

29 June 2020

In accordance with the powers granted by the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 this will be a virtual meeting.

Executive

A meeting of the Executive will be held on **Tuesday, 7 July 2020 at 10.30 am as a Virtual - Online Meeting via Microsoft Teams** for the transaction of the business set out on the attached Agenda.

Access to the meeting is as follows:

Members of the Executive and officers of the County Council supporting the meeting will access the meeting via Microsoft Teams.

Members of the public and the press may access the meeting via the following link:
<https://lincolnshire.moderngov.co.uk/ie/ListDocuments.aspx?CId=121&MId=5520&Ver=4>
where a live feed will be made available on the day of the meeting.

Yours sincerely



Debbie Barnes OBE
Chief Executive

Membership of the Executive
(8 Members of the Council)

Councillor M J Hill OBE, Executive Councillor for Resources and Communications (Leader of the Council)

Councillor Mrs P A Bradwell OBE, Executive Councillor for Adult Care, Health and Children's Services (Deputy Leader)

Councillor C J Davie, Executive Councillor for Economy and Place

Councillor R G Davies, Executive Councillor for Highways, Transport and IT

Councillor E J Poll, Executive Councillor for Commercial and Environmental Management

Councillor Mrs S Woolley, Executive Councillor for NHS Liaison and Community Engagement

Councillor C N Worth, Executive Councillor for Culture and Emergency Services

Councillor B Young, Executive Councillor for Community Safety and People Management

**EXECUTIVE AGENDA
TUESDAY, 7 JULY 2020**

Item	Title	Forward Plan Decision Reference	Pages
1	Apologies for Absence		
2	Declarations of Councillors' Interests		
3	Announcements by the Leader, Executive Councillors and Executive Directors		
4	Minutes of the Meeting of the Executive held on 2 June 2020		5 - 10

KEY DECISIONS - ITEMS TO BE RESOLVED BY THE EXECUTIVE

5	Review of Financial Performance 2019/20 <i>(To receive a report from the Executive Director – Resources, which describes the Council's financial performance in 2019/20 and reports on underspends on budgets and makes proposals on the carry forward of over and under spends into the current financial year 2020/21)</i>	I019273	11 - 70
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Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:
<https://www.lincolnshire.gov.uk/council-business/search-committee-records>

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**EXECUTIVE
2 JUNE 2020**

PRESENT: COUNCILLOR M J HILL OBE (LEADER OF THE COUNCIL)

Councillors Mrs P A Bradwell OBE (Executive Councillor for Adult Care, Health and Children's Services) (Deputy Leader), C J Davie (Executive Councillor for Economy and Place), R G Davies (Executive Councillor for Highways, Transport and IT), E J Poll (Executive Councillor for Commercial and Environmental Management), Mrs S Woolley (Executive Councillor for NHS Liaison and Community Engagement), C N Worth (Executive Councillor for Culture and Emergency Services) and B Young (Executive Councillor for Community Safety and People Management).

Councillors Mrs A M Newton (Chairman of Scrutiny Panel B) and R B Parker (Chairman of Overview and Scrutiny Management Board) were also in attendance.

Officers in attendance:-

Debbie Barnes OBE (Chief Executive), Les Britzman (Chief Fire Officer), Andrew Crookham (Executive Director Resources), James Drury (Executive Director Commercial), Cheryl Evans (Democratic Services Officer), Simon Evans (Health Scrutiny Officer), Glen Garrod (Executive Director - Adult Care and Community Wellbeing), Michelle Grady (Assistant Director for Strategic Finance), Arnd Hobohm (Serco Contract Manager), Sophie Reeve (Assistant Director - Commercial), Heather Sandy (Executive Director of Children's Services) and Nigel West (Head of Democratic Services and Statutory Scrutiny Officer).

74 APOLOGIES FOR ABSENCE

The Leader of the Council welcomed everyone to the virtual meeting of the Executive.

No apologies for absence had been received. However, it was noted that Andy Gutherson (Executive Director – Place) was unable to attend.

75 DECLARATIONS OF COUNCILLORS' INTERESTS

No interests were declared.

76 ANNOUNCEMENTS BY THE LEADER, EXECUTIVE COUNCILLORS AND EXECUTIVE DIRECTORS

Leader of the Council

Councillor M J Hill, OBE, the Leader of the Council referred to the country moving into the recovery phase from the covid-19 pandemic, with the County Council participating in the easing of restrictions. Local authorities would be involved in the NHS's *Test, Track and Trace* arrangements, which included the Local Outbreak Engagement Board, chaired by the Leader of the County Council, with membership consisting of other elected representatives, and supported by the County Council's Director of Public Health. This Board would oversee any required local lockdown arrangements.

Executive Councillor for Commercial and Environmental Management

Councillor E J Poll, Executive Councillor for Commercial and Environmental Management, stated that since the last meeting of the Executive the County Council's household waste recycling centres had opened, and feedback from members of the public had been positive. The staff operating the centres were thanked for their efforts.

Executive Councillor for Adult Care, Health and Children's Services

Councillor Mrs P A Bradwell, OBE, Deputy Leader of the Council and Executive Councillor for Adult Care, Health and Children's Services, stated that £5 million of the £10 million further funding recently allocated for residential care had been passported to homes, with the requirement from the Government that homes completed a 'bed tracker' on a daily basis. The Commissioning Team was in regular contact with providers to manage any issues. Issues with personal protective equipment early in the pandemic had now been resolved. The Community Supported Living service and home care providers were also working well, and were providing information on a daily basis. Contract officers were also regular contact with all other service providers.

On Children's Services, Councillor Mrs Bradwell also stated that to date 92% of primary schools had opened to all Reception, Year 1 and Year 6 pupils. Home to transport arrangements were being managed, with social distancing rules being followed. On 15 June, secondary schools were due to open and the County Council was providing support and advice. Details on a targeted summer school programme were awaited from the Government. Front line staff, such as social workers and early help workers, continued to provide support to families.

The Family Learning Service had adapted and was continuing to support parents and families, using online services.

Executive Councillor for Highways, Transport and IT

Councillor R G Davies, the Executive Councillor for Highways, Transport and IT, reported that following the commencement of the Highways 2020 Contract on 1 April 2020, activity was continuing at a normal level, despite the covid-19 pandemic. Consideration was also being given to whether any changes would be needed to the layout for pedestrians in shopping areas.

Executive Councillor for NHS Liaison and Community Engagement

Councillor Mrs S Woolley, Executive Councillor for NHS Liaison and Community Engagement, referred to the week beginning 1 June as National Volunteers' Week and thanked all the county's volunteers for their support during the covid-19 pandemic. There were over 400 volunteer community groups, comprising 7,000 individuals, in Lincolnshire who had been providing support to residents in the shielding category, or who were self-isolating. A total of 205 grants had been given to community groups, with funding totalling £120,000 having been approved. This had made a significant difference to community groups, who had requested grant funding.

77 MINUTES OF THE MEETING OF THE EXECUTIVE HELD ON 5 MAY 2020

RESOLVED

That the minutes of the meeting of the Executive on 5 May 2020 be confirmed as a correct record.

78 REPORT ON OVERVIEW AND SCRUTINY AT LINCOLNSHIRE COUNTY COUNCIL

Councillor Mrs A Newton, the Chairman of Scrutiny Panel B, presented its report on *Overview and Scrutiny at Lincolnshire County Council*. The report and its eight recommendations had been approved by the Overview and Scrutiny Management Board on 30 April 2020. Scrutiny Panel B's review followed the publication in May 2019 by the Ministry of Housing, Communities and Local Government of its *Statutory Guidance on Overview and Scrutiny in Local and Combined Authorities*.

Following its review, Scrutiny Panel B made eight recommendations and the Chairman of the Overview and Scrutiny Management Board confirmed that the Board had supported all the recommendations.

The Executive considered the eight recommendations in turn. The County Council had adopted an executive – scrutiny protocol in 2016, and the report proposed revisions, which would more closely align it with the statutory guidance and the Council's existing good practice. Thus, the Executive endorsed the first review recommendation on a revised protocol, for which the County Council's approval would be sought [see part (1) of the resolution below].

The Executive also endorsed the second recommendation, which comprised a schedule of proposed deviations from the statutory guidance, together with reasons for the deviation. This would also be submitted to the County Council for approval [see part (2) of the resolution below].

Recommendations three and four from the scrutiny review related to the overview and scrutiny committee structure. These included a proposal to discontinue the Safeguarding Boards Scrutiny Sub Group and allocate its responsibilities to the Adults and Community Wellbeing Scrutiny Committee and the Children and Young People Scrutiny Committee. Reference was made to the role of external agencies on the Sub Group, such as the Police and Crime Commissioner (PCC), who had requested consideration be given to opportunities for the PCC to engage in partnerships with the County Council. Alternative partnership arrangements would be explored. The Executive agreed to support recommendations two and three, which would also be submitted to the County Council for approval [see part (2) of the resolution below].

Recommendations five to eight of the scrutiny review were also supported by the Executive, together with the plans for their implementation, which were set out in the report [See parts (3) and (4) of the resolution]. The following additional comments were made on these recommendations:

Recommendation 6 [*Training for Councillors on Overview and Scrutiny*] – It was also suggested and agreed that training and support for officers involved in overview and scrutiny would be explored.

Recommendation 8 [*Involvement of External Organisations*] – On the proposal for a requirement for contractors to provide information for and to attend overview and scrutiny committees, the role of the chairman of each committee was emphasised. Given the significant number of contracts operated by the Council a judgement would be made on the extent and impact of the contract, before the inclusion of any such requirement. The role of the Overview and Scrutiny Management Board in holding the provider of the corporate support services contract to account was cited as an example of good practice.

The Executive also reflected on the impact of the covid-19 pandemic, and agreed that the arrangements for overview and scrutiny would be kept under review.

RESOLVED

- (1) That the revised Executive-Scrutiny Protocol referred to in recommendation 1 in the report on *Overview and Scrutiny at Lincolnshire County Council* be endorsed and recommended to the County Council for approval.
- (2) That recommendations 2, 3 and 4 in the report on *Overview and Scrutiny at Lincolnshire County Council* be endorsed and recommended to the County Council for approval.

- (3) That recommendations 5 and 6 in the report on *Overview and Scrutiny at Lincolnshire County Council* be implemented.
- (4) That recommendations 7 and 8 in the report on *Overview and Scrutiny at Lincolnshire County Council* be recommended to the Head of Paid Service for implementation.

