgets	(4,468)	-0.74%
TOTAL SAVINGS:	**(19,682)**	**-3.26%**

Other Movements:	£'000	%
Use of Earmarked Reserve (change over previous year)	(5,240)	-0.87%
Release of Funding from the General Fund Balance	0	0.00%
Other Movements (PH Grant, BCF & Market Sustainability Grant)	(5,500)	-0.91%
Highway maintenance additional spend (2023/24)	7,000	1.16%
TOTAL OTHER MOVEMENTS:	**(3,740)**	**-0.62%**
TOTAL CHANGE IN BUDGET REQUIREMENT:	**59,686**	**9.88%**

General Funding:	£'000	%
Social Care Support Grant	21,203	3.51%
Services Grant	(3,176)	-0.53%
Business Rates Pooling	(1,800)	-0.30%
Districts Business Rates AND Collection Fund Surplus (from District Council's NNDR1 form)	11,604	1.92%
Revenue Support Grant	2,172	0.36%
Section 31 Grant (Business Rates)	8,925	1.48%
Local Council Tax Support Grant	0	0.00%
Rural Service Delivery Grant	856	0.14%
Increase in other council general grants	1,798	0.30%
Reduction in other council general grants	(2,579)	-0.43%
Increase in Council Tax Base and Council Tax Collection Fund Surplus	20,683	3.42%
TOTAL CHANGE IN GENERAL GRANT AND COUNCIL TAX INCOME:	**59,686**	**9.88%**

EARMARKED RESERVES

APPENDIX K

Reserve	2022/23 Opening Balance £'000	Planned Change in 2022/23 £'000	2022/23 Forecast Closing Balance £'000	Planned Change in 2023/24 £'000	Planned Change in 2024/25 £'000	Planned Change in 2025/26 £'000	2025/26 Forecast Closing Balance £'000
Balances from dedicated schools budget including those held by Schools under a scheme of delegation	-26,553	16,366	-10,187	1,888	759	380	-7,160
Schools	-26,553	16,366	-10,187	1,888	759	380	-7,160
Other Earmarked Reserves							
Schools Sickness Insurance Scheme	-773	273	-500	0	0	0	-500
S77 School Projects	-401	401	0	0	0	0	0
Children's Services - Education	-1,174	674	-500	0	0	0	-500
Youth Offending Service	-200	0	-200	0	0	0	-200
Young People in Lincolnshire	-228	76	-152	76	0	0	-76
Families Working Together	-599	291	-308	94	94	94	-26
Music Service Reserve (carry forward)	-420	235	-185	50	50	50	-35
Children's Services	-1,447	602	-845	220	144	144	-337
Museum Exhibits	-133	0	-133	0	0	0	-133
Growth Reserve	-1,148	922	-226	75	0	0	-151
Carbon Management Reserve	-36	-91	-127	0	0	0	-127
Civil Parking Enforcement	-423	423	0	0	0	0	0
Flood and Water Risk Management	-200	0	-200	0	0	0	-200
Cultural Services Reserve	-295	173	-122	173	0	0	51
Lincoln Cultural Quarter Earmarked Reserve	-176	156	-20	0	0	0	-20
Traffic Management Reserve	-1,290	-193	-1,483	0	0	0	-1,483
Support to Businesses	-3,303	997	-2,306	0	0	0	-2,306
Place	-7,004	2,387	-4,617	248	0	0	-4,369
Procurement	-1,397	285	-1,112	322	0	0	-790
CSSC Transformation Including BW Rebuild and Development	-1,957	1,293	-664	0	0	0	-664
Property Management	-25	0	-25	0	0	0	-25
Legal	-811	0	-811	0	0	0	-811
Purchase of Employee Leave Scheme Reserve	-305	0	-305	75	0	0	-230
Resources	-4,495	1,578	-2,917	397	0	0	-2,520
Community Engagement Reserve	-59	0	-59	0	0	0	-59
Corporate Services	-59	0	-59	0	0	0	-59
Community Safety Reserve	-50	0	-50	0	0	0	-50
Adults and Community Wellbeing	-50	0	-50	0	0	0	-50
Other Services	-7,183	7,183	0	0	0	0	0
Insurances	-6,775	1,000	-5,775	0	0	0	-5,775
Financial Volatility Reserve	-46,922	0	-46,922	0	-1,153	3,735	-44,340
Energy from Waste Lifecycles	-4,721	750	-3,971	750	750	750	-1,721
Development Fund	-28,451	16,318	-12,133	4,892	3,537	0	-3,704
Business Rates Volatility Reserve	-6,152	0	-6,152	0	0	0	-6,152
Coronavirus Recovery Reserve	-2,304	2,304	0	0	0	0	0
Other Budgets	-102,508	27,555	-74,953	5,642	3,134	4,485	-61,692
Total Other Earmarked	**-116,737**	**32,796**	**-83,941**	**6,507**	**3,278**	**4,629**	**-69,527**
Revenue Grants and Contributions Unapplied							
Children's Services - Education	-8,893	8,736	-157	0	0	0	-157
Children's Services	-9,758	3,707	-6,051	1,871	1,522	1,293	-1,365
Adults and Community Wellbeing	-65,980	13,185	-52,795	21,089	5,323	2,114	-24,269
Place	-14,122	7,184	-6,938	1,881	500	0	-4,557
Fire & Rescue	-384	117	-267	51	45	0	-171
Corporate Services	-213	0	-213	0	0	0	-213
Other Budgets	-1,628	0	-1,628	0	0	0	-1,628
Total Revenue Grants and Contributions Unapplied	**-100,977**	**32,929**	**-68,048**	**24,892**	**7,390**	**3,407**	**-32,359**
Total Earmarked Reserves	**-244,267**	**82,091**	**-162,176**	**33,287**	**11,427**	**8,416**	**-109,047**

DEVELOPMENT FUND INITIATIVES

APPENDIX L

Directorate / Service Area	Project	Amount Approved from Development Fund £000's	Funding Utilised up to 31/03/22 £000's	Forecast Use of Funding Current Year and Future 2022/23 £000's	Future Years £000's	Update on Progress
REVENUE						
Place - Environment	Green Masterplan	350	72	165	113	**Green Masterplan approved, GMP Website developed, Lincolnshire Carbon Too**l developed, **Zero Carbon Castle** project commenced to examine how a zero carbon tourist attraction can be developed. Ongoing process of conversion of street lights to **LED lamps** funded through the Salix Fund. A carbon dioxide emission baseline for the whole economy in the county highlighted challenges around decarbonising transport, businesses and local communities. Projects have been developed to address these areas. On engaging with local communities, we have worked with 30 local **schools** on an **Environmental Engagement Programm**e – this led to the creation of an artwork, which toured around the county over summer 2022. The **Zero Carbon Parishes** project has produced a carbon footprint for every parish in the county and 12 parishes have come forward to develop carbon reduction plans based around small scale environmental projects. Example projects include a bike maintenance project in Holbeach, energy efficiency in Heighington and solar panels in Nettleham. The GMP is supporting the Council's **Tree Planting Programme**. We secured £169k of funding from the Forestry Commission which planted 16,000 trees in February 2022. This is being followed up with another tree planting programme for winter 2022/23. We have identified around 20 larger, privately owned sites for tree planting schemes. We are funding a report from the **Energy Catapult**, which looks at the opportunities in the Central Lincolnshire Local Plan area to incorporate renewables into buildings and the size of the potential resource. Following on from the new Local Transport Plan, we are working on a project to look at options to decarbonise freight deliveries. The GMP funding is supporting work to look at the installation of **Electric Vehicle Charging Points** at hospitality businesses on the coast and we are working to develop a wider support scheme to help small and medium businesses with reducing their energy bills.
Place - Communities	Anaerobic digestion Facilities - Business Case Viability	150	75	57	18	The Environment Act 2021 will place statutory responsibility on Waste Disposal Authorities such as LCC for the separate disposal of food waste. The specific requirements of the Act are still awaited but all indications are that separate weekly food waste collections will be a priority, which is likely to necessitate significant investment in the county's waste infrastructure. A study has been commissioned to examine whether Anaerobic Digestion is the preferred solution to treat municipal food waste. The report will enable a detailed Technical Options Appraisal to be undertaken and development of an Outline Business Case.

Directorate / Service Area	Project	Amount Approved from Development Fund £000's	Funding Utilised up to 31/03/22 £000's	Forecast Use of Funding Current Year and Future: 2022/23 £000's	Forecast Use of Funding Current Year and Future: Future Years £000's	Update on Progress
REVENUE contd.						
Place - Highways and Growth	Highways Advance Design/Economic Development Pipeline Projects	2,713	589	854	1,270	This funding is being utilised to supplement the Advance Design Block budget to accelerate development of Traffic Models, Transport Strategies and Feasilibity Studies while still investing the previous level of revenue funding into developing detailed designs for highway based projects and capital funding bids to third parties (e.g. DfT, DLUHC, etc). In addition, it has enabled the development of a pipeline of Economic Infrastructure schemes to bid against emerging government, LCC and other funding opportunities. Some 25 Transport Strategies, Models, Feasibilities and Highway Designs are currently being progressed, overseen by the Capital Programme Steering Group. In 2020/21 and 2021/22, 7 Economic Infrastructure feasibility studies were completed, and 4 are currently in delivery.
Place -Highways	Traffic signals - Wireless communications	5	0	5	0	Small revenue element for ducting surveys on-track with maintenance duties to be carried out in 2022/2023.
Place -Highways	Drainage Investigation and Flood Repairs	200	165	33	2	Revenue cost is for technical staff to undertake investigations. A full update on the overall project is provided in the Capital section below.
Fire and Rescue	Research study - LFR prevention work	10	8	0	0	This project is now complete. Although the expected start date of the evaluation was initially delayed by Covid, close liaison with the University of Lincoln allowed the team to develop alternative methods for collecting data to support the study. The period of data collection was reduced to ensure progress and discussions held to ensure the outcomes as outlined in the scoping document were met. The project was delivered within budget and the £2k funding remaining is no longer required.
Resources - Transformation	Business Process re-engineering	280	259	21	0	Prioritised opportunities from the discovery phase have been translated into a Digital Delivery Blueprint. Further work has been completed to link all digital work underway or planned into this piece of work (CSC project, Adults digital projects and future plans within IMT). The blueprint has been created to support the development of the Council's Digital Strategy. The top six opportunities for cashable / non cashable benefits have now been identified and agreement on the roadmap for this delivery is to be agreed by CLT over the summer. Work has now concluded on the School Admissions and Transport Discovery & Service Design with several opportunities for efficiencies and cashable benefits. This will form part of the Digital Delivery Blueprint and help inform decisions on the replacement of the education transport entitlement software (STAMP).

Service Area	Project	Amount Approved from Development Fund £000's	Funding Utilised up to 31/03/22 £000's	Forecast Use of Funding Current Year and Future		Update on Progress
				2022/23 £000's	Future Years £000's	
REVENUE contd.						
Resources - Transformation	Transformation Programme	7,384	0	2,861	4,523	The Transformation Programme was set up to develop a strong vision, identity and brand for the Council, put customers at the centre, enable the Council to become an employer of choice and support Lincolnshire County Council (LCC) in being more flexible and agile with a culture that promotes ownership and accountability. Initially built around three core delivery workstreams (people, communities and processes), the programme has initiated and driven a range of transformation activity, delivering impact for the people and place of Lincolnshire. The achievements and impact of the programme are regularly reviewed by the Overview and Scrutiny Management Board. The latest report can be viewed at: https://lincolnshire.moderngov.co.uk/documents/s48062/8.0%20Transformation%20Programme%20Update.pdf
Place - Growth	Broadband - 4G	135	0	0	135	This revenue funding for additional project management resource to enable the capital element of this project has not yet been required. A more detailed update on the overall project is reported in the Capital section below.
		11,227	**1,168**	**3,996**	**6,061**	

Service Area	Project	Amount Approved from Development Fund £000's	Funding Utilised up to 31/03/22 £000's	Forecast Use of Funding Current Year and Future 2022/23 £000's	Future Years £000's	Update on Progress
CAPITAL						
Place - Communities	Education Transport links to School (Route sustainability)	440	0	30	410	The Sustainable Travel Group has been focused on enabling more pupils to walk and cycle to and from school. There were initially, three priority schemes, with work originally planned to commence 2022/23. However, further work is needed to analyse the cost vs benefit of these schemes, alongside other potential schemes. A joint approach between the Sustainability Team and Transport Services Group are now seeking to establish the potential for modal shift. The current priority schemes are: •**Fishtoft** - A project lead has been assigned the work. costs currently being scoped. This is an improvement to an existing suitable walking route, but where there is no footpath, and further supports the removal of previously existing transport entitlements to specific students and safeguards against future applications/appeals. Estimated cost c. £60k. Annual savings estimate c. £12-18 p.a. •**Toynton All Saints** – There has been an objection to the planned works and the Public Rights of Way (PROW) team now needs to submit a case to the Secretary of State, which will delay progress by more than 12 months. Estimated cost c. £100k. Annual savings estimate £7k. •**Greenfields, Grantham** – headline cost versus benefit analysis demonstrated that this should not be a priority. As such, this scheme is on hold. The walking route to the school has been deemed unsafe and this will likely have an increase on the cost of educational travel as more pupils will be eligible. However, all transport for this school has been optimised and re-tendered, likely generating a saving on the current costs irrespective of this increase in the number of eligible pupils. No drawdown of the Development Fund has yet taken place for the scheme. It is expected that the expenditure incurred in 2022/23 will relate to the review needing to be undertaken, which will require some of the Development funding currently identified as capital, re-allocating to revenue.
Place - Highways	Traffic signals - Wireless communications	80	80	0	0	Two regions have been fully commissioned and are utilising the wireless facilities. All the equipment has been installed into the additional regions by the contractor. The network settings have been changed for these additional regions to allow the contractor to test the wireless links and complete the project.
Place - Highways	Community Maintenance Gangs	3,981	3,981	0	0	The allocation was fully committed in 2020/21 to deliver a variety of community maintenance gangs throughout the financial year. This additional resource was well received by local members and the general public in solving a variety of minor maintenance improvements and repairs.

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Service Area	Project	Amount Approved from Development Fund £000's	Funding Utilised up to 31/03/22 £000's	Forecast Use of Funding Current Year and Future 2022/23 £000's	Future Years £000's	Update on Progress
CAPITAL contd.						
Place - Highways	Drainage Investigation and Flood Repairs	3,444	1,207	1,786	451	Schemes totalling £700k were commissioned in 2020/21 with an in-year spend of £646k. A further £561k was spent in 2021/22 and the remaining budget from the original funding allocation will be spent in 2022/23 on schemes in Scothern and Kirton. In addition, to allow for the delivery of these two schemes, c.£992,650 from the additional £1.444m allocation, approved as part of the 2022/23 Budget, will be utilised. The remaining c.£451,350 will then be spent in 2023/24 to deliver a programme of approx 33 localised schemes/works packages. Our contractors, Balfour Beatty, have identified additional resources for delivering these works and we have also employed additional specialist drainage engineers to complete all investigation and design work on the more complex schemes that our Technical Services Partnership design team is overseeing.
Place - Highways	Works on B class roads and lower	10,000	0	10,000	0	Expenditure of £1.7m was incurred during 2021/22 on patching sites in preparation for the surface dressing 2022/23 programme, reactive patching to deal with pothole clusters, additional maintenance drainage gangs for jetting and CCTV and ironwork adjustments across various sites in the county. The remaining £8.3m is committed to a programme of work on residential and terraced streets and a village road improvement programme, to be completed in 2022/23. In total, £10m has now been drawn down from the Development Fund in the 2022/23 financial year.
Fire and Rescue	Flood Management Pumps	116	116	0	0	Project completed in terms of asset purchase and auxiliary equipment added. Stations equipped with necessary charging systems to ensure 24/7 response. Driver training to be undertaken at Holbeach & Alford stations however other stations have necessary training to mobilise if required. Project now complete.
ACCW - Public Protection - Trading Standards	Replacement Trading standards Metrology equipment	50	0	50	0	New software and licences have been delivered for 3 out of 5 machines and these are installed and working. Remote installation was carried out with a remote training session due to pandemic. 2 more licences are on order and due to be delivered and installed with support.
Place - Growth	Broadband - 4G	800	0	0	800	Delivery of the overall Broadband project is currently progressing in line with the revised contractual milestones, having experienced some delays due to Covid and the worldwide shortage of semi-conductors that affected equipment availability. The need for funding 4G development as a means of providing wider, mobile broadband access is now being overtaken by progress in both 4G and 5G in urban centres and improvements to rural areas being funded by the Building Digital UK (BDUK) £1bn Shared Rural Network programme. Following the conclusion of the latest BDUK Open Market Review the need for the interventions originally proposed by this project was reviewed and it is likely that the use of 4G is no longer necessary although there are other pressures within the service which require funding.
		18,911	**5,384**	**11,866**	**1,661**	
		30,138	**6,552**	**15,862**	**7,723**	

PRUDENTIAL INDICATORS		2021-22 Actual	*2022-2023 Original Estimate*	2022-2023 Updated Estimate	2023-24 Estimate	2024-25 Forecast	2025-26 Forecast
PRUDENCE INDICATORS:							
CAPITAL EXPENDITURE							
1) Capital Expenditure							
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**	**194.144**	***150.364***	**229.305**	**136.879**	**84.461**	**33.744**
Net Capital Expenditure	**£m**	**100.400**	***114.552***	**146.784**	**82.657**	**39.304**	**21.862**
Capital Financing							
Borrowing	**£m**	60.339	*114.436*	115.308	77.496	34.104	16.664
Grants & Contributions	**£m**	93.744	*35.812*	82.522	54.223	45.157	11.882
Capital Receipts, Reserves & Revenue	**£m**	40.061	*0.115*	31.476	5.161	5.201	5.198
Total Capital Financing	**£m**	**194.144**	***150.363***	**229.305**	**136.879**	**84.461**	**33.744**
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**	624.298	*705.360*	645.920	742.554	793.499	798.570
Add Additional Borrowing	**£m**	60.339	*114.436*	115.308	77.496	34.104	16.664
Add Additional Credit Liabilities (PFI & Finance Leases)	**£m**	0.000	*0.000*	2.500	0.000	0.000	0.000
Less Revenue Provision for Debt Repayment (MRP)	**£m**	12.540	*25.009*	21.173	26.551	29.032	24.331
Less Revenue Provision for Debt Repayment (VRP)	**£m**	26.177					
Capital Financing Requirement	**£m**	**645.920**	***794.787***	**742.554**	**793.499**	**798.570**	**790.903**
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:							
3) Authorised Limit for External Debt							
Borrowing	**£m**	681.075	*659.512*	551.575	578.736	559.522	534.426
Other Long Term Liabilities	**£m**	10.673	*11.017*	9.817	11.018	9.843	8.846
Total Authorised Limit	**£m**	**691.748**	***670.529***	**561.392**	**589.754**	**569.365**	**543.272**
4) Operational Boundary for External Debt							
Borrowing	**£m**	666.075	*644.521*	536.575	563.736	544.522	519.426
Other Long Term Liabilities	**£m**	8.673	*9.017*	7.817	9.018	7.843	6.846
Total Operational Boundary	**£m**	**674.748**	***653.538***	**544.392**	**572.754**	**552.365**	**526.272**
5) Gross Borrowing and the Capital Financing Requirement							
The Council will ensure that gross long term borrowing does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional capital financial requirement for the current and next two financial years. This is to ensure that over the meduim term borrowing will only be for a capital purpose.							
Medium Term Forecast of Capital Financing Requirement	**£m**	711.924	*780.931*	798.570	790.903	783.615	783.799
Forecast of Long Term External Borrowing and Credit Arrangements	**£m**	485.186	*575.719*	478.048	528.900	533.887	526.147
Headroom	**£m**	**226.738**	***205.212***	**320.522**	**262.003**	**249.728**	**257.652**

PRUDENTIAL INDICATORS		2021-22 Actual	*2022-2023 Original Estimate*	2022-2023 Updated Estimate	2023-24 Estimate	2024-25 Forecast	2025-26 Forecast
AFFORDABILITY INDICATORS:							
6) Financing Costs & Net Revenue Stream							
The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream (NRS), including dedicated schools grant (DSG). The Council will also set the following voluntary indicator limit: minimum revenue provision and interest not to exceed 10% of net reveunue stream (NRS) including dedicated schools grant (DSG).							
Proportion of Financing Costs to NRS (Incl DSG)	**%**	**7.16%**	***5.05%***	**4.10%**	**4.08%**	**4.50%**	**4.90%**
Proportion of MRP & Interest Costs to NRS (Incl DSG) -Limit 10% (Voluntary Indicator)	**%**	**7.17%**	***5.16%***	**4.67%**	**4.95%**	**5.19%**	**5.43%**
PROPORTIONALITY INDICATORS:							
7) Net Income from Commerical and Service Investments to Net Revenue Stream							
The Council will set for the forthcoming financial year and the following two years a limit of 3% for Net Income from Commerical and Service investments as a proportion of Net Revenue Stream (NRS) including Dedicated School Grant (DSG). This is to manage financial exposure to the Council from potential loss of income from these investments.							
Net Income from Non-Treasury Investments (Including County Farms)	£m	2.150	*2.238*	2.073	1.992	1.890	1.794
Net Revenue Stream (NRS) including Dedicated School Grant (DSG).	£m	789.826	*843.099*	828.961	909.999	935.706	949.194
Proportion of Net Commerical and Service Investment Income to Net Revenue Stream -Limit 3%	**%**	**0.27%**	***0.27%***	**0.25%**	**0.22%**	**0.20%**	**0.19%**
8) 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	**16.400**	***16.400***	**16.400**	**16.400**	**16.400**	**16.400**
Sums at Risk (Based on Expected Credit Loss Model)	£m	0.042	*0.068*	0.054	0.052	0.052	0.051
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	**%**	**0.25%**	***0.41%***	**0.33%**	**0.32%**	**0.31%**	**0.31%**
TREASURY INDICATORS:							
9) Liability Benchmark							
The Council will estimate and measure the debt liability benchmark (or Gross Loans Requirement), for the period that covers the debt maturity profile, for a given level of liquidity Investment Liquidity Benchmark). This will be compared to Existing External Debt outstanding to show the Under or Over Borrowed position. This position will be explained and as required. A chart showing the Debt Liability Benchmark for the total debt maturity length will be included in the Treasury Management Strategy for 2023/24.							
Investment Liquidity Benchmark	£m	-	-	100.000	100.000	100.000	100.000
Debt Liability Benchmark	£m	-	-	386.407	448.570	453.485	448.854
Existing External Borrowing	£m	-	-	469.030	458.672	450.083	443.508
Under / Over (-) Borrowed Position	£m	-	-	-82.623	-10.102	3.402	5.346
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	%	1.80%	*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	%	6.60%	*50.00%*	50.00%	50.00%	50.00%	50.00%
5 years and within 10 years	%	10.10%	*75.00%*	75.00%	75.00%	75.00%	75.00%
10 years and above	%	79.30%	*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) Long Term Treasury Management Investments							
The Council will set an upper limit for each forward year period for the maturing of long term treasury investments, longer than 365 days and including longer term instruments with no fixed maturity date. (Excludes Non Treasury Investments for Commercial and Service Reasons).							
Upper limit for total principal sums invested for over 365 days and no fixed maturity (per maturity date)	**£m**	**6.500**	***40.000***	**40.000**	**40.000**	**40.000**	**40.000**
12) 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	%	34.00%	*100.00%*	100.00%	100.00%	100.00%	100.00%
13) Borrowing in Advance of Need							
The Council will set for the forthcoming financial year and the following two years upper limits to any borrowing undertaken in advance of need.							
Borrowing in advance of need limited to percentage of the	%	**0.00%**	***25.00%***	**25.00%**	**25.00%**	**25.00%**	**25.00%**
expected increase in CFR over 3 year budget period (Voluntary Indicator)	£m	**0.000**	***1.941***	**14.004**	**-0.649**	**-3.739**	**-1.776**

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 government 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 The CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code were both revised in 2021, with changes effective from 1 April 2023. The revisions focus on strengthened requirements for skills and training, and new requirements for non-treasury investments. This Capital Strategy 2023/24 reflects the latest versions of these two Codes.