79 CORPORATE SUPPORT SERVICES EXTENSION

Consideration was given to a report by the Assistant Director – Commercial, which set out the results of a review on the possible commissioning approaches for the contract for corporate support services and sought approval for a further two year extension to the contract.

The review on possible alternative commissioning approaches to the existing contract had considered value for money, delivered by the existing provider, Serco; and the extent of the market. The review found that Serco had been delivering good performance: for example, Serco had only missed four of the 720 performance measures in the last eighteen months.

The review also found that there were no commercial providers undertaking the same mix of services to the public sector as those provided by Serco. The IT market had evolved since 2018 into a multi-source model, with separate IT providers specialising in elements of IT services, which was the Council's preferred model. A two year extension to the contract would support the Council's evolution to the multi-source model.

Serco had also offered a series of value for money savings, totalling £5 million from 1 April 2020 – 31 March 2024 and had also worked in partnership with the County Council in response to the covid-19 pandemic, enabling circa 5,000 employees to work from home and establishing a community support advice line within two days of being requested to do so.

For all of these reasons, the report recommended a further extension to the contract as the best means of delivering corporate support services and the Executive was further informed that the option to extend the Council's corporate support services contract with Serco for a further two years up until the 31 March 2024 had to be exercised by June 2020.

The Chairman of the Overview and Scrutiny Management Board presented the comments of the Board, which had unanimously supported the recommendations. The comments included a reference to budget being based on the predicted volumes of activity, whilst the contract charges would be based on the actual volumes of activity, although it was expected that the existing budget provision would be sufficient. The Executive supported the views of the Board.

6
EXECUTIVE
2 JUNE 2020

The Executive considered the report and during the discussion the following points were noted:

- Verbal assurance had been given by Serco that none of the Lincolnshire staff would be redeployed to support the NHS's *Test, Track and Trace* programme.
- Assurance was given on the financial stability of Serco, following a due diligence exercise.
- The Council would address over the coming twelve months the issue of obsolete equipment and a report would be submitted within three months, updating on progress.
- The current Lagan customer relationship management system was outdated and required upgrading or replacing. Serco had offered to upgrade the system to a later version of Lagan at its own cost, which would provide improvements in customer insight for the Council and help the customer service staff provide a better service. The Council would undertake analysis over the next two months to verify if a Lagan upgrade was the right technical solution for the Council. This would be resolved within two to three months and the position reached would form part of the update report on obsolete equipment.

RESOLVED

(1) That approval be given to the entering into of a contract extension with Serco for a period of two years, with effect from 1 April 2022 to 31 March 2024 to include the following services:

- Information Management Technology;
- Payroll;
- HR Administration;
- Customer Service Centre (CSC);
- Exchequer Services and Adult Care Finance.

(2) That the Executive Director – Commercial, in consultation with the Leader of the Council, be delegated the authority to determine the final terms of the extension and approve the form and the entering into of all contractual and other documentation necessary to give effect to the said extension.

The meeting closed at 11.35 am.

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

Report to:	Executive
Date:	07 July 2020
Subject:	Review of Financial Performance 2019/20
Decision Reference:	I019273
Key decision?	Yes

Summary:

This report:

- describes the Council's financial performance in 2019/20 and reports on the underspends of £15.140m on Council budgets and £11.958m on Schools budgets;
- identifies and explains variances from the Council's revenue and capital budgets;
- reports the use made of flexible capital receipts to fund revenue expenditure on transformation during the years up to and including 2019/20;
- makes proposals on the carry forward of over and under spends into the current financial year 2020/21; and
- reports Prudential and Financial Performance Indicators for 2019/20.

Recommendation(s):

That the Executive:

- (1) Notes the carry forwards set out in paragraphs 1.145 to 1.147 of this report, which are made in line with the Council's Financial Regulations;
- (2) Recommends to the County Council that the proposals in paragraphs 1.148 to 1.150 relating to the treatment of underspends in excess of 1%, be approved;
- (3) Notes the transfers to and from reserves carried out in 2019/20 as set out in Table E;
- (4) Notes the financial performance in 2019/20 as set out in Table A (Key Financial Performance Measures), Table B (Revenue Budget Final Outturn), Table C (Net Capital Programme Summary Outturn), Appendix B (Prudential Indicators) and Appendix C (Flexible Use of Capital Receipts).

Alternatives Considered:

1. This report describes the actual position for the 2019/20 financial year and is factual in content and follows current Council policy. No alternatives are being considered in relation to this aspect.

In relation to the treatment of overspends and underspends above 1.0% as set out in paragraphs 1.148 to 1.152, there are a number of different ways these could be used. The proposed usages will help to alleviate service pressures by funding some specific areas of budget volatility. In previous years, an element of any underspend has been added to the Council's Financial Volatility Reserve to support us in managing future budget pressures. This reserve is at a sufficient level and this year it seems more appropriate to focus some financial support on recovering from the Covid-19 situation and strengthening the way we work as we do so, therefore a total underspend of £7.394m is proposed to be transferred to the Development Fund and earmarked for transformation and recovery activities.

Reasons for Recommendation:

Financial governance requires that the Executive reviews the financial performance of each year. This report facilitates this.

The treatment of underspends and overspends are considered appropriate and prudent for supporting the Council's future budgets. The transfer of the remaining underspend of £4.159m to the Development Fund to support future transformation and Covid-19 recovery work will assist the Council in emerging from the Covid-19 pandemic situation.

1. Background

1.1 The County Council set its spending plans for 2019/20 against a backdrop of continued significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay the National Living Wage. In developing its financial plan for the year the Council considered all areas of current spending to identify cost pressures which must be funded and savings which could be made through efficiencies. This followed on from the significant savings made in previous years, some of which had impacted on levels of service provision. The budget proposals also included an increase in Council Tax levels of 4.95% (2.95% general increase, plus 2.00% for Adult Social Care) and a £3.087m one off use of reserves to support the budget.

1.2 As the financial year drew to a close, the UK was hit by the Coronavirus (Covid-19) pandemic. This has had a huge impact on the community and on the way that the Council delivers services, resulting in very significant financial implications. Most of this impact has been experienced in the following financial

year – 2020/21, but the smaller impact at the end of 2019/20 is noted in this report. We used £0.378m of the Covid-19 emergency grant from the government to fund additional costs and losses caused by the pandemic in 2019/20.

Annual Revenue Spending and Funding

1.3 The Council spent £991.603m in 2019/20 on providing public services. This equated to £1,312 for every person in Lincolnshire.

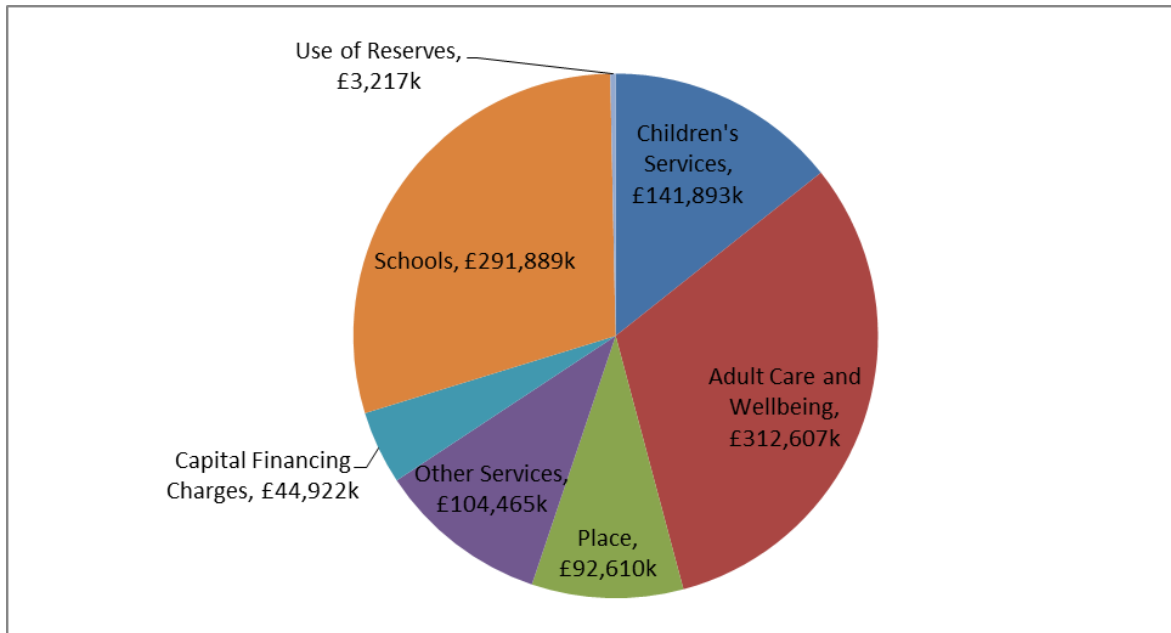
1.4 The Council has had to deal with a number of cost pressures, amounting to £25.543m in budgetary terms. These include: the impact on the Council's adult social care budgets of increasing numbers of clients as well as the increase in the National Living Wage; higher costs of home to school transport resulting from the increased National Living Wage; the increasing complexity, cost and demand-led nature of providing services for looked after children; the reinstatement of the previous higher levels of safety grass cutting, weed spraying and gully cleansing; the demand for repairing pot holes; higher waste disposal costs and various cost pressures relating to the Fire and Rescue Service. To help counteract these cost pressures a number of one-off costs from the previous year's budget were removed from the 2019/20 budget and a range of savings were implemented across the Council including: a more cost effective accommodation solution to support young people in need; restructures of some services; some growth in contributions from Adult Care service users and various efficiency savings. These reductions in the budget totalled £15.927m. The Council also planned to use £8.000m of capital receipts to fund revenue transformation projects.

1.5 When the Council set its budget for 2019/20 the financial strategy included the use of £3.087m from the Council's Financial Volatility Reserve to bridge the gap between funding and expenditure levels. This financial year was the final year of the government's four year finance settlement which has seen the Council's Revenue Support Grant fall from £70.351m in 2016/17 to £20.139m in 2019/20. The use of reserves only provides a one off contribution towards the budget shortfall and during 2019 we completed a significant budget exercise aimed at bridging the gap between the Council's funding and levels of net expenditure over the longer term. At the start of 2019/20 we were anticipating that the government's major reforms to local government finance would be implemented from April 2020, however during the year the implementation date was pushed back to April 2021 and has since been further delayed until April 2022.