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.

Accounting Policy on Capitalisation

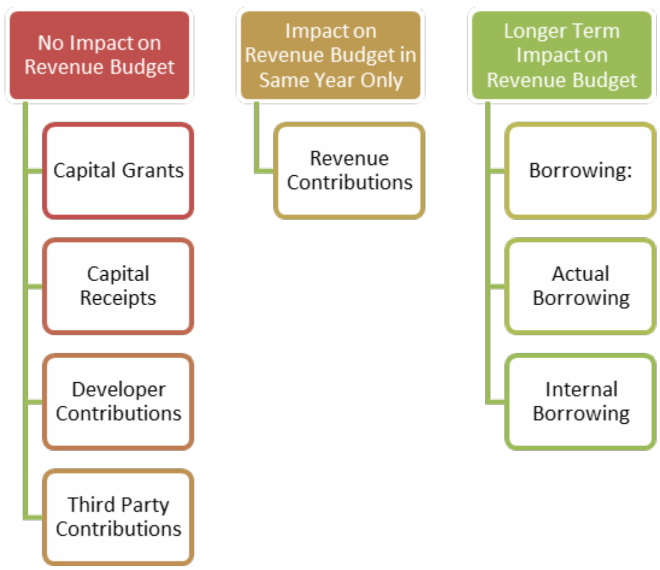
3.7 The rules on what types of expenditure can or cannot be capitalised are set out in International Financial Reporting Standards and in the CIPFA Accounting Code of Practice, as well as in law. Councils are allowed to set a minimum threshold value for capital expenditure to ensure that only the more 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. Capital receipts can be used in the year that they are received or carried forward to be used in future years. When determining how to fund the Capital Programme the Council must take a view on how best to apply capital receipts to ensure that value for money is obtained.

Developer Contributions

3.12 Development companies engaged in projects such as house building will make financial contributions to the Council to help finance the cost of developing infrastructure e.g., roads to support their housing development. When developer contributions are used to finance new capital expenditure, there is no cost to the Revenue Budget in respect of the proportion of capital expenditure covered by such contributions. This is therefore another extremely important source of funding for the Council, however in some instances developer contributions are received by the Council in later years i.e., after a project has started, which means that another source of funding will be required in the short term and the deferred developer contribution will be used to fund future capital scheme expenditure.

Revenue Contributions

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

Actual Borrowing

3.14 When the use of the above sources of funding have been maximised to finance the Capital Programme, the remainder of capital expenditure will be financed by borrowing. This amount is called the Council's Borrowing Requirement. The Council's strategy for its borrowing is set out in the Treasury Management

Strategy Statement and takes account of factors such as interest rates and the spreading of loan repayment dates to reduce risk. The Council predominantly borrows from the Public Works Loans Board (PWLB), which is an Executive Agent of HM Treasury and provides loans to councils at beneficial interest rates. The Council can also take loans from the financial market if these are at lower rates than PWLB loans.

3.15 The Prudential Code 2021 stipulates that an authority must not borrow to invest primarily to make a financial return, and requires a statement confirming compliance with this stipulation to be included in the Capital Strategy (see paragraph 12.3).

3.16 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

3.17 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. At the point in time when 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**, as well as **Budget Holders** and **Directorate Leadership Teams**, 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 **Directorate 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 Toolkit"). 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 or January 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 and submit this to public engagement 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 July each year.

10. Annual Investment Strategy for Non-Treasury Investments 2023/24

10.1 The Treasury Management Code 2021 extends the definition of “investments” and states that the term “investments” covers all financial assets and non-financial assets held primarily for investment returns e.g., commercial property portfolios. The Code goes on to further categorise investments as being for one of three purposes:

1. Investments for Treasury Management Purposes, which are those investments that arise from the Council’s cash flows or treasury risk management activity and represent balances that need to be invested until the cash is required for use in the course of business.
2. Investments for Commercial Purposes, which are those investments taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.
3. Investments for Service Reasons, which are those investments taken or held primarily for the provision and for the purposes of delivering public services, or in support of joint working with others to deliver such services.

10.2 The Investment Strategy covering Treasury Management Investments is included within the Council’s Treasury Management Strategy 2023/24. For these 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".

10.3 The Investment Strategy covering Investments for Commercial Purposes, and the Investment Strategy covering Investments for Service Reasons are each set out below. They are each supported by a set of Investment Management Practices (IMPs), as required by the Treasury Management Code 2021. Investments for Commercial Purposes, and Investments for Service Reasons will be categorised into separate portfolios.

10.4 The Investment Strategy covering Investments for Commercial Purposes is as follows:

Investment Objectives (supported by IMP 1)

The Council's strategy is to not make new investments for commercial purposes. This is reflected in the Commercialisation Strategy highlighted in Annex B.

The Council owns some land and properties, none of which were originally taken or held for commercial purposes. They are either historic investments which were originally for service benefit, or they are legacy properties which have transferred to the Council. These properties generate income and this is now their main purpose, albeit with some service benefits, and they are therefore now categorised as investments for commercial purposes.

The majority of these properties are collectively known as County Farms. These are historic investments, as farms were originally offered to servicemen returning from the first world war as part of a programme to disperse servicemen across the country and to provide them with a means of employment. Some of the existing tenants are descendants of the original tenants as family members can be considered for succession of a tenancy should the criteria be met.

Other properties have come into Council ownership for other reasons e.g.

- Houses have been compulsorily purchased to facilitate a road scheme, however the road scheme has not come to fruition.
- Caretaker houses within school sites.
- Properties purchased to allow the Council scope to develop the site for service reasons, where the development is not yet in progress.
- One property which allows access to one of the Council's heritage sites, protecting the Council's interest.

The Council's objectives are as follows:

For County Farms:

- To maintain these assets in a suitable state of repair, and to amalgamate land within the holdings where appropriate which leads to reduced revenue costs.
- To generate an annual rental and other income stream which supports the overall budget and wider Council services.
- To provide the potential for future capital receipts to be realised from the future sale of surplus land and properties, particularly where planning permission for development can be obtained.
- To further the Council's policies to conserve and enhance the natural beauty and amenity of the countryside.
- To provide opportunities for suitably qualified new entrants to farm on their own account. This supports the rural economy and the Council's economic development agenda.

For Other Properties:

- Where assets are to be retained because they are occupied by tenants, to maintain these assets in a suitable state of repair.
- To generate an annual rental income stream, accepting that in some cases this is below market rate as a result of the lease agreed at the time and the reasons for it.
- When vacant possession occurs, to sell the properties if they are no longer required for future service reasons.

Investment Criteria (supported by IMP2)

As the current strategy is that the Council will not make new investments for commercial purposes then there are no criteria for making new investments.

Existing investments will be maintained to an acceptable level of repair as determined by the Council's latest condition survey. Where repairs, renewals and updates to the existing commercial investments are required, bids will be made for such investments to be included in the capital programme. The Prudential Code allows for this type of expenditure to be incurred to maintain existing commercial investments.

Risk Management Arrangements (supported by IMP3)

The Council's existing investments for Commercial Purposes are deemed to be low risk because they are historic investments which have been held for many years and no significant risks have emerged in respect of them. The Council's risk appetite for existing investments for Commercial Purposes is therefore set at "low".

The risks associated with investments for commercial purposes must be proportionate to the Council's overall capacity, which means that potential losses could be absorbed within existing budgets or reserves without unmanageable detriment to local services and the level of resources available to the Council.

The fair value of these commercial investments was £108.7m, which is just below 7% of the total value of all property plant and equipment assets owned by the Council as at 31st March 2022. The estimated annual income from investment properties is £2.1m, which is approximately 0.4% of the net revenue budget, and is considered to be an insignificant proportion.

A Prudential Limit has been set and will be monitored and reported on. This is that net income from both investments for commercial purposes and investments for service reasons added together shall amount to no more than 3% of the Council's Net Revenue Stream. This is designed to ensure that potential losses will be limited to an amount which can be managed within existing budgets or reserves.

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 County Farms portfolio is managed by Savills, an independent firm of expert estate and property advisors.

The Other Properties portfolio is managed by both Corporate Property and Kier Estates, under the Council's outsourced property and facilities management contract.

Decision Making and Reporting Arrangements (supported by IMP4)

Requests for additional investment required to repair, renew or update existing investments for commercial purposes will need to be considered through the capital process described in Section 4 of this Capital Strategy.

Reporting on capital expenditure approval and monitoring will be as outlined in Section 9 of this Capital Strategy.
Prudential indicators relating to investments for commercial purposes will be reported on as part of the annual Capital Strategy (estimated), and after the year end as part of the annual Review of Financial Performance report (actual). The quarterly Treasury Management performance reports will confirm whether or not any Prudential Limits are likely to be breached in the year and details provided if they are. Reporting on Prudential Indicators will be subject to scrutiny by the Council's Overview and Scrutiny Management Board.

Performance Measurement and Management (supported by IMP5)

The collection of rental income for County Farms is managed by Savills, an independent firm of expert estate and property advisors.

The collection of rental income for Other Properties is managed jointly by Corporate Property and Kier Estates, an independent expert property management firm.

There are elements of service benefit in respect of most of our investment properties, and therefore the maximisation of income is not an objective.

Arrangements for Training and Qualifications (supported by IMP6)

Accounting for all aspects of existing investments made for commercial purposes is undertaken by the Financial Services team, which includes accountants trained to Chartered level, and provides for continuing professional development for team members.

Any non-financial investments for commercial purposes must be managed using an appropriate level of expertise. The Council's existing investments for commercial purposes are managed by Savills, an independent firm of expert estate and property advisors. The Savills team consists of staff qualified at degree level.

10.5 The Investment Strategy covering Investments for Service Reasons is as follows:

Investment Objectives (supported by IMP1)

The Council's strategy is to invest only in other bodies either to secure future essential 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.

Such investments 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.

Investment Criteria (supported by IMP2)

The criteria for financial investments made for service reasons are as follows:

Loans made to the Council's subsidiary companies:

a) To allow the subsidiary company to acquire assets for the delivery of services which fall under the Council's remit. Such loans will be treated as capital expenditure by the Council and will be subject to the processes included within this Capital Strategy. A business case must be prepared as part of the due diligence process, including at least how the acquisition of assets supports the Council's strategic plans for service delivery, an appraisal of the relevant options available, how the assets will be managed over their lifetime, how the company will fund loan repayments.
b) To support the cash flow position of the subsidiary company.

Loans made to School Academies:

The Council has a small portfolio of historic loans made to Council-controlled Schools which then converted to Academy status before the loans were fully repaid. These loans are therefore legacy investments for service reasons and are being repaid. No further loans will be made to Academy Schools.

Loans made to other third-party service providers:

To provide an injection of cash to allow the third-party service provider to continue trading, where there is a viable business recovery plan, and where this secures the delivery of essential services.

The purchase of shares (equity) in a company:

To support the delivery of services in partnership with other public bodies, where the delivery of services can be facilitated through a company.

Risk Management Arrangements (supported by IMP3)

The Council’s risk appetite in relation to financial investments for service purposes is different from the risk appetite for treasury management investments and investments for commercial purposes. The primary purpose of investments for service purposes will be to support the essential delivery of services, and this may be in the context of a service provider who is experiencing some financial difficulty. The risk that such investments may not be recovered is likely to be higher. The Council’s risk appetite for this type of investment 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.

This risk will be managed in two ways. Firstly, by ensuring that appropriate governance and decision making is in place, supported by due diligence processes, so that loans at a greater risk of default are only made when essential / statutory service delivery is at significant risk. Secondly, through appropriate performance management, including a Prudential Indicator limiting the total potential losses to an amount which can be absorbed within existing budgets or reserves without any unmanageable detriment to service delivery.

A Prudential Limit has been set and will be monitored and reported on. This is that net income from both investments for commercial purposes and investments for service reasons added together shall amount to no more than 3% of the Council’s Net Revenue Stream. This is designed to ensure that potential losses will be limited to an amount which can be managed within existing budgets or reserves.

A further Prudential Limit has been set and will be monitored and reported on. This is that no more than 10% of the Council’s general Reserves shall be at risk from potential loss of the principal value of investments for service reasons, and this calculation is based on the application of the expected credit loss model under IFRS9.

Decision Making and Reporting Arrangements (supported by IMP4)

The Council’s Financial Procedure 4 includes procedures for loans to outside bodies setting out the following requirements:

A loan which constitutes capital expenditure for the Council will need to be approved in accordance with approvals for capital expenditure. The repayment of such a loan will be treated as a capital receipt.

Other loans for service reasons are subject to a scheme of approval. Loans up to the value of £20,000 will be approved by the Section 151 Officer. Loans for £20,000 or more up to a value of £49,999 will be approved by the Section 151 Officer reporting to the Executive Councillor for Finance. Loans for £50,000 or more will be approved by the Section 151 Officer following consultation with the appropriate Executive Councillor and reporting to the Executive Councillor for Finance.

The rate of interest chargeable on loans for service reasons will be determined in consultation with the Section 151 Officer, and have due regard to State Aid rules. Any decision to waive interest of £10,000 or over would need the consultation of the appropriate Executive Councillor.

When a loan is made, there must be a loan agreement signed by both parties to the loan.

Credit control processes must be followed to ensure that interest and loan repayments are made on time.

The following governance arrangements also apply:

Approval of a loan must be subject to there being a viable expectation that the loan can be repaid.

The purchase of shares (equity) in a company to support the delivery of services in partnership with other bodies must be approved by the Section 151 Officer.

Prudential indicators relating to investments for service reasons will be reported on as part of the annual Capital Strategy (estimated), and after the year end as part of the annual Review of Financial Performance report (actual). The quarterly Treasury Management performance reports will confirm whether or not any Prudential Limits are likely to be breached in the year and details provided if they are. Reporting on Prudential Indicators will be subject to scrutiny by the Council's Overview and Scrutiny Management Board.

Performance Measurement and Management (supported by IMP5)

There will be an annual review of all loans outstanding using the expected credit loss model as per IFRS9. This means that debts will be accounted for as impaired in the statutory accounts as soon as an expected credit loss is identified.

Repayment of loans is monitored and managed by the Financial Services team.

Arrangements for Training and Qualifications (supported by IMP6)

Accounting for all aspects of existing investments made for service purposes is undertaken by the Financial Services team, which includes accountants trained to Chartered level, and provides for continuing professional development for team members.

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 2023/24 and future years up to 2032/33 is included at Annex D (the detailed capital programme is included in the Council's Budget Book). There have been very few changes to the capital programme for 2023/24 onwards, which reflects the current economic climate and its impact on the Council. The estimated longer term on-going impact on the revenue budget of changes to the capital programme and its funding capital programme has been calculated as a reduction of circa £1.5m per annum. Increases in interest rates, when added to the impact of changes to the capital programme, results in an additional estimated cost of £4.4m over the longer term. This will be managed by implementing a capital programme "slippage factor" reflecting a prudent level of slippage based on experience, and results in an overall reduction to the cost of the capital programme over the medium term of £0.6m.

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 2024, but a prudent estimate can be made going forwards which allows for a modest increase in funding each year over the medium term, based on current assumptions.

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 2023/24, 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 2023/24, 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 2023/24 is affordable over the longer term.

The Section 151 Officer confirms that the Council has complied with paragraph 51 of the Prudential Code 2021 and has not borrowed to invest primarily for financial return. The Council is not planning to make any investment or spending decision that will increase the capital financing requirement, thereby potentially requiring new borrowing, unless directly and primarily related to the functions of the authority.

Council Priorities within the Corporate Plan **Annex A**

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 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

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 energy efficient street lighting schemes.

Good Value Council services:

- Projects to transform Council services using technology.

Links to Other Strategies Annex B

A. <u>Medium Term Financial Strategy</u>

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 £5.0m each year. Budget Holders can bid for funding from this to spend on new capital schemes.

B. 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, the majority of 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.

C. 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 2023/24, 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.

D. 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 2022-2025 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 — Annex C

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

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

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

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

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

When the project is complete, a post implementation review must be undertaken and a Project Closure report completed. Please add any further information which you think may support the decision-making process.		

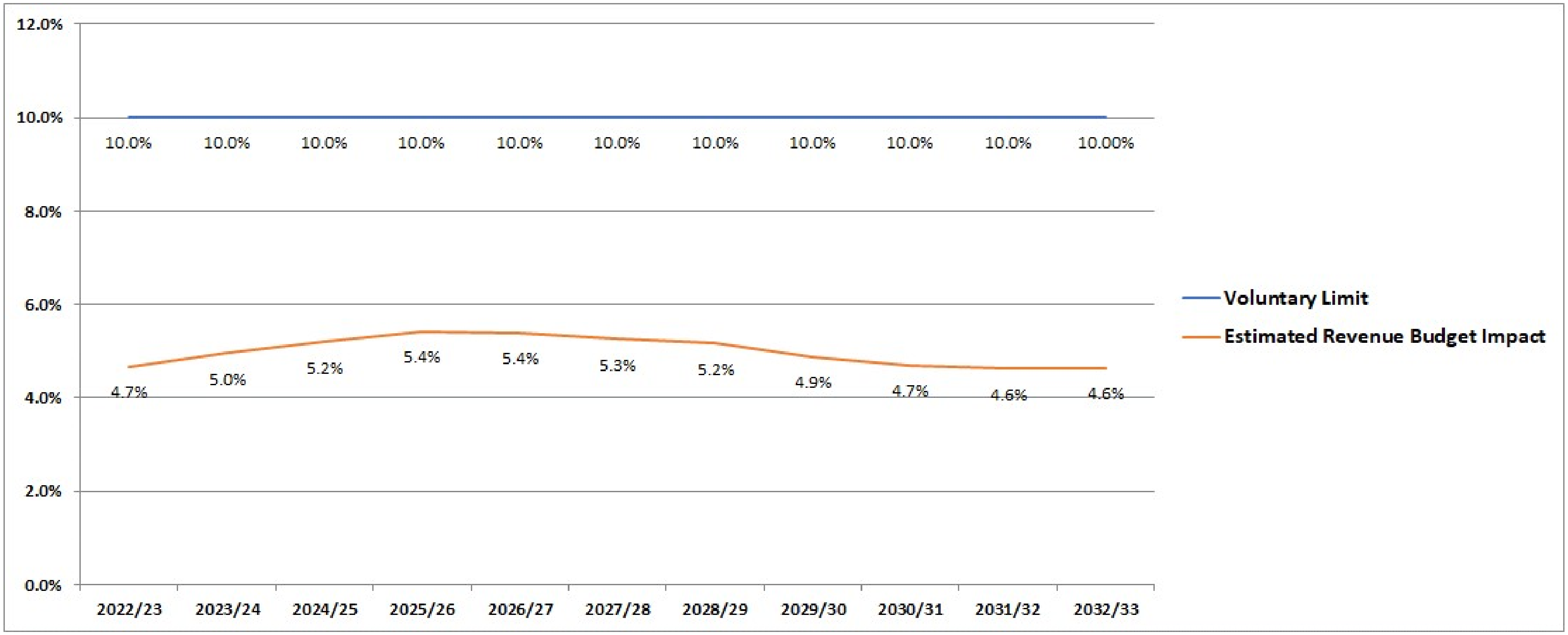
Capital Programme **Annex D**

Capital Programme (2022/23 plus Future Years)	Revised Gross Programme 2022/23 £m	Gross Programme 2023/24 £m	Gross Programme Future Years £m
ADULT CARE AND COMMUNITY WELLBEING			
Adult Frailty & Long Term Conditions	1.000	0.000	0.000
Public Protection	0.045	0.000	0.000
CHILDREN'S SERVICES			
Children's Education	45.201	16.879	41.639
Children's Services	2.377	1.221	0.400
PLACE			
Communities	8.232	5.360	8.417
Growth	14.100	7.051	0.000
Highways	127.190	88.185	277.127
FIRE AND RESCUE	2.272	2.691	6.478
RESOURCES			
Property	3.399	6.492	28.000
ICT	4.743	4.000	25.500
OTHER BUDGETS			
Other Budgets	20.746	5.000	40.000
Total Budget	**229.305**	**136.879**	**427.561**
Gross Capital Programme	**229.305**	**136.879**	**427.561**
Funded by:			
Grants and Contribution	82.822	54.222	152.473
Capital Receipts	0.000	5.000	35.000
Revenue Funding	14.416	0.161	0.759
Use of Reserves	16.760	0.000	0.000
Borrowing	115.308	77.496	239.328
TOTAL FUNDING	**229.305**	**136.879**	**427.561**

Estimated Proportion of Revenue Budget to be Spent on Capital Financing Charges

Annex E

Compared to Prudential Indicator Voluntary Limit



Schedule of Non-Treasury Investments

Annex F

Service Investments: To Other Bodies for Service Reasons	Loans	Classification	Risk Level	Original Term of Loan in Years	Principal Outstanding as at 31/03/2022 £000's	Estimated Interest Income 2022/23 £000's
B14080 School Academies		Loan	Low	Various	865	-35
B20040 TransportConnect Revolving Credit Facility		Loan	Medium	*3*	150	-10
Total					**1,015**	**-45**

Service Investments: Purchase for Service Reasons	Equity	Classification	Risk Level	Fair Value as at 31/03/2022 £000's	Estimated Dividend Income 2022/23 £000's
B14010 Investors in Lincoln Shares		Non-Specified Investment	Low	312	0
Total				**312**	**0**

Commercial Investments for Non Service Reasons:	Classification	Risk Level	Fair Value as at 31/03/2022 £000's	Estimated Rental Income 2022/23 £000's
B11005 County Farms	Investment Properties	Low	105,494	-2,002
B11005 Other Non-Farm Properties	Investment Properties	Low	3,223	-61
Total			**108,717**	**-2,063**

Prudential Limits Relating to Non-Treasury Investments **Annex G**

Prudential Limits Relating to the Capital Strategy

PRUDENTIAL INDICATORS		2021-22 Actual	*2022-23 Original Estimate*	2022-23 Updated Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Proportionality Indicators							
7) Net Income from Commerical and Service Investments to Net Revenue Stream							
The Council will set for the forthcoming financial year and the following two years a limit of 3% for Net Income from Commerical and Service investments as a proportion of Net Revenue Stream (NRS) including Dedicated School Grant (DSG). This is to manage financial exposure to the Council from potential loss of income from these investments.							
Net Income from Non-Treasury Investments (Including County Farms)	**£m**	2.150	*2.238*	2.073	1.992	1.890	1.794
Net Revenue Stream	**£m**	789.826	*843.099*	828.961	909.999	935.706	949.194
Proportion of Net Commerical and Service Investment Income to Net Revenue Stream -Limit 3%	%	**0.27%**	***0.27%***	**0.25%**	**0.22%**	**0.20%**	**0.19%**
8) 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**	**16.400**	***16.400***	**16.400**	**16.400**	**16.400**	**16.400**
Sums at Risk (Based on Expected Credit Loss Model)	**£m**	0.042	*0.068*	0.054	0.052	0.052	0.051
Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	%	**0.25%**	***0.41%***	**0.33%**	**0.32%**	**0.31%**	**0.31%**

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. supports and prioritises the ambitions of the corporate plan;
2. reflects and complies with our agreed capital strategy;
3. is supported by information to enable sound and transparent decision making; and
4. has adequate challenge and reporting of its delivery.