1.6 The general level of expenditure in 2019/20 indicates that during the year the Council has been able to secure savings and has delivered an underspend against the budget of £15.140m (as well as an underspend on Schools of £11.958m).

1.7 The Council's annual spending on providing public services is set out in the charts below and analyses expenditure both by type of service provided and by type of expenditure.

Gross Expenditure Service Analysis 2019/20 £991,603 (£000's)



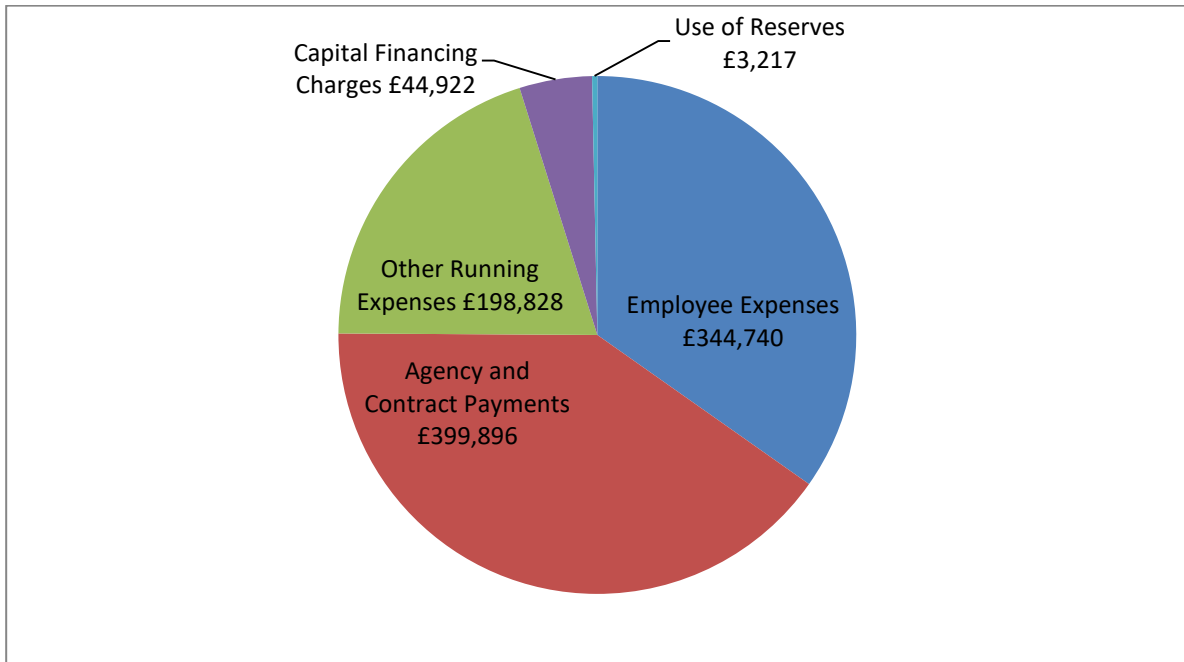
Children's Services Includes: Readiness for School, Learn and Achieve, Children are Safe and Healthy, and Readiness for Adult Life.

Adult Care and Wellbeing Includes: Adult Safeguarding, Adult Frailty, Long Term Conditions and Physical Disability, Carers and Adult Specialities, and Wellbeing.

Place Includes: Sustaining and Developing Prosperity Through Infrastructure, Protecting and Sustaining the Environment, Sustaining and Growing Business and the Economy, and Community Resilience and Assets.

Other Services Includes: Protecting the Public, How We Do Our Business, Enablers and Support to Council Outcomes, and Contingency Budgets.

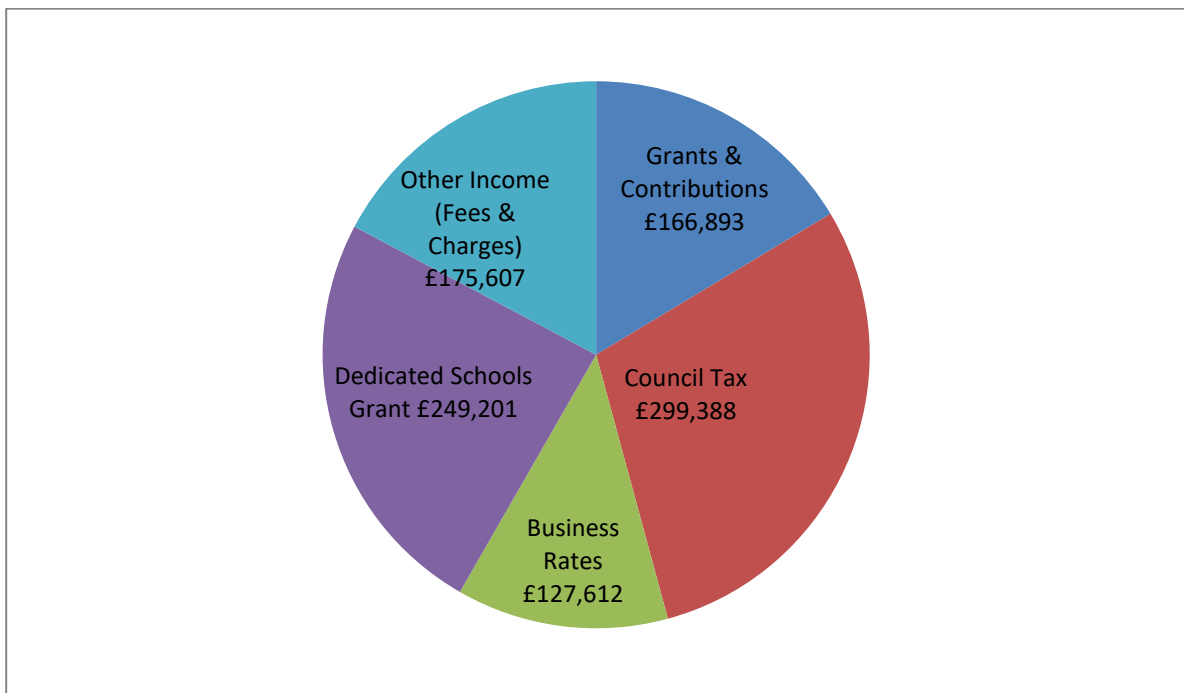
Gross Expenditure Subjective Analysis 2019/20 £991,603 (£000's)



1.8 The distribution of expenditure type differs significantly between different services. For example employee expenses comprises 55% of gross expenditure in schools, but only 26% of gross expenditure in all other (non-school) services, where agency and contracted services represents 50% of the total.

1.9 The Council's revenue spending was funded by:

Sources of Income Analysis 2019/20 £1,018,702 (£000's)



1.10 In 2019/20 the Council increased Council Tax by 4.95% and also saw growth of 1.6% on the number of band D equivalent properties in Lincolnshire. This in total generated additional income for the Council of £18.595m. The Council Tax collection funds in Lincolnshire also generated a surplus in 2019/20, a further £2.670m for the County Council.

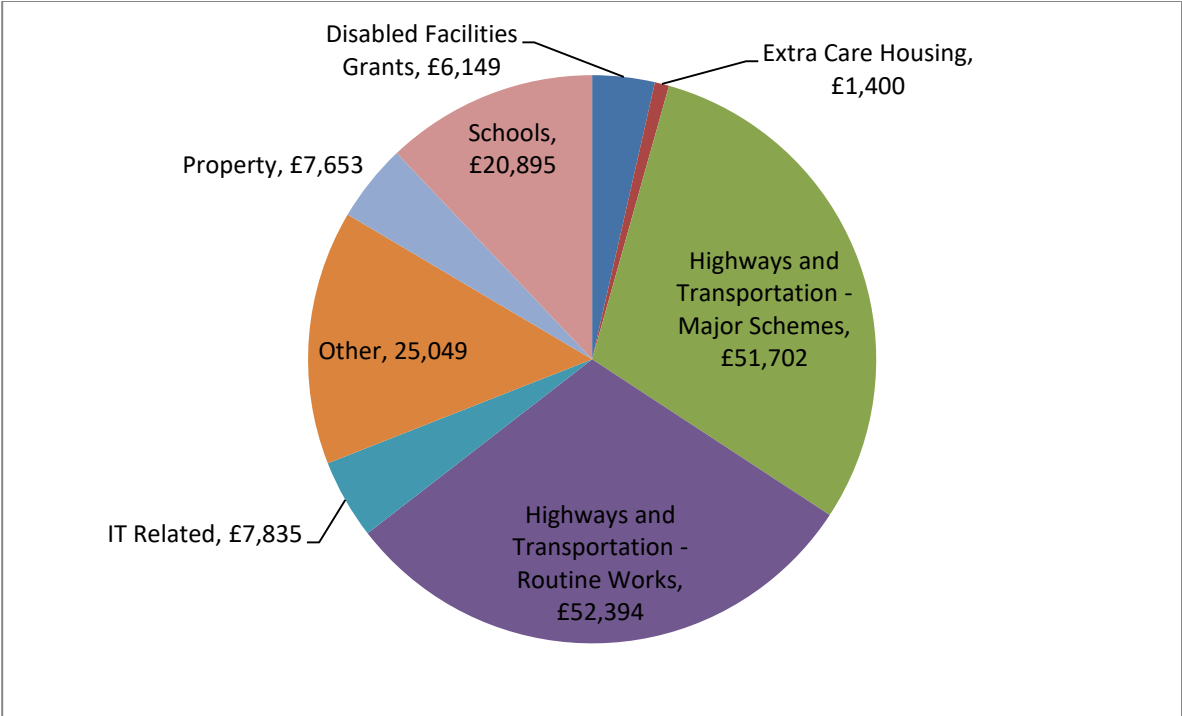
1.11 Business Rates generated £127.612m. This was made up of a number of elements: £27.695m collected from businesses in Lincolnshire; £89.839m received as a top up from central government and £7.304m Section 31 grants from central government. The Council, along with its District Council partners, was in a Business Rates Pool in 2019/20 and the Pool generated an estimated surplus for us of £2.775m in the year.

1.12 The Council received a Revenue Support Grant (RSG) of £20.139m in 2019/20. In addition, a number of specific government grants were received in the year, the most significant of these being £249.414m Dedicated Schools Grant, which is used for funding education, and £31.800m Public Health Grant.

Capital Spending and Funding

1.13 The Council spent £173.076m on the County's major assets, in particular on road schemes and schools. The net capital spend was £73.552m, which was £17.003m less than planned. The following pie chart sets out the spending on major investment projects by service area:

Gross Expenditure on Major Investment Projects 2019/20 £173,076 (£000's)



1.14 Other includes: economic development, waste, flood defences, fire and rescue vehicles and equipment.

1.15 In 2019/20 expenditure was incurred on the following major schemes:

- Maintenance of roads, bridges, street lighting and other highways infrastructure;
- Construction of the Lincoln Eastern Bypass road scheme;
- Construction of the Grantham Southern Relief Road scheme;
- Improvements to broadband in the County;
- Expansion works to a number of schools to provide additional places for pupils, as well as a programme of general improvements to the condition of school buildings;
- New fire and rescue vehicles and equipment;
- The provision of grants for adaptations to the homes of disabled people;
- The upgrading of the Council's IT systems.

1.16 The Council has received grants from central government and other bodies of £99.524m in the year to fund: road maintenance work, the modernisation of and improvements to the condition of school buildings, the provision of additional school places, and the provision of grants for adaptations in the homes of disabled people. The amount of capital grants and contributions actually used to fund the capital programme this year is shown in the table below, which summarises how the capital programme has been financed in 2019/20:

Capital Financing Table 2019/20 £000'S

	£'000
Revenue Contributions	2,371
Use of Reserves	5,641
Grants and Contributions	87,166
Borrowing	77,898
Total	173,076

1.17 The Council sets a voluntary limit on its total borrowing to ensure that it remains prudent and affordable over the longer term. This target is to ensure that the annual minimum revenue provision (MRP) charge plus interest on loans amount to no more than 10% of the Council's annual income. The MRP charge is the amount set aside by the Council each year as a provision to repay debt over the period when the assets purchased and built provide a benefit to the communities of Lincolnshire. The total cost of these capital financing charges for 2019/20 amounted to 5.16%.

The Council's financial standing

Key Financial Performance Measures: Financial Health and Performance

1.18 The County Council has identified a number of key indicators to monitor its Financial Health and Performance. The Council's actual performance against these key indicators for 2019/20 is shown in **TABLE A**.

TABLE A – Key Financial Performance Measures: Financial Health and Performance

REF	PERFORMANCE	MEDIUM TERM TARGET	2019/20 Estimate	2019/20 Actual
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 26 county councils)	Yes	Yes
2	Government grants	Lobby for annual increases in general government grants to be above the county average	Yes	Yes
3	Capital Receipts	At least £8.0m per annum from 2017/18	£8.000m	£9.578m
4	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	5.68%	5.16%
5	Accounting	Unqualified external audit opinion	Yes	Yes
6	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requirement net of Dedicated Schools Grant	Within range 3.5%	Within range 3.5%
7	Internal control	None of the processes audited receive a "no assurance" opinion from internal audit	Yes	Yes
8	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	90%	91%
9	Treasury management	Risk adjusted return comparison	Weighted Benchmark 0.611%	0.978%

The Council's Balance Sheet

1.19 The Council's Balance Sheet, as reported in the Statement of Accounts 2019/20, shows the Council's financial position as at 31 March 2020. Overall, the Council's net assets position has increased by £177.695m from £130.642m to £308.337m. There are two key movements which have contributed to this overall change:

- a) The Council's long term assets (property, infrastructure, equipment etc.) have increased in value by £22.690m following the annual revaluation of part of the portfolio. This has increased the net asset value.

- b) The Council's long term pension liability has decreased by £175.893m to £856.614m. This is the estimated value of the commitment to pay future retirement benefits to the Council's employees, although it does not represent an immediate call on reserves as it is a long term commitment. Most of this decrease relates to the Local Government Pension Scheme fund and the main reasons for it are that firstly the rates for two key financial assumptions have reduced since last year (the expected salary increase rate and the expected pension increase rate), and secondly that the fund had a full valuation as at March 2019 and this has resulted in a realignment of data and assumptions which have also resulted in a decrease in the net liability. This position changes from year to year, and the decrease in the liability has no impact on the Council's annual budget.

Balance Sheet Extract

31 March 2019		31 March 2020
£000's		£000's
1,443,793	Long Term Assets	1,466,483
338,002	Current Assets	344,069
-143,124	Current Liabilities	-141,347
-1,508,029	Long Term Liabilities	-1,360,869
130,642	Net Assets	308,337
-288,855	Usable Reserves	-337,415
	Unusable Reserves	
-872,331	Re Long Term Assets	-831,100
1,366	Re Financial Instruments	1,346
1,032,507	Re Pensions	856,614
-3,329	Re Other	2,219
158,213	Total Unusable Reserves	29,079
-130,642	Total Reserves	-308,337

Revenue Budget Outturn

1.20 The revenue budget outturn for 2019/20 is summarised below:

- Total service revenue spending, excluding schools, was underspent by £6.435m or 1.6%.
- There was an underspend of £6.255m on other budgets or 17.5%.
- The Council received £2.450m or 0.5% more general funding income than originally budgeted for.

1.21 This gives the Council (excluding schools) an overall underspend of £15.140m.

1.22 In addition, there was an underspend of £11.958m relating to Schools. This amount will be carried forward for schools to use in 2020/21.

1.23 The revenue outturn position for 2019/20 is shown in **TABLE B**.

TABLE B – Revenue Budget Final Outturn 2019/20

	Revised Net Revenue Budget	Expenditure	Under or Over Spending	Percentage Under or Over Spending
	£'000	£'000	£'000	%
COMMISSIONING STRATEGIES				
Readiness for School	5,038	4,866	(172)	-3.4%
Learn & Achieve	36,539	38,437	1,898	5.2%
Readiness for Adult Life	7,503	6,103	(1,400)	-18.7%
Children are Safe and Healthy	67,951	67,677	(274)	-0.4%
Adult Safeguarding	3,996	5,764	1,768	44.2%
Adult Frailty, Long Term Conditions and Physical Disabilities	120,065	117,012	(3,053)	-2.5%
Carers	2,417	2,296	(121)	-5.0%
Adult Specialities	72,479	72,107	(372)	-0.5%
Wellbeing	28,413	27,951	(462)	-1.6%
Community Resilience & Assets	10,861	10,533	(328)	-3.0%
Sustaining & Developing Prosperity Through Infrastructure	37,072	36,219	(853)	-2.3%
Protecting & Sustaining the Environment	23,855	23,563	(292)	-1.2%
Sustaining & Growing Business & the Economy	482	707	225	46.7%
Protecting The Public	24,554	24,606	52	0.2%
How We Do Our Business	8,345	8,030	(315)	-3.8%
Enablers & Support To Council's Outcomes	43,462	40,756	(2,706)	-6.2%
Public Health Grant Income	(31,800)	(31,800)	0	0.0%
Better Care Funding Income	(48,146)	(48,146)	0	0.0%
Enablers & Support To Key Relationships	30	0	(30)	-100.0%
TOTAL COMMISSIONING STRATEGIES	413,116	406,681	(6,435)	-1.6%
OTHER BUDGETS				
Capital Financing Charges	47,074	41,923	(5,151)	-10.9%
Contingency	2,332	0	(2,332)	-100.0%
Other Budgets	(13,751)	(12,523)	1,228	-8.9%
TOTAL OTHER BUDGETS	35,655	29,400	(6,255)	-17.5%
SCHOOL BUDGETS				
Central School Services Block (DSB Funded)	4,007	3,307	(700)	-17.5%
Early Years Block (DSB Funded)	41,824	40,138	(1,686)	-4.0%
High Needs Block (DSB Funded)	70,385	71,604	1,219	1.7%
Schools Block (DSB Funded)	145,048	134,670	(10,378)	-7.2%
Dedicated Schools Grant	(248,799)	(249,201)	(402)	0.0%
Schools Budget (Other Funding)	511	500	(11)	-2.2%
TOTAL SCHOOL BUDGETS	12,976	1,018	(11,958)	-92.2%
TOTAL EXPENDITURE	461,747	437,099	(24,648)	-5.3%
INCOME				
Revenue Support Grant	(20,139)	(20,139)	0	0.0%
Business Rates	(125,762)	(127,612)	(1,850)	1.5%
Council Tax	(299,388)	(299,388)	0	0.0%
Other Non Specific Grants	(19,675)	(20,275)	(600)	3.0%
TOTAL INCOME	(464,964)	(467,414)	(2,450)	0.5%
USE OF BALANCES				
Use of Balances - Earmarked Reserves	3,017	3,017	0	0.0%
Use of Balances - General Reserves	200	200	0	0.0%
TOTAL USE OF RESERVES	3,217	3,217	0	0.0%
TOTAL	0	(27,098)	(27,098)	

Children's Services – (£0.052m over budget)

1.24 Over the four commissioning strategies, Children's Services overspent by £0.052m (0.04%).

1.25 **Readiness for School** commissioning strategy underspent by £0.172m (or 3.4%).

1.26 The underspends relate to a clawback of funding for the Early Years Contract from 2018/19 (£0.072m) due to the level of the underspend being higher than the contractual tolerance; general underspends in the commissioning activities and running costs of the 48 children centres across the county (£0.040m), the budgets for which have now been realigned following an in depth review; a lower referral in supporting out of school childcare placements due to more families accessing other early years funding, such as the 2 year disadvantaged entitlement (£0.033m); and increased property rental income from early years providers using children centre sites due to the completion of several rent reviews during the year (£0.027m).

1.27 **Learn and Achieve** commissioning strategy overspent by £1.898m (or 5.2%).

1.28 The main area of overspend relates to Home to School / College Transport delivery (£2.373m). Approximately 84% of transport entitlements are for pupils attending mainstream schools and colleges (this does not include excluded pupils and those with Special Educational Needs and / or Disabilities (SEND) attending mainstream schools). This represents £12.9m (46%) of the expenditure in 2019/20.

1.29 The unit cost for mainstream pupils transport has increased by 7.8% to £900 per pupil per annum (£837 per pupil per annum in 2018/19). This accounts for c.£1.000m of the overspend and reflects the on-going inflationary pressures within the transport marketplace and the impact of the Public Services Vehicle Access Regulations (PSVAR) where re-tendered contracts have started coming in on average 50% higher.

1.30 The remaining 16% of transport entitlements are for pupils with SEND attending both mainstream and special schools, and colleges; pupils attending hospital schools, and pupils living in temporary accommodation requiring transport to school. This accounts for £15.2m of the expenditure in 2019/20 and c.£1.100m of the overspend. The largest proportion of cost growth relates to those pupils with SEND attending mainstream schools and colleges. Whilst the unit cost for these pupils has only increased by 1.1% to £5,925 per pupil per annum (£5,862 per pupil per annum in 18/19), the number of pupils eligible has increased by 7%.