2. RESPONSIBILITIES

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

1. new spend 'outline' bids to be included in a future capital programme;
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);
3. all capital detailed business cases; to support decision making before proceeding with the project;
4. block budget lines within the programme; to ensure they are supported by appropriate programmes of work;
5. the monitoring and reporting of the delivery of the capital programme, including benefits realisation;
6. requests to move revenue contributions to support capital spend and to re-purpose existing budgets in the programme (S151 Officer decision);
7. policy framework being sought for future S106 contributions, use of S106 contributions , including monitoring of their collection;
8. bids for external funding, to ensure they meet the Council's strategic priorities; and
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 – Place
- Executive Director – Resources
- Assistant Director – Commercial Property
- Admissions and Education Provision Manager – Children's
- Strategic Contracts Manager Highways – Place
- Head of Highways Infrastructure – Place
- Principal Commissioning Officer – Economic Development
- Representative – Commercial/Property (when appropriate)
- Representative – Children's (when appropriate)
- Representative – ACCW (when appropriate)
- Legal support
- Finance - support

4. MEETING ARRANGEMENTS

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

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.

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

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.

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.

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.

4. CRG papers will be shared with the Support Councillor for Finance following the CRG

meeting.

5. New projects to be shared at the Group Leaders' meetings.

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
June 2022

CAPITAL INVESTMENT PROGRAMME

APPENDIX O

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
ADULT CARE AND COMMUNITY WELLBEING										
ADULT FRAILTY & LONG TERM CONDITIONS										
Welton Extra Care Housing		0.500	0.000	0.500	0.000	0.000	0.000	0.000	0.000	0.000
Adult Care		0.500	0.000	0.500	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals: Adult Frailty & Long Term Conditions		**1.000**	**0.000**	**1.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
PUBLIC PROTECTION										
Registration Celebratory & Coroners Service	Coroners IT system for case management, and improvement to Gainsborough celebratory premises.	0.020	0.000	0.020	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		**0.045**	**0.000**	**0.045**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Subtotals Adult Care and Community Wellbeing		**1.045**	**0.000**	**1.045**	**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	-0.993	0.993	0.000	-0.950	0.950	0.000	0.000	0.000
Provision of School Places (Basic Need)	A programme of expansion and new build construction of school buildings.	0.000	-6.217	6.217	0.000	-1.639	1.639	0.000	0.000	0.000
Schools Modernisation / Condition Capital	Programme to improve the condition of the school estate.	0.000	-4.914	4.914	0.000	-3.000	3.000	0.000	0.000	0.000
New Schools Requirements		0.000	0.000	0.000	-0.300	-0.300	0.000	25.658	-9.336	34.994
School Mobile Classroom Replacement	The replacement of school mobile classrooms	0.000	0.000	0.000	0.600	0.000	0.600	2.400	0.000	2.400
SEND Provision Capital Funding for Pupils with EHC Plans	A programme of major investment in SEND provision.	9.444	-23.366	32.809	7.997	-2.694	10.690	4.245	0.000	4.245
Other Education & SEND Services	Capital funding for CWD short breaks and other education services	0.268	0.000	0.268	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - Schools		**9.712**	**-35.490**	**45.201**	**8.297**	**-8.583**	**16.879**	**32.303**	**-9.336**	**41.639**
CHILDREN'S SERVICES										
Early Help		0.016	0.000	0.016	0.000	0.000	0.000	0.000	0.000	0.000
Safeguarding Services	Capital funding for in-house provision and other safeguarding services including foster carers and supported accommodation	0.155	0.000	0.155	0.050	0.000	0.050	0.400	0.000	0.400
Children's Services - Children's Homes	Two new small children's homes for children who are looked after.	0.687	-1.520	2.207	1.171	0.000	1.171	0.000	0.000	0.000
Subtotals - Children's Services		**0.857**	**-1.520**	**2.377**	**1.221**	**0.000**	**1.221**	**0.400**	**0.000**	**0.400**
Subtotals Children's Education		**10.569**	**-37.010**	**47.579**	**9.518**	**-8.583**	**18.100**	**32.703**	**-9.336**	**42.039**

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
RESOURCES										
PROPERTY										
Property maintenance	To fund the maintenance and improvement programme for council properties	2.649	0.000	2.649	5.819	0.000	5.819	25.800	0.000	25.800
Orchard House Repairs	To complete essential repair work to the Lincoln County offices / Orchard House campus	0.002	0.000	0.002	0.000	0.000	0.000	0.000	0.000	0.000
Property Area Reviews	Programme of works for leased properties.	0.077	0.000	0.077	0.300	0.000	0.300	0.000	0.000	0.000
County Farms Grain Stores	The improvement to county farms grain stores	0.000	0.000	0.000	0.000	0.000	0.000	0.825	0.000	0.825
County Farms Block		0.667	0.000	0.667	0.373	0.000	0.373	1.375	0.000	1.375
Castle Motte	Contribution towards the programme of works to remove Lincoln Castle from the Heritage at Risk Register.	0.004	0.000	0.004	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - Property		**3.399**	**0.000**	**3.399**	**6.492**	**0.000**	**6.492**	**28.000**	**0.000**	**28.000**

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
ICT										
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	2.323	0.000	2.323	2.000	0.000	2.000	25.500	0.000	25.500
Improvement Transformation	To support the Transformation Programme by delivering enabling stategies in line with the Council's IMT strategy	2.000	0.000	2.000	2.000	0.000	2.000	0.000	0.000	0.000
Replacement ERP Finance System	Improvements to the ERP Finance system.	0.240	0.000	0.240	0.000	0.000	0.000	0.000	0.000	0.000
Care Management System (CMPP)	Installation of the Mosaic system.	0.014	0.000	0.014	0.000	0.000	0.000	0.000	0.000	0.000
ICT Development Fund	Improvements to ICT infrastructure and network.	0.028	0.000	0.028	0.000	0.000	0.000	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.	0.088	0.000	0.088	0.000	0.000	0.000	0.000	0.000	0.000
Azure Data Migration	Migration of data from a physical to a cloud platform	0.051	0.000	0.051	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - ICT		**4.743**	**0.000**	**4.743**	**4.000**	**0.000**	**4.000**	**25.500**	**0.000**	**25.500**
Subtotals Resources		**8.142**	**0.000**	**8.142**	**10.492**	**0.000**	**10.492**	**53.500**	**0.000**	**53.500**
FIRE AND RESCUE & EMERGENCY PLANNING										
Fire and Rescue	Refurbishment of fire and rescue properties.	0.359	0.000	0.359	0.000	0.000	0.000	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.	1.913	0.000	1.913	2.691	0.000	2.691	6.478	0.000	6.478
Subtotals - Fire and Rescue		**2.272**	**0.000**	**2.272**	**2.691**	**0.000**	**2.691**	**6.478**	**0.000**	**6.478**

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £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.	0.399	0.000	0.399	0.000	0.000	0.000	0.000	0.000	0.000
Heritage / Archives	Future development of the Heritage service.	0.995	0.000	0.995	0.500	0.000	0.500	3.500	0.000	3.500
Subtotals - Culture		**1.394**	**0.000**	**1.394**	**0.500**	**0.000**	**0.500**	**3.500**	**0.000**	**3.500**
ENVIRONMENT										
Other Highways and Transportation	Block of small Transport projects including Active Travel schemes	0.939	0.000	0.939	0.000	0.000	0.000	0.000	0.000	0.000
Other Environment and Planning	Block of small projects.	0.007	0.000	0.007	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.	1.606	0.000	1.606	0.000	0.000	0.000	0.000	0.000	0.000
Countryside Rights of Way		0.058	0.000	0.058	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.	0.951	0.000	0.951	0.500	0.000	0.500	4.000	0.000	4.000
Subtotals - Environment		**3.561**	**0.000**	**3.561**	**0.500**	**0.000**	**0.500**	**4.000**	**0.000**	**4.000**
Waste - Fire Suppression Systems at Transfer Stations	Installation of fire suppression systems.	0.760	0.000	0.760	0.000	0.000	0.000	0.000	0.000	0.000
HWRC - Tattershall	Replacement Household Waste Recycling Centre at Tattershall	0.900	0.000	0.900	0.000	0.000	0.000	0.000	0.000	0.000
HWRC - Skegness	Replacement Household Waste Recycling Centre at Skegness	0.000	0.000	0.000	2.000	0.000	2.000	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.	0.512	0.000	0.512	0.600	0.000	0.600	0.189	0.000	0.189
Separated Paper and Card Scheme		1.069	0.000	1.069	1.660	0.000	1.660	0.728	0.000	0.728
Waste		0.035	0.000	0.035	0.100	0.000	0.100	0.000	0.000	0.000
Subtotals - Waste		**3.276**	**0.000**	**3.276**	**4.360**	**0.000**	**4.360**	**0.917**	**0.000**	**0.917**
Subtotals - Communities		**8.232**	**0.000**	**8.232**	**5.360**	**0.000**	**5.360**	**8.417**	**0.000**	**8.417**

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £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.	10.700	0.000	10.700	0.000	0.000	0.000	0.000	0.000	0.000
Lincolnshire Waterways		0.236	0.000	0.236	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development - Business Unit Development	Development of business units.	1.096	0.000	1.096	0.000	0.000	0.000	0.000	0.000	0.000
Skegness Countryside Business Park		0.040	0.000	0.040	0.000	0.000	0.000	0.000	0.000	0.000
Broadband	Provision of superfast broadband across the county.	2.027	0.000	2.027	5.551	0.000	5.551	0.000	0.000	0.000
Economic Development - Horncastle Industrial Estate Extension	Extension of Horncastle Industrial Estate Extension.	0.000	0.000	0.000	1.500	0.000	1.500	0.000	0.000	0.000
Subtotals - Growth		**14.100**	**0.000**	**14.100**	**7.051**	**0.000**	**7.051**	**0.000**	**0.000**	**0.000**