1.31 In addition to an increase in the number of children with Education, Health and Care (EHC) plans requiring transport, there has also been an increase in the level of complexity of individual cases. An analysis of the twelve most complex young people with high medical needs revealed that the average cost is nearly £0.041m per pupil per annum. Expenditure on transport to the hospital school sites has also increased by 50% adding further costs of £0.250m.

1.32 These costs have been partly offset by an underspend in the SEND Service due to a high cost support package ending (£0.239m). Other underspends were in the Education Support services staffing from vacancies and legal fees, and increased income due to a higher number of admissions appeals and school attendance penalties (£0.175m).

1.33 **Readiness for Adult Life** commissioning strategy underspent by £1.400m (or 18.7%).

1.34 The main area of variance anticipated throughout the year had been Supported Accommodation (£0.848m) for those young people of 16 and 17 years at risk of homelessness and looked after children and care leavers up to the age of 21 years.

1.35 Transformation work has resulted in an accommodation pathway for young people who require support or who are experiencing homelessness (and where family and wider network is not a suitable option) by providing more suitable and more cost effective accommodation.

1.36 Following the successful pilot last year of new in-house provision in Grantham, further in-house provision has been created in Gainsborough. This has allowed the service to bring down the costs further, as there is less reliance on externally commissioning provision, and has continued to improve the outcomes for a number of young people. In addition, it has enabled the service to put forward further permanent savings of £0.583m through the 2020/21 budget process.

1.37 Other main underspends relate to staffing underspends from vacancies in the Future for Me service (£0.208m); Positive Futures (£0.092m) and general underspends in the commissioned activities for young people (£0.106m). Savings have been released from commissioned activities through the 2020/21 budget process.

1.38 **Children are Safe and Healthy** commissioning strategy underspent by £0.274m (0.4%).

1.39 A material overspend within this strategy (£1.612m) relates to the increase in the complexity of young people requiring specialist placements out of county that cannot be maintained within a family foster carer arrangement. Expenditure on out of county placements has increased to £7.044m (30% higher than the budget), which included five placements costing more than c.£0.007m per week due to their complex needs, or an average weekly cost of all placements of c.£0.005m.

1.40 The Council recognises the financial risk of this due to the demand-led nature and complexity of support required for these young people in care. The Local Authority is considering options of increasing its internal residential estate to meet these growing needs, to deliver improved outcomes and achieve better use of resources.

1.41 Fostering services underspent (£0.362m), which is a result of the demands for more intensive support packages. Current looked after children numbers at the end of March 2020 are 622. The Adoption service underspent during the year (£0.235m) due to a net increase in adoptions by Lincolnshire families across the wider region.

1.42 Social Care legal costs have increased due to the complexity and length of cases, the need for expert opinions and the use of counsel, and the issuing of more cases (£1.014m).

1.43 A significant underspend relates to 0-19 Health Service staffing (£0.947m). This service has encountered staffing vacancies, and a reduction in travel costs due to more effective clinic utilisation leading to a reduction in home visits. The service has a rolling recruitment programme in place to address the level of vacancies going forward. In periods where staffing levels were lower, the service implemented its business continuity plan to ensure priority visits took place first. Permanent savings relating to travel costs (£0.182m) have been incorporated into the 2020/21 budget process.

1.44 Further underspends include the Unaccompanied Asylum Seeking Children grant (£0.448m). A change in the grant mechanism and an increase to the rate paid by the Home Office in 2019/20 has improved Lincolnshire's financial position. Further work is being undertaken to assess if this a one-off underspend or whether this level can be expected in future years. Other variances include: additional grant income had been secured to offset staff costs supporting improvements in other Local Authorities, and development of Lincolnshire services (£0.417m); a lower than expected take up of social worker retention payments (£0.128m), and general staffing underspends.

1.45 **Covid-19.** The financial impact of Covid-19 in 2019/20 for Children's Services was estimated at £0.178m. This mainly related to loss of income for the Music Support Service and for post-16 transport. This impact was funded by the Covid-19 emergency grant received from the government at the end of March.

Adult Care and Community Wellbeing– (£2.240m under budget).

1.46 The Adult Care and Community Wellbeing (AC&CW) final outturn for 2019/20 is £225.130m, an under-spend of £2.240m (1.00%) against a budget of £227.370m.

1.47 The Better Care Fund has a growing influence on how AC&CW pressures are funded in the Council with it being the only means in which the vast majority of pressures identified below will be funded over the next two years.

1.48 **Adult Safeguarding** commissioning strategy overspent by £1.768m (44.2%).

1.49 The final outturn for Safeguarding Adults was £5.764m. The outturn was supported as planned through the release of underspends and reserves. The pressure of £1.768m is directly related to the legislation regarding Liberty Protection Standards formerly known as DOLS (Deprivation of Liberty). DoL

assessments contain a number of steps. This process is due to be streamlined within the new Liberty Protection Standards, currently expected to come into effect during 2021.

1.50 Adult Frailty and Long Term Conditions commissioning strategy underspent by £3.053m (2.5%).

1.51 The final outturn for Adult Frailty and Long Term Conditions, which includes Older Persons, Physical Disabilities (PD) and Infrastructure budgets, resulted in an underspend of £3.053m for 2019/20. This was due to current activity being in line with the levels forecast when the budgets were set, and an accelerated recovery of income predominantly from direct payment refunds and debtor income.

1.52 The main area of pressure was in the Physical Disability Service, which has seen continual growth for three years and requires budget realignment from Older Persons / Infrastructure in 2020/21 and onwards.

1.53 The largest area of growth in the PD service is in Community Supported Living and Home Support - these areas promote independence and avoid costly long term placements in Residential/Nursing care.

1.54 In Older Persons the main pressure areas were in Residential with a total overspend on expenditure of £1.1m, increases seen as a result of former self funders now requiring funding. This pressure has been funded by both the corresponding service user contributions and the income received as a result of reducing the number of overdue financial assessments.

1.55 The charging policy work, delivered through the task and finish group for financial assessments, resulted in the overdue assessments being cleared by the end of the year. This increased income for adult charging which was £0.667m over target by the end of the financial year, largely collected within the last quarter.

1.56 Direct Payment Refunds also delivered above plan by £1.319m. The additional income was collected through the review work undertaken by the audit team. This is a non-recurrent benefit with the audit work now concluded. The outcome of the review will be monitored during 2020/21 to inform the revised budget expectations.

1.57 Within the Infrastructure element of Adult Frailty, funding of £1.768m was released to fund the increase in costs relating to deprivation of liberty assessments within Adult Safeguarding (see paragraph 1.49 above).

1.58 Carers commissioning strategy underspent by £0.121m (5.0%).

1.59 The service ended 2019/20 with an under-spend of £0.121m against a budget of £2.417m. This is due to underspends on Carers contracts. These are not impacting on service delivery, and the budget is being realigned in readiness for 2020/21.

1.60 Adult Specialities commissioning strategy underspent by £0.372m (0.5%).

1.61 Services for Learning Disabilities are administered via a Section 75 (S75) agreement between the Council and NHS Clinical Commissioning Groups (CCGs) in Lincolnshire, in addition to a small in-house element that sits outside the Section 75 agreement.

1.62 The Mental Health (MH) services are run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also by way of a Section 75 agreement.

1.63 Specialist Adult Services finished 2019/20 with an underspend of £0.372m against a budget of £72.479m.

1.64 Within the Learning Disability service there has continued to be an increase in the number of complex cases entering the service which is a national trend for working age adults requiring Adult Social Care services. The 2019/20 budget forecast growth in this area yet we still saw further growth in Direct Payments (£513.3m overspend) and in long term placements (£815.8m overspend). These additional costly packages have meant that there has been some extra pressure within 2019/20. This pressure is in the Continuing Health Care service and whilst these are funded by health, the CCGs are highlighting their ability to continue to fund this scale of increase. These discussions are continuing into 2020/21.

1.65 We have received the corresponding Income with respect to direct payment refunds and increases in residential service contributions. The increase in Continuing Health Care costs has meant that Lincolnshire County Council has invoiced the CCGs for a further £2.482m on top of the £13.7m already invoiced through the S75 agreement.

1.66 The Mental Health Service outturn of £0.890m, driven by increased numbers of service users with increasing complex needs, is in line with national trends that there is an increase in MH services being required. £0.351m of the pressure was covered by the Winter Pressures funding for avoidance of delayed transfers of care (DTCOC). 1st April 2020 saw the introduction of a new financial reporting process enabling earlier reporting of the costs incurred, which will strengthen decision making and financial forecasting.

1.67 **Wellbeing** was underspent by £0.462m (or 1.6%).

1.68 The Community Wellbeing strategy consists of a number of services including Health Improvement and Wellbeing, Prevention and Self-management, Housing Related Support Services for vulnerable adults, prevention and treatment for substance misuse and Sexual Health.

1.69 A number of these services are delivered as part of the Council's statutory obligation to improve the public health of local populations as per the conditions of the Public Health Grant.

1.70 The outturn comprises of underspends within the wellbeing services including Integrated Community Equipment Service, Sexual Health Prescribing contracts and some staff vacancies.

1.71 **Covid-19.** The financial impact of Covid-19 in 2019/20 for Adult Care and Community Wellbeing was estimated at £0.100m and this mainly related to the purchase of Personal Protection Equipment. This impact was funded by the Covid-19 emergency grant received from the government at the end of March.

Place (£1.248m under budget, 1.73%)

1.72 **Community Resilience and Assets** was underspent by £0.328m (or 3.0%).

1.73 The key variance is within the Library Service with an underspend of £0.243m. This is mainly due to the implementation of the new mobile library service, reduced staffing costs and changes in alignment of staffing budgets. These savings are expected to continue and have been built into the 2020/21 budget.

1.74 **Sustaining and Developing Prosperity Through Infrastructure** – commissioning strategy underspent by £0.853m (or 2.3%).

1.75 The key variance in this area relates to concessionary fares which, with associated staff vacancies, contributed to a £1.830m underspend. Reasons for the reduction in use are four-fold:

- A drop in passenger journeys nationally
- Increased age of eligibility
- Winter weather conditions
- Payment mechanism now more closely aligned to passenger journeys.

1.76 The potential under spend was forecast at £1.080m at quarter three but this increased dramatically towards the end of the financial year following the development of Covid-19.

1.77 Additional income on Traffic Regulation Orders (TRO's) added a further £0.260m to the underspend. These underspends were offset, in part, by additional spend for advanced design on highway projects to support the future capital programme (£0.720m); and a £0.273m overspend on street lighting due to increased energy costs, which is likely to remain a pressure moving forward.

1.78 Within the outturn is a need to transfer the surplus (under Business as Usual) for civil parking of £0.111m and the Permitting scheme of £0.082m.

1.79 **Protecting and Sustaining the Environment** – commissioning strategy underspent by £0.292m (or 1.2%).

1.80 The key variances within this strategy are:

The waste management service had an underspend of £0.327m due to additional income received from the Energy for Waste (EfW) plant from the sale of energy, partially offset by the additional costs relating to the paper and card trial undertaken with South Holland District Council.

1.81 In addition there was an underspend of £0.089m on flood and water risk management that needs to be carried forward under business as usual to continue funding on-going projects.

1.82 A further underspend of £0.071m within environmental services was due to staff vacancies not being filled during the financial year.

1.83 These savings are offset by an overspend of £0.218m on planning services due to planning fee income falling below the ambitious target set for the year. For 2019/20 the amount of planning fee received has been particularly low which has resulted in the significant overspend. A number of applications with large planning fees were expected to be submitted before the end of the financial year but were not received due to uncertainty caused by the Covid-19 crisis.

1.84 Sustaining and Growing Business and the Economy – commissioning strategy overspent by £0.225m (or 46.7%).

1.85 The overspend on this commissioning strategy is mainly due to a fall in income from our business units and increases in costs incurred for strategic projects including Grantham Housing Infrastructure Fund (HIF) bid development and a study into the provision of utilities to growth sites. The in-year overspend is partly offset by an in-year underspend on the support cost of the Greater Lincolnshire Local Enterprise Partnership (GLLEP) of £0.197m.

1.86 **Covid-19.** The financial impact of Covid-19 in 2019/20 for Place was estimated at £0.060m and this mainly related to the loss of income for Heritage and Culture Services as our sites were closed down. This impact was funded by the Covid-19 emergency grant received from the government at the end of March.

Finance and Public Protection (£2.969m under budget, 3.89%)

1.87 **Protecting the Public** – commissioning strategy overspent by £0.052m (or 0.2%).

1.88 Protecting the Public which includes Lincolnshire Fire and Rescue Service, Trading Standards, Registration Services, the Coroners Service and Safer Communities was close to within budget for 2019/20.

1.89 The cost relating to the summer flooding in Lincolnshire was £0.469m. Lincolnshire County Council recovered the sum of £0.418m of this overspend under the Bellwin Scheme (maximum threshold) with the remaining (unfunded) element of £0.051m being supported from Fire and Rescue budgets.

1.90 **How We Do Our Business** – commissioning strategy underspent by £0.315m (or 3.8%).

1.91 How We Do Our Business, including Finance, Audit and Risk and Democratic Services, has underspent by £0.315m for 2019/20.

1.92 The Schools Finance team achieved higher than budgeted income for the services to schools of £0.070m. This is due to schools upgrading services and the Schools Finance team overall being able to respond to the additional resourcing requirements to meet the demands of schools. Fewer schools have also transferred to academies than predicted in the year.

1.93 The costs of external audit and the level of bank charges were £0.025m and £0.021m lower respectively. The levels of service and charges were identified as future year savings as part of the budget setting process.

1.94 Corporate projects to review case management systems that were expected to be completed in year have been delayed. The level of unspent funds at year end was £0.117m.

1.95 There were also a number of staffing vacancies throughout the year resulting in an underspend of £0.081m.

1.96 **Enablers and Support to Council Outcomes** – commissioning strategy underspent by £2.706m (or 6.2%).

1.97 This commissioning strategy covers services ranging from Information Management & Technology (IMT), Property (including county farms), Human Resources, Business Support, Information Assurance, Commissioning and Transformation, and Strategic Communications.

1.98 Approximately half of the underspend is from IMT, which is made up of a number of areas. The key variances are summarised below:

- a) Staffing budgets (-£0.347m) – Vacancies in IMT some of which will shortly undergo job evaluation as the role requirements have changed. This will be re-balanced going forward with the temporary staff/contractors budget as IMT will use more specialist contractors to undertake specialist projects to minimise the permanent staffing levels going forward;
- b) Microsoft Enterprise Agreement (-£0.292m) – The requirement to purchase the remaining licenses required was delayed and so expenditure represents the part year purchase of the agreement.
- c) The complexities of the work programme meant that accurate scheduling of the work was not possible at the time of budgeting. Significant work is still on-going and some activity, including Azure implementation (-£0.458m), has been incorporated into the capital programme.
- d) Contract costs are -£0.316m lower than storage Tier 1 volume assumptions as based upon the commercial model.

1.99 Legal Services Lincolnshire achieved a surplus in excess of target of -£0.721m. This is due to income generation continuing to be higher than the target for 2019/20. The Legal Management Board will decide on the use of any surplus at year end.

1.100 Human Resources (HR) had underspends in the services below:

- a) the surplus income from the purchase of employee leave (£0.048m for which a request to transfer this to reserves is within this report);
- b) surplus budget remaining following the recent staffing restructure which took place mid-year so vacancies were held (£0.187m);
- c) additional income received from services for school adverts, recruitment and psychometric testing (£0.066m);
- d) a reduction in HR activity-led Serco budgets (£0.048m) which were best estimates at that time in terms of the costs of running the service;

1.101 County Farms were underspent by £0.223m primarily due to lower than projected costs at West Deeping Quarry, an underspend on reactive works and increased rental income.

Schools – (£11.958m under budget)

1.102 Under government regulations, schools carry forward automatically their under and overspends to the next financial year. The overall accumulated carry forward underspends for 188 schools represents £11.170m. The Local Authority (LA) carry forward policy outlines the carry forward thresholds by sector and the criteria for utilising funds above that level. The LA undertakes annual compliance checks with its schools.

1.103 Budgets held centrally within the ring-fenced 2019/20 Dedicated Schools Grant (DSG) were once again set prudently due to the demand-led and volatile nature of the services demands. In line with the Department for Education (DfE) regulations any under or overspends will automatically be carried forward to the next financial year and the Local Authority will consult the Schools Forum on its use including brought forward reserves. The overall DSG underspent by £0.686m across the four designated blocks in 2019/20 (inclusive of a prior year early years participation adjustment of (£0.401m), which has been considered by the Schools Forum).

1.104 The High Needs block, however, overspent by £2.451m. There are a number of budgets within the High Needs block that are large, demand-led, and can be difficult to estimate (e.g. SEND related budgets, including out of county placements, top up funding for EHC plans for mainstream schools, special school placements, and meeting the education needs for pupils through alternative provision arrangements). There continues to be a growing trend nationally, and this is being seen in Lincolnshire, with more young people requiring specialist support which is having a material financial impact on the High Needs block. This remains a financial risk, particularly at a time of increasing demands. The government invested an extra £700m nationally into High Needs funding in 2020/21 to respond to this challenge, which for Lincolnshire represented a £7.730m funding increase. It is expected that it will continue to be a much tighter financial environment going forward for high needs services.

1.105 An increasing number of Local Authorities are now incurring a deficit on their overall DSG account, largely because of overspends on the High Needs block. Lincolnshire is currently not in this position; however the position needs to be carefully and prudently managed particularly in light of the growth in demands and complexities of young people.

1.106 **Covid-19.** The financial impact of Covid-19 in 2019/20 for Schools was estimated at £0.031m. This related to loss of income for the Specialist Teaching Service. This impact was funded by the Covid-19 emergency grant received from the government at the end of March.

Other Budgets – (£6.255m under budget)

Capital Financing Charges – underspent by £5.151m (or 10.9%)

1.107 The capital financing charges (debt repayment provision, borrowing interest costs, revenue funding net of interest received on cash balances) were £5.151m under budget. Reduction and underspend of the planned capital programme during 2019/20 reduced the need to borrow to £77.898m from £94.901m, leading to lower principal and interest borrowing costs of £4.040m compared to that budgeted. The remaining underspend comes from an increase in interest received on cash balances. This was due to three factors, namely: underspend on both the Capital and Revenue budgets resulting in a higher cash balance throughout the year than forecast, borrowing £50.000m for financing the capital programme earlier in the year in 2019/20 than usual, to take account of low interest rates. This funding is not being utilised until later in the year leading again to increased cash balances. Lastly increased interest has also resulted from outperforming budgeted benchmark returns for investments by 0.37% over the year.

Contingency – underspent by £2.332m (78.0%).

1.108 Contingency budget of £3.000m was set aside for emerging pressures which may arise during the financial year. At the end of the year £2.332m remained of the contingency, and was not required in 2019/20.

Other Budgets – overspend by £1.228m (or 8.9%)

1.109 Other Budgets were overspent by £1.228m. This comprised a number of under and overspends, the most significant being:

- a) A total of £9.578m of capital receipts were generated against the £8.000m target. Of this total, £0.401m related to the sale of land under Section 77 of the Schools and Standards Framework Act 1998 so has been set aside. In accordance with the Council's Strategy on the Flexible Use of Capital Receipts, the remainder can only be used to fund revenue transformational projects. During 2019/20 the amount spent on revenue transformation projects was £3.272m. The remaining £5.905m of capital receipts will be carried forward to fund the future capital programme as explained further within the Flexible Use of Capital Receipts Strategy section, paragraph

1.143. The result of this is that only £3.272m of capital receipts have been accounted for within the revenue budget, resulting in an overspend of £4.327m against the £8.000m budget;

- b) The budget for liability insurance premium also overspent by £1.206m due to the base budget not being increased this year in the face of increasing liability, alongside the increase in the total amount the Council required to settle these claims in the previous year. The budget for 2020/21 has been increased to take into account the increased trend in premiums;
- c) The insurance fund shows a surplus of £2.716m. The insurance fund provides a level of protection for risks that are retained in house for those risks which are not insured elsewhere or are as yet unknown. Part of the reason for the underspend is that a comprehensive review of all Liability claims was undertaken which enabled a number of historic claims to be closed off. This has released the provision committed to settle these claims and has resulted in a reduction in provisions from £7.4m to £6.3m. It is requested that a proportion of this underspend, £1.308m, is used to increase the reserve. This is to keep our fund at £2m over the level of £13.1m recommended by the Actuary. This will continue to provide a level of sustainability to the fund as we embark on the re-tendering of insurance, given that there is a high likelihood of increased premiums for Liability and other policy covers from April 2021 due to our poor claims history in some areas and due to potential impacts of the Covid-19 pandemic that are as yet unknown; and
- d) The Corporate and Service Redundancy budget is underspent by £1.059m. The Corporate Redundancy budget funds the costs associated with the staffing restructuring changes that had been approved through 2019/20. These planned changes reduce the Council's net budget requirement.