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
HIGHWAYS										
Spalding Western Relief Road - Section 5	Completion of Spalding Western Relief Road - Section 5.	10.631	-2.630	13.261	19.291	0.000	19.291	0.000	0.000	0.000
Spalding Western Relief Road - Section 1	Completion of Spalding Western Relief Road - Section 1.	0.100	0.000	0.100	0.000	0.000	0.000	27.700	0.000	27.700
Spalding Western Relief Road - Section 1 - S106 income expectation	Development Contribution towards completion of Spalding Western Relief Road - Section 1	0.000	0.000	0.000	0.000	0.000	0.000	-5.520	0.000	-5.520
Spalding Western Relief Road - Section 1 - S106 income expectation	Development Contribution towards completion of Spalding Western Relief Road - Section 5	0.000	0.000	0.000	0.000	0.000	0.000	-4.200	0.000	-4.200
Integrated Transport	Schemes including minor capital improvements, rights of way, road safety, public transport and town/village enhancements.	-0.140	-3.231	3.092	0.000	-3.337	3.337	0.000	-3.337	3.337
Transforming Street Lighting	Programme of street lighting improvement.	0.071	0.000	0.071	0.000	0.000	0.000	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.	0.224	0.000	0.224	0.224	0.000	0.224	0.000	0.000	0.000
Highways Asset Protection	Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.	8.404	-38.130	46.533	0.000	-38.723	38.723	0.000	-38.723	38.723
Network Resilience	Replacement programme of gritter vehicles.	1.579	0.000	1.579	1.680	0.000	1.680	0.840	0.000	0.840
A631 Middle Rasen to Bishops Bridge Safer Road Fund	Improvement on A631 Middle Rasen to Bishops Bridge, under Safer Roads Funds.	0.020	0.000	0.020	0.000	0.000	0.000	0.000	0.000	0.000
A631 Louth to Middle Rasen Safer Road Fund	Improvement on A631 Louth to Middle Rasen, under Safer Roads Funds.	0.700	0.000	0.700	0.000	0.000	0.000	0.000	0.000	0.000
Lincoln Eastern Bypass	Construction of a 7.5km highway to the east of Lincoln, connecting the A15 to the north and south of Lincoln	3.110	0.000	3.110	2.000	0.000	2.000	0.000	0.000	0.000
Grantham Southern Relief Road	Completion of Grantham Southern Relief Road.	40.584	0.000	40.584	15.061	0.000	15.061	17.872	0.000	17.872
A46 Welton Roundabout (Integrated Transport/NPIF)	Improvement on A46 Welton junction.	0.225	0.000	0.225	0.000	0.000	0.000	0.000	0.000	0.000
Holdingham Roundabout	Improvement on Sleaford Holdingham Roundabout.	0.091	0.000	0.091	0.000	0.000	0.000	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.	0.019	0.000	0.019	0.000	0.000	0.000	0.000	0.000	0.000

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £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.	0.016	0.000	0.016	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.	-0.004	0.000	-0.004	0.000	0.000	0.000	0.000	0.000	0.000
A52 Skegness Roman Bank		1.116	0.000	1.116	0.000	0.000	0.000	0.000	0.000	0.000
Local Highways Improvements(Pinchpoints) to support Coastal Route (between £2m-£5m p.a)		0.665	0.000	0.665	0.000	0.000	0.000	16.795	0.000	16.795
Highways Rural Road Fund		1.834	0.000	1.834	0.000	0.000	0.000	0.000	0.000	0.000
Highways B Class Roads and Lower		8.287	0.000	8.287	0.000	0.000	0.000	0.000	0.000	0.000
Other Highways	Block of smaller Highways projects.	0.892	0.000	0.892	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.	0.000	0.000	0.000	2.754	0.000	2.754	0.000	0.000	0.000
A16 Leveliing Up Fund		2.197	0.000	2.197	0.000	0.000	0.000	0.000	0.000	0.000
Boston Dolphin Lane		0.550	0.000	0.550	0.000	0.000	0.000	0.000	0.000	0.000
North Hykeham relief road (Scheme total £148m, DfT bid £100m)		2.029	0.000	2.029	1.534	-3.580	5.115	80.502	-101.077	181.579
Subtotals - Highways		**83.199**	**-43.991**	**127.190**	**42.545**	**-45.640**	**88.185**	**133.989**	**-143.137**	**277.127**
Subtotals Place		**105.530**	**-43.991**	**149.521**	**54.956**	**-45.640**	**100.597**	**142.406**	**-143.137**	**285.544**

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £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.	20.746	0.000	20.746	5.000	0.000	5.000	40.000	0.000	40.000
Capital Fund - CIL	This block relates to Community Infrastructure Levy receipt from developer 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.	-1.568	-1.568	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals Other Budgets		**19.178**	**-1.568**	**20.746**	**5.000**	**0.000**	**5.000**	**40.000**	**0.000**	**40.000**
Total Budget		**146.737**	**-82.569**	**229.305**	**82.657**	**-54.223**	**136.879**	**275.087**	**-152.473**	**427.561**
Funding:										
Revenue Funding		14.416	0.000	14.416	0.161	0.000	0.161	0.759	0.000	0.759
Use of Capital Receipts		0.000	0.000	0.000	5.000	0.000	5.000	45.000	0.000	45.000
Borrowing		115.261	-82.569	197.829	77.496	-54.223	131.719	229.328	-152.473	381.801
Use of Capital Grants Unapplied		0.300	0.000	0.300	0.000	0.000	0.000	0.000	0.000	0.000
Use of Revenue Grant Reserves to Fund the Capital Programme		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Use of Other Earmarked Reserves		16.760	0.000	16.760	0.000	0.000	0.000	0.000	0.000	0.000
Government Grants & Contributions		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL FUNDING		**146.737**	**-82.569**	**229.305**	**82.657**	**-54.223**	**136.879**	**275.087**	**-152.473**	**427.561**

CAPITAL GOVERNMENT GRANTS 2023/24 APPENDIX P

The Government Grants for Capital shown in the table below are expected to be allocated to the County Council. Please not that some are estimated. Some of these have been built into the capital programme and are shown elsewhere in the Budget Book.

CAPITAL GOVERNMENT GRANTS		
		2023/24 **£000's**
Schools Devolved Formula Capital		950
Schools Basic Needs		1,639
Schools Condition Allocation		3,000
SEND Provision Capital Funding for Pupils with EHC Plans	*	9,259
Children's Services		**14,848**
Highways Asset Protection		38,723
Highways Integrated Transport		3,337
North Hykeham Relief Road	*	3,580
Place		**45,640**
Total Capital Grants		**60,488**

* Amount of grant has been estimated and may have changed since the budget proposals were up together

SUMMARIES OF DELIVERY SERVICES REVENUE ESTIMATES — APPENDIX Q

CHILDREN'S SERVICES

REVENUE EXPENDITURE - EDUCATION

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £		Notes
1.0	2022/23 BUDGET	12,665,623		
2.0	BUDGET CHANGES:	684,526		
3.0	Cost Pressures	0		
3.1	Special Educational Needs and Disability	190,079	Ref 3.1	The rise in the national living wage / inflation will have a direct impact on the costs for delivering domiciliary care and direct payments in the support for children with disabilities.
4.0	Savings			
4.1	Education Support Services	(1,000)	Ref 4.1	Legacy of savings delivered through the Budget 2020 exercise
4.2	School Improvement	(370,000)	Ref 4.2	Removal of budget in response to the Government's decision to remove the Local Authorities School Improvement Monitoring and Brokering Grant from 2023/24 for maintained schools. School improvement activities supporting primary maintained schools will be supported by re-purposing de-delegation funding.
4.3	Business Support	(29,162)	Ref 4.3	Implementation of Phase 2 of the business support review
4.4	Lease cars	(21,560)	Ref 4.4	Savings to the lease care scheme
5.0	**2023/24 BUDGET**	**13,118,506**		

REVENUE EXPEDITURE - EDUCATION

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	SPECIAL EDUCATIONAL NEEDS AND DISABILITY	7,898,337	355,179	8,253,516
2.0	EDUCATION SUPPORT SERVICES	902,274	70,433	972,707
3.0	SCHOOL IMPROVEMENT	1,199,581	(397,453)	802,128
4.0	STATUTORY REGULATORY DUTIES	3,349,957	(259,802)	3,090,155
5.0	**NET TARGET BUDGET**	**13,350,149**	**(231,643)**	**13,118,506**

REVENUE EXPENDITURE - SOCIAL CARE

Ref No	Main Area of Expenditure		2023/24 Proposed Budget £		Notes
1.0	2022/23 BUDGET		80,552,813		
2.0	BUDGET CHANGES:		2,619,209		
3.0	Cost Pressures				
3.1	Children in Care		1,404,107	Ref 3.1	Potential growth in the number of Children in Care (CiC) population which is expected to rise (£0.794m), and an increase in costs across the composition of placement types supporting this vulnerable group (£0.610m).
3.2	Special Guardianship Orders		284,806	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.
3.3	External Specialist Placements		(1,075,985)	Ref 3.3	A planned removal of spending over a 3 year period following an increase in funding of £3.013m in 2021/22 through transormational activity.
3.4	Social Care Legal costs		1,400,000	Ref 3.4	To reflect the higher than budgeted costs caused by complexity of cases; reliance on expert advice; the use of counsel, and increase in CiC numbers.
4.0	Savings				
4.1	Supported Accommodation		(43,250)	Ref 4.1	Legacy of savings delivered through the Budget 2020 exercise from the new Supported Accommodation pathway in meeting the needs to 16-17 year old care leavers.
4.2	External Specialist Placements		(272,221)	Ref 4.2	Savings expected as a result of opening two new children's homes in 2023 ensuring that more local , high-quality provision is available.
4.3	Efficiency savings		(402,000)	Ref 4.3	A review of budgets to realise efficiency savings through utilisation of Government grants including the Staying Put Scheme (£0.200m) where confirmation of Government grant funding has been confirmed until 2024/25; the Unaccompanied Asylum Seeker Children grant (£0.150m) and changes in demand levels for Supported Childcare (£0.052m). There are no service implications from these budget changes.
4.4	Business Support savings		(124,573)	Ref 4.4	Implementation of Phase 2 of the business support review
4.5	Lease car savings		(66,640)	Ref 4.5	Savings to the lease care scheme
5.0	**2023/24 BUDGET**		**84,276,266**		

REVENUE EXPENDITURE - SOCIAL CARE

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	0-19 HEALTH SERVICES	11,099,189	139,227	11,238,416
2.0	EARLY HELP SERVICES	11,085,965	(777,778)	10,308,187
3.0	FAMILY ASSESSMENT AND SUPPORT TEAM	18,284,473	790,147	19,074,620
4.0	ADOPTION AND FOSTERING SERVICES	15,697,537	476,549	16,174,086
5.0	RESIDENTIAL HOMES AND PLACEMENTS	17,864,399	174,902	18,039,301
6.0	LEAVING CARE SERVICES AND SUPPORTED ACCOMMODATION	5,038,957	308,889	5,347,846
7.0	TARGETED SUPPORT FOR YOUNG PEOPLE	1,308,904	2,524	1,311,428
8.0	YOUTH OFFENDING	2,792,598	(10,216)	2,782,382
9.0	**NET TARGET BUDGET**	**83,172,022**	**1,104,244**	**84,276,266**