Council's General Funding – £2.450m more than the income budget (0.5%).

1.110 The general funding received was £2.450m more than the revenue budget approved at full Council in February 2019. The most significant reasons for this additional funding were as follows:-

- a) Business Rates - Pooling with Districts - £0.375m (more than was budgeted for). The amount accrued at year end was based on the latest estimates available to us at that time of £2.775m, which is higher than the budget of £2.400m.
- b) Business Rates National Levy - £0.374m. This payment is the surplus which has been distributed across local government for 2019/20. We were not aware that there would be a distribution of the Levy surplus this year, so this was not budgeted for.
- c) Business Rates Districts (Renewable Energy) - £0.079m (more than was budgeted for). The Council received additional income from one District

Council in relation to the business rates from renewable energy projects for 2018/19 which was not included in the budget set in February 2019.

- d) Business Rates Top Up – £0.988m (more than was budgeted for). We have received additional funds from the 2018/19 Business Rates Tax Loss reconciliation which has been offset against the Business Rates Tariff and Top-up calculation adjustment that was accrued in 2018/19 but received during 2019/20.
- e) Special Educational Needs and Disability (SEND) Grant - £0.259m (less than budgeted for). This grant was part of the original budget set in February 2019 but it was subsequently discovered that the grant had ceased and no allocation would be awarded in 2019/20.
- f) School Improvement, Monitoring and Brokering Grant - £0.699m (more than budgeted for). The school improvement, monitoring and brokering grant has been allocated to local authorities since September 2017 to allow them to continue to monitor performance of maintained schools, broker school improvement provision, and intervene as appropriate. This grant has previously been received by the service and not included as part of the Council's General funding budget.
- g) Extended Rights to Free Travel - £0.119m (more than budgeted for). This grant was budgeted to remain at previous levels allocated of £0.639m however the Council has received additional funding during the year of £0.119m.

Capital Programme Outturn

1.111 The capital outturn for 2019/20 is summarised below:

- Net capital expenditure was £73.552m; and
- This was £17.003m or 18.8% less than planned.

1.112 **TABLE C** shows the summary of the year end position against the budget funded by the Council. Appendix A provides further detailed information on projects and schemes highlighted in this report.

1.113 The reasons for significant capital budget over or underspends are explained in the following paragraphs.

TABLE C – Capital Programme Summary Outturn 2019/20

	Gross Programme			Net Programme		
	Actuals £'000	Revised budget £'000	Gross Outturn Variance £'000	Actuals £'000	Revised budget £'000	Net Outturn Variance £'000
Adult Care & Community Wellbeing	7,679	7,679	0	1,530	1,530	0
Finance & Public Protection - Commissioning	22,011	27,515	-5,504	19,062	24,566	-5,504
Childrens Services - Commissioning	21,437	26,793	-5,356	-16,231	-10,808	-5,423
Place - Commissioning	121,949	120,340	1,609	69,190	67,361	1,829
Other Programmes	0	7,905	-7,905	0	7,905	-7,905
Total Capital Programme 2019/2020	173,076	190,232	-17,157	73,552	90,555	-17,003

1.114 The capital programme comprises a series of schemes/projects which often span a number of years. Hence over/underspends cannot be related to time periods such as this financial year. Where a scheme/project is known to be exhibiting a material variance to its spending profile this will be described in the narrative associated with that commissioning area.

1.115 Schemes can receive funding from both the County Council and from external bodies (through grants and contributions). The timing of this external funding may also have an impact on the spending profile of schemes annually within the capital programme. All underspends and overspends on the capital programme are automatically carried forward to the next financial year.

Adult Care and Community Wellbeing (AC&CW) (on target)

1.116 Capital investment within Adult Care and Community Wellbeing is mostly funded by capital grants and contributions. AC&CW spent £7.679m on capital expenditure in 2019/20. Of this sum, £6.149m was on disabled facility grants to enable essential housing adaptations to help disabled people live independently and safely in their own homes. In addition, work started this year on the De Wint Court Extra Care Housing scheme in partnership with the City of Lincoln Council.

Finance and Public Protection (£5.504m under gross budget)

1.117 **Enablers and Support To Council's Outcomes** – commissioning strategy under budget by £4.752m gross.

1.118 Broadband. This project is to improve access to broadband across Lincolnshire. The spend for the year was c£1.187m below budget due in part to the contractor failing to meet contractual milestones but also due to the better than expected customer take up of the enhanced broadband provision created by the project, which results in a clawback of some of the Council's previous funding from the contractor.

1.119 IMT. Budget has been allocated to develop a fit for purpose, secure and resilient IMT platform to support the Council's future requirements. The year-end position was largely as forecast during the year, with a £1.034m underspend arising from a significant reduction in the number of devices issued in line with the IMT board policy to restrict the issuing of multiple devices.

1.120 Property. This scheme funds repairs and maintenance to the Council's property portfolio and in 2019/20 this is underspent by £1.061m gross. This is caused by projects slipping into next year. One of these is the roofing of the main building and Orchard House (-£0.500m) due to the larger scale of works. The Grantham Fire Pod (-£0.307m) is delayed due to external partners.

1.121 **Protecting the Public** – commissioning strategy under budget by £0.752m gross.

1.122 This mainly relates to the Fire and Rescue and Emergency Planning project to update the IMT infrastructure and systems of the service. The underspend of £0.609m gross for the year was a little more than forecast, due to delays in implementation caused by the requirement to complete additional preparatory work before installation of new equipment, and supplier resources being unavailable due to them being committed to other corporate IMT projects.

Children's Services (£5.356m under gross budget).

1.123 SEND Capital Funding for Pupils with EHC Plans (£5.000m under gross budget). This capital funding is to support the implementation of the Building Communities of Specialist Provision Capital Scheme. The £5.000m underspend represents the agreed transfer from DSG revenue reserves underspend to support the overall SEND capital programme following approval by the Secretary of State in January 2020, and Full Council approval in February 2020. This funding is required to fund commitments in future years. A position statement will be provided in the new financial year on the overall cost of the project and how the programme will be funded.

Place (£1.609m over gross budget).

1.124 **Community Resilience and Assets** – commissioning strategy under gross budget by £0.521m. This part of the programme is to provide updated ICT infrastructure in Libraries. Delay in the contractor installing new equipment has resulted in the year underspending but this position is expected to be recovered when the libraries re-open and the project is then able to continue.

1.125 **Protecting and Sustaining the Environment** – commissioning strategy under gross budget by £0.643m. This part of the programme includes schemes on flood defences, flood and water risk management and fire suppression works at waste transfer stations. The majority (£0.572m) of the in-year underspend will be carried forward to meet project commitments for flood and water risk management.

1.126 Typically, major flood alleviation schemes take a number of years to deliver, from feasibility to construction. In order to provide the certainty of funding to allow third party contributions to be sought (including national Flood Defence Grant in Aid), each scheme has a capital allocation, which is carried forward until project completion. The Council's programme currently comprises 17 'live' schemes.

1.127 Sustaining and Developing Prosperity through Infrastructure – commissioning strategy over gross budget by £4.073m. This part of the programme includes major road schemes as well as more minor infrastructure works.

1.128 Highways Asset Protection (11.876m over gross budget). This block includes spending on surface treatment, potholes, structures, traffic signals, street lighting and a variety of minor works to maintain highway assets and is predominantly funded by a Department of Transport (DfT) annual grant. The detailed planned programme of work normally exceeds the DfT grant as delivery of the programme is heavily dependent on winter weather conditions and other operational delays. This overspend will be managed within the future programme of work. In addition the DfT has announced additional funding (over and above the normal annual grant) to accelerate the repair of potholes in 2020/21.

1.129 Integrated Transport (£1.099m under gross budget). An annual grant from the Department for Transport with flexibility to be used to fund (or part fund) a range of projects. The grant can be used across financial years as projects can be delayed. All the grant has been allocated with some projects in progress that will complete in subsequent financial years.

1.130 Lincoln Eastern Bypass (£3.936m under 2019/20 gross budget). The construction of a 7.5km highway scheme to the east of Lincoln, connecting sections of the A15 to the north and south of Lincoln. The original budget for 2019/20 was £27.122m, this was increased by the £21.870m underspend from 2018/19. £6.129m has been re-phased to future years. Expenditure in 2019/20 has reduced from the amount planned due to site flooding conditions and Covid-19 work restrictions.

1.131 A46 Welton Roundabout (£1.800m under 2019/20 gross budget). The construction of a new roundabout on the A46 with the junction to the village of Welton to increase safety and the flow of traffic. The project has started with the vast majority of the expenditure due in 2020/21. The project is funded by a National Productivity Investment Fund (£2m), allocation from the Integrated Transport Grant (£2.9m) and forward funding from LCC (£1.1m).

1.132 Grantham Southern Relief Road (£0.389m over 2019/20 gross budget). This project aims to improve the town's infrastructure and growth with the construction of a 3.5km relief road in three phases: phase one - creation of a roundabout off the B1174; phase two - the B1174 will join the A1 trunk road; phase three - link the A52 at Somerby Hill to the new roundabout. Phase 2 works on the A1 started on 16 September 2019 although progress was impeded by the prolonged wet weather and technical issues with the piling works. Operation of the site has also been affected by the Covid-19 pandemic and although work has continued with appropriate social distancing measures implemented, some activity such as the diversion of high voltage power cables, that are dependent on third party agencies, have been stopped. Phase 3 is now expected to commence in September 2020. The budget for 2019/20 has been re-phased to future years with the total project (whole life) expenditure currently forecast to be £7.759m overspend. This is due to the issues referred to above.

1.133 Network Resilience (£0.061m under gross budget). Annual programme of replacing winter maintenance vehicles as they come to the end of their lease. The replacements are purchased by LCC leading to substantial savings on the revenue budget. The replacement schedule is on track.

1.134 **Sustaining and Growing Business and the Economy** – commissioning strategy under gross budget by £1.301m. Within this is the budget allocated for Business Unit Development (£1.000m) for the expansion of the Council's managed workspace provision. As forecast, there was no expenditure on the Business Unit Development scheme during 2019/20. Alternative options are currently under consideration to select an appropriate site for expansion of provision within the approved scheme budget.