ADULT CARE & COMMUNITY WELLBEING

REVENUE EXPENDITURE - ADULT FRAILTIES

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2023/24 BUDGET	125,488,925	
2.0	BUDGET CHANGES:	1,233,984	
3.0	Cost Pressures		
3.1	Pre Agreed - Inflation & Demographic Growth	8,311,426	Inflation & Demographic Growth for Residential & Community Services & Provider unit price for £10.42 NLW and 5.5% inflation
3.2	Homecare - Maximisation of Personal Care Capacity	701,000	Broadening Homecare Service for Physical Disability/Older Person Client Groups
3.3	Increase demand for Working age adults	409,587	
3.4	Expansion of Reablement Criteria	500,000	Maximising Independence by expansion of Reablement eligibility
3.5	Adult Social Care Discharge Grant	5,613,250	Anticipated increase in expenditure supported by Ringfenced ASC Discharge Grant announced in Autumn Statement November 2022
3.6	Better Care Fund	3,682,789	Increase in Better Care Funding to offset anticipated increase in expenditure
4.0	Savings		
4.1	Extra Care Investment	(127,000)	Capital Investment in Extra Care reduces reliance on Long Term Residential Placements
4.2	Home Care	(1,449,000)	deliver of adult care ambition to support people to maximise their independence & Delivery of Operational change to support new homecare rate model
4.3	Adult Social Care Discharge Grant	(5,613,250)	Ringfenced Income from Adult Social care Discharge Grant announced in Autumn Statement November 2022 to offset anticipated expenditure in 3.5 above
4.4	Agreed Savings	(833,660)	Agreed Savings i.e. Smarter Working/Reduced car leases etc
5.0	**2022/23 BUDGET**	**137,918,051**	

REVENUE EXPENDITURE - ADULT FRAILTIES

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	RESIDENTIAL CARE	61,487,354	5,314,646	66,802,000
2.0	HOME BASED SERVICES	25,344,550	3,645,071	28,989,621
3.0	DIRECT PAYMENTS	13,021,923	2,647,077	15,669,000
4.0	DAYCARE	557,741	(106,379)	451,362
5.0	REABLEMENT	3,996,863	0	3,996,863
6.0	FIELDWORK TEAM	18,001,826	96,379	18,098,205
7.0	COMMISSIONING SUPPORT	4,312,652	(401,652)	3,911,000
8.0	**NET TARGET BUDGET**	**126,722,909**	**11,195,142**	**137,918,051**

REVENUE EXPENDITURE - ADULT SPECIALTIES

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	92,119,402	
2.0	BUDGET CHANGES:	819,684	
3.0	Cost Pressures		
	Inflation & Demographic growth	1,869,737	Inflation and Demographic Growth for residential placements, including NLW increases. Including costs for transitions
	Inflation & Demographic growth	3,629,489	Inflation and Demographic Growth for Community Supported Living, Direct Payments and Day Care placements, including NLW increases
	Transitions	937,774	To support increased demand for those transtioning from Childrens to Adults
	National Living Wage	926,000	Additional 1-1.6% increase in unit price paid to ASC providers reflecting both the NLW increase to £10.42 and the increase and catch up in inflation
	National Living Wage	721,000	Additional 1-1.6% increase in unit price paid to ASC providers reflecting both the NLW increase to £10.42 and the increase and catch up in inflation
4.0	Savings		
	S117 complex cases changes	(800,000)	S117 complex cases, change in funding split between LCC/ICB to 65:35 as per JCOG paper Sept 21
	Lease Car Scheme	(16,660)	Savings to the lease care scheme
5.0	**2023/24 BUDGET**	**100,206,426**	

REVENUE EXPENDITURE - ADULT SPECIALTIES

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	LONG AND SHORT TERM CARE	25,907,214	3,890,169	29,797,383
2.0	HOME BASED CARE SERVICES	27,027,672	2,117,533	29,145,205
3.0	DIRECT PAYMENTS	11,640,942	393,036	12,033,978
4.0	DAY CARE SERVICES	5,912,427	315,091	6,227,518
5.0	LD FIELDWORK	4,010,831	(451,177)	3,559,654
6.0	MENTAL HEALTH	14,460,000	798,873	15,258,873
7.0	SAFEGUARDING FIELDWORK	1,444,470	209,593	1,654,063
8.0	BEST INTEREST ASSESSMENTS	2,470,000	0	2,470,000
9.0	SAFEGUARDING BOARD	65,530	(5,778)	59,752
10.0	**NET TARGET BUDGET**	**92,939,086**	**7,267,340**	**100,206,426**

REVENUE EXPENDITURE - PUBLIC HEALTH & COMMUNITY WELLBEING

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £		Notes
1.0	2023/24 BUDGET	29,683,612		
2.0	BUDGET CHANGES:	1,230,864		
3.0	Cost Pressures			
3.1	Public Health Grant Increase	696,682	Ref 3.1	Assumed increase against the Public Health Ring-fenced Grant allocation for Lincolnshire
4.0	Savings			
4.1	Agreed General Public Health Savings	(393,000)	Ref 4.1	Agreed General Public Health Savings
4.2	Business Support Savings	(26,567)	Ref 4.2	Saving as part of the Business Support Review
5.0	**2023/24 BUDGET**	**31,191,591**		

REVENUE EXPENDITURE - PUBLIC HEALTH & COMMUNITY WELLBEING

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	HEALTH IMPROVEMENT, PREVENTION AND SELF MANAGEMENT	2,805,808	747,560	3,553,368
2.0	PUBLIC HEALTH STATUTORY SERVICE	5,326,361	(50,614)	5,275,747
3.0	WELLBEING SERVICE	6,218,677	(350,677)	5,868,000
4.0	SEXUAL HEALTH	4,940,314	0	4,940,314
5.0	HOUSING RELATED SERVICE	2,459,831	(202,531)	2,257,300
6.0	PREVENTION AND TREATMENT OF SUBSTANCE MISUSE	5,547,020	0	5,547,020
7.0	ADULT AND YOUNG CARERS SERVICE CONTRACTS	1,723,136	0	1,723,136
8.0	CARERS PERSONAL BUDGETS	700,000	0	700,000
9.0	QUALITY AND INFORMATION	1,193,329	133,641	1,326,970
10.0	**NET TARGET BUDGET**	**30,914,476**	**277,379**	**31,191,855**

REVENUE EXPENDITURE - PUBLIC PROTECTION

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	4,969,917	
2.0	BUDGET CHANGES:	364,142	
3.0	Cost Pressures		
	Inflation	91,000	Increase and catch-up in Inflation
4.0	Savings		
	Business Support	(12,352)	Business support review as part of transformation
	Lease Car	(5,880)	savings on the lease care scheme
5.0	**2023/24 BUDGET**	**5,406,827**	

REVENUE EXPENDITURE - PUBLIC PROTECTION

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
			-	
1.0	SAFER COMMUNITIES	3,193,023	(212,629)	2,980,394
2.0	REGISTRATION, CELEBRATORY SERVICES AND CORONERS	1,818,834	252,434	2,071,268
3.0	EMERGENCY PLANNING	322,202	32,963	355,165
4.0	**NET TARGET BUDGET**	**5,334,059**	**72,768**	**5,406,827**
			-	

PLACE

REVENUE EXPENDITURE - COMMUNITIES

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	85,340,359	
2.0	BUDGET CHANGES:	(345,679)	
3.0	Cost Pressures		
3.1	Transport Services	4,198,254	Home to school inflationary challenges and market conditions
3.2	Transport Services	19,584	Enforcement grant reduction
4.0	Savings		
4.1	Transport Services	(2,050,827)	Improvements in procurement, routing and alternative transport solutions
4.2	Waste Management	(735,209)	Savings from the mixed dry recycling project for paper and card waste
4.3	Transport Services	(4,410)	Lease car savings
5.0	**2023/24 BUDGET**	**86,422,072**	

REVENUE EXPENDITURE - COMMUNITIES

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	TRANSPORT SERVICES	51,734,582	2,162,601	53,897,183
2.0	CULTURAL SERVICES	5,917,676		5,917,676
3.0	ENVIRONMENT & FLOOD MANAGEMENT	3,333,132		3,333,132
4.0	SUSTAINABLE PLANNING	1,233,961		1,233,961
5.0	WASTE MANAGEMENT	22,775,329	(735,209)	22,040,120
6.0	**NET TARGET BUDGET**	**84,994,680**	**1,427,392**	**86,422,072**

REVENUE EXPENDITURE - GL LEP

Ref No	Main Area of Expenditure		2023/24 Proposed Budget £		Notes
1.0	2022/23 BUDGET		344,105		
2.0	BUDGET CHANGES:		57,827		
3.0	Cost Pressures				
4.0	Savings				
5.0	**2023/24 BUDGET**		**401,932**		

REVENUE EXPENDITURE - GL LEP

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	GL LEP	401,932		401,932
2.0	**NET TARGET BUDGET**	**401,932**	**0**	**401,932**

REVENUE EXPENDITURE - GROWTH

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	2,120,728	
2.0	BUDGET CHANGES:	280,119	
3.0	Cost Pressures		
4.0	Savings		
4.1	Lease cars	(4,900)	
5.0	**2023/24 BUDGET**	**2,395,947**	

REVENUE EXPENDITURE - GROWTH

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	ECONOMIC DEVELOPMENT	1,159,791	(490)	1,159,301
2.0	ECONOMIC INFRASTRUCTURE	322,970	(490)	322,480
3.0	INFRASTRUCTURE INVESTMENT	959,534		959,534
4.0	DEVELOPMENT MANAGEMENT	(41,448)	(3,920)	(45,368)
5.0	**NET TARGET BUDGET**	**2,400,847**	**(4,900)**	**2,395,947**

REVENUE EXPENDITURE - HIGHWAYS

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	37,185,302	
2.0	BUDGET CHANGES:	825,817	
3.0	Cost Pressures		
3.1	Client and Contractual Management	5,488,000	Contract inflation with increases for labour, plant and equipment
3.2	Client and Contractual Management	3,833,000	Street lighting and signals energy costs
3.3	Client and Contractual Management	30,000	Newly adopted asset growth
4.0	Savings		
4.1	Client and Contractual Management	(200,000)	Improve data capture and invoicing process for 3rd party claims following road traffic incidents
4.2	Client and Contractual Management	(50,000)	Productivity improvement within network compliance
4.3	Client and Contractual Management	(13,230)	Lease car savings
4.4	Client and Contractual Management	(17,000)	Business support transformation
5.0	**2023/24 BUDGET**	**47,081,889**	

REVENUE EXPENDITURE - HIGHWAYS

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	HIGHWAYS DESIGN	274,604		274,604
2.0	ASSET & LOCAL MANAGEMENT SERVICES	3,625,742		3,625,742
3.0	CLIENT AND CONTRACTURAL MANAGEMENT	33,517,794	9,070,770	42,588,564
4.0	INFRASTRUCTURE AND LABORATORY SERVICES	592,979		592,979
5.0	**NET TARGET BUDGET**	**38,011,119**	**9,070,770**	**47,081,889**

FIRE & RESCUE

REVENUE EXPENDITURE - FIRE & RESCUE

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	21,710,257	
2.0	BUDGET CHANGES:	174,338	
3.0	Cost Pressures		
3.1	Fuel and Fleet costs	175,000	Increased fuel and vehicle maintenance inflation.
3.2	Firelink grant reduction	122,000	The phased reduction of central government grant.
3.3	Additonal FireLink costs	38,547	The additional cost of FireLink emergency services communication provision.
3.4	Fire Headquarters lease costs	60,000	Increased cost driven by inflationary pressures.
4.0	Savings		
4.1	Waddington Training centre Purchase	(70,000)	The removal of lease costs following the site purchase from the Ministry of Defense.
5.0	**2023/24 BUDGET**	**22,210,142**	

REVENUE EXPENDITURE - FIRE & RESCUE

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	FIRE & RESCUE	21,884,595	325,547	22,210,142
2.0	**NET TARGET BUDGET**	**21,884,595**	**325,547**	**22,210,142**

RESOURCES

REVENUE EXPENDITURE - FINANCE

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	7,324,796	
2.0	BUDGET CHANGES:	301,273	
3.0	Cost Pressures		
3.1	Contract inflation	224,633	Increased costs for services provided by Serco in line with contractual indexation for 2023/2024
3.2	Increased audit fee	14,000	
3.3	Increased bank charges	27,500	Increased bank charges
4.0	Savings		
5.0	**2023/24 BUDGET**	**7,892,202**	

REVENUE EXPENDITURE - FINANCE

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	FINANCIAL SERVICES	6,759,646	266,133	7,025,779
2.0	CORPORATE AUDIT & RISK MANAGEMENT	866,423	0	866,423
3.0	**NET TARGET BUDGET**	**7,626,069**	**266,133**	**7,892,202**

REVENUE EXPENDITURE - ORGANISATIONAL SUPPORT

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	13,938,344	
2.0	BUDGET CHANGES:	2,654,120	
3.0	Cost Pressures		
3.1	Contract Inflation	67,173	Increased costs for services provided by Serco in line with contractual indexation for 2023/2024
4.0	Savings		
4.1	Business Support Review	(756,346)	Implementation of Phase 2 of the business support review
4.2	Reduction in printing costs	(100,000)	Continued reduction in printing costs
5.0	**2023/24 BUDGET**	**15,803,291**	

REVENUE EXPENDITURE - ORGANISATIONAL SUPPORT

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	HUMAN RESOURCES	3,418,669	67,171	3,485,840
2.0	BUSINESS SUPPORT	12,848,775	(856,344)	11,992,431
3.0	HEALTH & SAFETY	325,020	0	325,020
4.0	**NET TARGET BUDGET**	**16,592,464**	**(789,173)**	**15,803,291**

REVENUE EXPENDITURE - GOVERNANCE

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	1,998,413	
2.0	BUDGET CHANGES:	343,145	
3.0	Cost Pressures		
3.1	Legal Lincolnshire surplus	400,000	Realignment of trading surplus pending business plan review.
4.0	Savings		
	Contract car Hire Scheme	(490)	Changes to the car scheme resulting in lower costs.
	Legal lincolnshire external company	(40,000)	Budgetted surplus for the external company pending business plan review.
5.0	**2023/24 BUDGET**	**2,701,068**	

REVENUE EXPENDITURE - GOVERNANCE

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	DEMOCRATIC SERVICES	2,454,224	(490)	2,453,734
2.0	INFORMATION ASSURANCE	800,539	0	800,539
3.0	LEGAL LINCOLNSHIRE	(913,205)	360,000	(553,205)
4.0	**NET TARGET BUDGET**	**2,341,558**	**359,510**	**2,701,068**

REVENUE EXPENDITURE - CORPORATE PROPERTY

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	11,018,347	
2.0	BUDGET CHANGES:	2,764,705	
3.0	<u>Cost Pressures</u>		
3.1	Increased utility cost	4,388,000	Increased cost of gas and electricity.
3.2	Contract Inflation	1,070,152	Increased costs for services provided by Vinci in line with contractual indexation for 2023/2024
3.3	Smarter Working	63,650	Additional cost to support effective office management use and staff public health.
3.4	Property rates	50,700	Increased cost of property rates.
3.5	Property Insurance Premiums	100,500	Increased cost of insurance preemiums.
4.0	<u>Savings</u>		
4.1	General Efficiencies	(43,315)	Gneral review of budgetary requirement delivering efficiency savings for 2023/24
4.2	Chance to Share	(70,000)	Removal of the chance to share provision at Kirton.
5.0	**2023/24 BUDGET**	**19,342,739**	

REVENUE EXPENDITURE - CORPORATE PROPERTY

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	CORPORATE PROPERTY	15,450,562	5,559,687	21,010,249
2.0	COUNTY FARMS ESTATE	(1,667,510)	0	(1,667,510)
3.0	**NET TARGET BUDGET**	**13,783,052**	**5,559,687**	**19,342,739**

REVENUE EXPENDITURE - COMMERCIAL SERVICES

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	8,645,077	
2.0	BUDGET CHANGES:	145,099	
3.0	Cost Pressures		
3.1	Contract Inflation	356,387	Increased costs for services provided by Serco in line with contractual indexation for 2023/2024
4.0	Savings		
4.1	Digital Engagement Project	(378,000)	Reduction in Customer Service costs through better use of technology
4.2	General Efficiencies	(73,430)	General review of budgetary requirement delivering efficiency savings for 2023/24
5.0	**2023/24 BUDGET**	**8,695,133**	

REVENUE EXPENDITURE - COMMERCIAL SERVICES

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	COMMERCIAL SERVICES	3,335,482	(73,430)	3,262,052
2.0	CUSTOMER SERVICE CENTRE	5,454,694	(21,613)	5,433,081
3.0	**NET TARGET BUDGET**	**8,790,176**	**(95,043)**	**8,695,133**

REVENUE EXPENDITURE - TRANSFORMATION

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	4,597,546	
2.0	BUDGET CHANGES:	479,550	
3.0	<u>Cost Pressures</u>		
3.1	Performance System Licence	61,000	Transitional cost to ensure effective handover to Power BI performance system.
4.0	<u>Savings</u>		
5.0	**2023/24 BUDGET**	**5,138,096**	

REVENUE EXPENDITURE - TRANSFORMATION

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	SYSTEMS	2,123,527	0	2,123,527
2.0	TRANSFORMATION PROGRAMME	971,342	0	971,342
3.0	PERFORMANCE	1,982,227	61,000	2,043,227
4.0	**NET TARGET BUDGET**	**5,077,096**	**61,000**	**5,138,096**

REVENUE EXPENDITURE - INFORMATION MANAGEMENT TECHNOLOGY

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	15,333,673	
2.0	BUDGET CHANGES:	146,807	
3.0	Cost Pressures		
	Broadband provision	1,000,000	Increased cost of new contract with EMPSN for Broadband provision.
	Contract Inflation	723,584	Increased costs for services provided by Serco in line with contractual indexation for 2023/2024 along inflationary increases for software and maintenance contracts.
	Smarter Working	75,000	Increased costs to support flexible working arrangements.
	Business World Implementation	52,000	Additional software required for the new Business World solution
4.0	Savings		
5.0	**2023/24 BUDGET**	**17,331,064**	

REVENUE EXPENDITURE - INFORMATION MANAGEMENT TECHNOLOGY

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	IN HOUSE SERVICES	2,216,575	338,449	2,555,024
2.0	COMMISSIONED SERVICES	13,263,905	1,512,135	14,776,040
3.0	**NET TARGET BUDGET**	**15,480,480**	**1,850,584**	**17,331,064**

CORPORATE SERVICES

REVENUE EXPENDITURE - CORPORATE SERVICES

Ref No	Main Area of Expenditure	2023/24 Proposed Budget £	Notes
1.0	2022/23 BUDGET	2,959,257	
2.0	BUDGET CHANGES:	127,915	
3.0	Cost Pressures		
4.0	Savings		
5.0	**2023/24 BUDGET**	**3,087,172**	

REVENUE EXPENDITURE - CORPORATE SERVICES

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	CORPORATE SERVICES	283,442	0	283,442
2.0	CHIEF EXECUTIVE	514,255	0	514,255
3.0	STRATEGIC COMMUNICATIONS AND COMMUNITY ENGAGEMENT	2,289,475	0	2,289,475
4.0	**NET TARGET BUDGET**	**3,087,172**	**0**	**3,087,172**

OTHER BUDGETS

REVENUE EXPENDITURE - OTHER BUDGETS

Ref No	Main Area of Expenditure		2023/24 Proposed Budget £		Notes
1.0	2022/23 BUDGET		82,059,022		
2.0	BUDGET CHANGES:		(13,955,257)		
3.0	Cost Pressures				
			579,945	Ref 3.1	Increase to MRP
			808,980	Ref 3.2	Increase to contingency
			60,348	Ref 3.3	Increase in Apprenticeship Levy cost
			3,163,366	Ref 3.4	Increase in employer's contribution towards pension
			20,764	Ref 3.5	Increase in Levy cost
			15,413,090	Ref 3.6	Pay awards and National Pay Spine
			705,800	Ref 3.7	SERCO contract
			9,424,019	Ref 3.8	Education Transport Pressure
4.0	Savings				
			(512,773)	Ref 4.1	Decrease to Interest on Borrowing costs
			(1,000,000)	Ref 4.2	Reduction to Corporate redundancy
			(2,604,792)	Ref 4.3	National Living Wage
			(350,000)	Ref 4.4	Decrease in insurance premiums
5.0	**2023/24 BUDGET**		**93,812,512**		

REVENUE EXPENDITURE - OTHER BUDGETS

Line No	Description	2022/23 Budget £	Budget Changes £	2023/24 Proposed Budget £
1.0	CAPITAL FINANCING CHARGES	42,989,307	67,172	43,056,479
2.0	CONTINGENCY	5,691,020	10,232,999	15,924,019
3.0	OTHER BUDGET EXPENDITURE	19,423,438	15,408,576	34,832,014
4.0	**NET TARGET BUDGET**	**68,103,765**	**25,708,747**	**93,812,512**

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).

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
Children's Education	Special Educational Needs and Disability Education Support Services School Improvement Statutory Regulatory Duties	Support to ensure all children and young people learn, enabling them to achieve their full potential.
Children's Social Care	0 – 19 Health Services Early Help Services Family Assessment and Support Team Adoption and Fostering Services Residential Homes and Placements Leaving Care Services and Supported Accommodation Targeted Support for Young People Youth Offending	Support to ensure all children and young people will be safe, healthy and prepared for adult life.
Adult Frailty & Long Term Conditions	Residential Care Home Based Services Direct Payments Daycare Reablement Fieldwork Team Commissioning Support	Support to residents of Lincolnshire with a long term physical conditions and those over the age of 65
Adult Specialities	Long and Short Term Care Home Based Care Services Direct Payments Day Care Services LD Fieldwork Mental Health Safeguarding Fieldwork Best Interest Assessments Safeguarding Board	Support to residents of Lincolnshire with either a Learning Disability or a Mental Health condition.
Public Health & Community Wellbeing	Health Improvement, Prevention and Self-Management Public Health Statutory Service Wellbeing Service Sexual Health Housing Related Service Prevention and Treatment of Substance Misuse Adult and Young Carers Service Contracts Carers Personal budgets Quality and Information	To promote healthy lifestyles to maintain the health of individuals.
Public Protection	Safer Communities Registration, Celebratory Services and Coroners Emergency Planning	Partnership working for crime and disorder and Domestic Abuse Services. Includes trading standards.

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
Communities	Transport Services Home to School/College Transport Cultural services Environment and Flood Management Sustainable Planning Waste Management	To protect, enhance and balance our environmental, cultural and transportation needs for Lincolnshire communities.
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	Economic Development Economic Infrastructure Infrastructure Investment Development Management	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.
Highways	Design Services Highways Services Highways Asset Management Highways Infrastructure	A delivery strategy to facilitate growth and prosperity through both maintaining and enhancing the highway infrastructure of the county.
Fire & Rescue	Fire and Rescue	Fire and Rescue response
Resources	Financial Services Corporate Audit and Risk Management Democratic Services Information Assurance Legal Lincolnshire Human Resources Business Support Commissioning and contracts Procurement Customer Service Centre Corporate Property County Farms Business Systems Transformation and Programme Management Performance	Professional and Administrative functions to advice and support members and council services. Provision of shared services arrangements to local government partners Commercial and contract management, property asset management, IT service provision and council wide transformation programmes to enable effective council services.

SERVICE DELIVERY	DELIVERY ACTIVITIES	DEFINITION OF DELIVERY SERVICE
Corporate Services	Corporate Services Chief Executive Strategic Communications and Community Engagement	Council leadership and policy development function.

CONTACT INFORMATION FOR SERVICE AREAS BUDGET DETAIL **APPENDIX T**

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

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