New Developments Capital Contingency Fund (£7.905m under budget).

1.135 For 2019/20 we set aside £7.500m in a New Development Capital Contingency Fund for schemes which emerge during the financial year. The movement during the financial year is explained below:

New Development Capital Contingency Fund	£'000
Original Budget	7,500
In-Year Changes	
Carried Forward from last year's underspend	6,638
Re-phasing into next year	-4,138
Allocation for Bluelight Collaboration Scheme	-1,357
Allocation for Libraries IT Project	-802
Allocation for compensation payment relating to A1073	-25
Return of funds due to completion of Horncastle Salt Barn	89
Total In-Year Changes	405
To be carried forward to 2020/21	7,905

1.136 The underspend of £7.905m remaining at the end of 2019/20 will be transferred forward into 2020/21 to fund schemes in the new financial year. There are a number of commitments which already exist for use of this funding in 2020/21 and future years. This will be allocated in 2020/21 as and when required.

Prudential indicators

1.137 The Local Government Act 2003 gave authorities freedom to borrow what they need to fund their capital programmes. The Act requires Local Authorities to comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. The Code provides a framework to ensure that Local Authorities' capital programmes are affordable, prudent and sustainable and that treasury management decisions are taken to support this.

1.138 In complying with the Code the indicators for 2019/20 were approved by the Council on 22 February 2019 along with the budget and council tax for that year. In accordance with the Code, the Executive Director has been monitoring the actual performance against the targets set and would have reported any issues of concern to members had there been a need to. The Council should also be informed of the actual position compared with that estimated for any given year after the year end. **APPENDIX B** provides details of this comparison for 2019/20. It shows that Prudential Indicators have not been exceeded during the year and there have been no breach of limits set by the Authority.

Flexible Use of Capital Receipts

1.139 We had planned to use £8.000m of flexible capital receipts in 2019/20 to fund transformation projects which will generate ongoing revenue savings to the authority.

1.140 We generated £9.578m of capital receipts in the year and included within this was £0.401m relating to specific Schools capital projects in accordance with Section 77 of the Schools Standard and Framework Act 1998. It is therefore requested that £0.401m be transferred to an earmarked reserve for this purpose (see paragraph 1.147). This will fulfil the requirement to re-invest capital receipts relating to the sale of playing fields as part of the consent given by the Department for Education.

1.141 The remaining balance of £9.177m was available to fund transformation projects in accordance with the Strategy. The following schemes were identified to be funded this way in 2019/20:

- Service changes and reductions (including redundancies);
- Property rationalisation;
- Efficiencies through contracting and procurement;
- Transforming technology; and
- Preventing and detecting fraud.

1.142 During the year the Council spent £3.272m on these transformation projects. Details of the Council's original plans and actual activity are set out at **APPENDIX C**.

1.143 As the total capital receipts available is £5.905m more than the cost of the transformation projects identified, this surplus amount is to be used to fund the future capital programme in accordance with the Council's accounting policy i.e. it will be set aside in a capital receipts reserve fund, and will be used to reduce our borrowing in future years.

Carry forward of over and underspends

1.144 The Council's policy as set out in its Financial Regulations is:

1.145 All under and overspends on service revenue budgets of up to 1% will be carried forward without exception. In 2019/20, this net underspend totalled £3.235m. This sum will be transferred to the Development Fund earmarked reserve.

1.146 All under and overspends on the dedicated schools budget will be carried forward. In 2019/20, this net underspend totalled £11.958m.

1.147 In addition to the carry forward of up to 1% of budget under and overspends, there are a number of transfers to reserves for "business as usual" items totalling £1.424m:

- a) Civil Parking Enforcement income is ring-fenced for spending on specific works defined by legislation. This budget underspent by £0.194m in the year.
- b) Two of the Council's activities which provide services to partner organisations have operated at a surplus in 2019/20 and the net surpluses will be transferred to earmarked reserves pending future decisions about their use. These are: Legal Services Lincolnshire (£0.721m) and Strategic Commissioning and Procurement (£0.108m).
- c) Income of £0.401m was received in the year from the sale of former playing fields and school land. This sum is to be used for the Poplar Farm Schools Project under Section 77 of the School Standards and Framework Act 1998.

1.148 All of the transfers to reserves set out in the preceding paragraphs are for noting. The Council is required to consider the use of underspends above the level of 1% and outside of the "business as usual" transfers to reserves. There are three further requests for a transfer to an existing earmarked reserve, totalling £1.175m:

- a) Following the accumulation of a surplus on the insurance fund due to a reduced level of provision for future claims, it is proposed that £1.038m be added to the Insurance Fund reserve. This will give maintain the total of £13.110m within the Insurance Fund and the Insurance Provision to cover future liabilities.
- b) The budget for flood and water risk management underspent by £0.089m in the year and it is proposed that this sum be added to the Flood and Water Risk Management reserve.
- c) A surplus of £0.048m was achieved in 2019/20 from the purchase by employees of additional annual leave. It is proposed that this sum is transferred to the Purchase of Employee Leave earmarked reserve. This will help to support staff wellbeing and the introduction of a case management system to help support the efficient management of casework through HR.

1.149 It is proposed that a new earmarked reserve be created this year from the overall underspend, and that this is included within the "business as usual" category in the future.

- a) During this year's budget process, future fluctuations in the capital financing charges budget was noted and it was suggested that this budget could be stabilised over time by the use of a new Capital Financing earmarked reserve. Any future underspends on the capital financing budget may be transferred into this reserve at the year end, and any future overspends on the capital financing budget may be funded by a transfer from this reserve. In 2019/20 the capital financing charges budget underspent by £5.150m and it is proposed that this sum be used to create this new earmarked reserve.

1.150 After the above allocations, which are in line with the Council's Financial Strategy, there is £4.159m still to be allocated. It is proposed to add the remaining underspend of £4.159m to the Development Fund earmarked reserve, which means that when taken together with the £3.235m underspend from service budgets referred to in paragraph 1.145 above, a total of £7.394m is proposed to be transferred to the Development Fund earmarked reserve. It is proposed that this sum of £7.394m be earmarked for supporting future transformation as well as Covid-19 recovery plans.

1.151 The current balance in the Financial Volatility earmarked reserve is £52.683m and this is after the use of £3.087m to support the 2019/20 budget. This reserve is not required to balance the budget in 2020/21, but it may be required to support the budget in the years beyond. This will depend on the outcomes of the government's funding reforms (referred to in paragraph 1.5 above) and may also be affected by the extent to which the Covid-19 pandemic impacts on our medium term financial plan. Work on updating the medium term financial plan is currently underway.

1.152 It is felt that the current balance of the Financial Volatility earmarked reserve should be sufficient to support the future revenue budget, if required, as we transition towards the new funding arrangement and recover from the pandemic.

1.153 A variety of other transfers to or from other earmarked reserves reflecting actual expenditure and income in 2019/20 are shown in **TABLE E** over the page.

General Reserve

1.154 It is our policy on general reserves that these will be maintained within a range of 2.5% to 3.5% of the annual budget requirement. When setting the budget for 2019/20 we planned to increase the balance in our General Reserve by £0.200m. After considering the updated budget requirement for 2020/21 and the proposals on the carry forward of over and underspends, there is no requirement to adjust the General Reserve at this year end. The General Reserve at 31 March 2020 stands at £16.050m or 3.30% of the budget requirement (**TABLE D**).

TABLE D – General Reserves

GENERAL RESERVES	Balance at 31 March 2020 £'000
Balance at 1 April 2019	-15,850
Contribution to / use in year	-200
Proposed contribution to / use of reserves	0
Balance as at 31 March 2020	-16,050
Balance as a percentage of total budget	3.30%

TABLE E – Transfers to and from reserves

	Restated Balance at 01 April 2019	Additions in Year	Used in Year	Balance at 31 March 2020
	£'000	£'000	£'000	£'000
Balances from dedicated schools budget	19,070	0	(5,720)	13,350
Balances for schools under a scheme of delegation	14,108	381	(14,988)	(499)
Total Schools	33,178	381	(20,708)	12,851
Other Earmarked Reserves:				
Earmarked Reserves - Pre Council Confirmation	16,196	0	(16,196)	0
Adverse Weather	67	0	(67)	0
Insurance	5,237	500	0	5,737
Schools Sickness Insurance	519	362	(196)	685
Health and Wellbeing	473	0	(473)	0
Shared Services (Legal and Procurement)	1,907	790	(874)	1,823
Financial Volatility	45,594	10,175	(3,087)	52,683
CSSC Transformation Including BW Rebuild and Development	2,296	1,100	(11)	3,384
Energy from Waste Lifecycles	4,986	1,286	(1,235)	5,038
Contract Development	1,000	0	(1,000)	0
Highways Advanced Design	834	0	(834)	0
Environmental Improvements Sustainability Reserve (Environment)	1,000	0	(1,000)	0
Environmental Improvements Sustainability Reserve (Infrastructure)	4,000	0	(4,000)	0
Business Rates Volatility Reserve	1,683	6,152	(1,683)	6,152
Development Fund	0	10,182	0	10,182
Other Service Earmarked Reserves	6,891	1,964	(3,705)	5,150
Earmarked Reserves	92,683	32,511	(34,361)	90,834
Revenue Grants and Contributions	63,369	73,350	(48,174)	88,545
Total	189,231	106,242	(103,243)	192,231

2. Legal Issues:Equality Act 2010

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

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

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

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

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

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

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

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

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

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

These matters have been considered and there is not considered to be any direct impact of the decisions called for by this report on the Equality Act duty or any of these strategies and obligations. The Council set its budget for 2019/20 in February 2019 having had regard to these matters. The treatment of underspends and overspends in this report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to Equality Act obligations and the various strategies and obligations referred to as they are taken. This includes decisions on the use of carried forward underspends.

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

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

The Joint Strategic Needs Analysis has been considered and there is not considered to be any direct impact of the decisions called for by this report on any

of these strategies and obligations. The Council set its budget for 2019/20 in February 2019 having had regard to these matters. The treatment of underspends and overspends in this report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to the Joint Strategic Needs Analysis as they are taken. This includes decisions on the use of carried forward underspends.

Crime and Disorder

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

Section 17 of the Crime and Disorder Act 1998 has been considered and there is not considered to be any direct impact of the decisions called for by this report on the obligations arising from this Act. The Council set its budget for 2019/20 in February 2019 having had regard to these matters. The treatment of underspends and overspends in this report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to Section 17 of the Crime and Disorder Act 1998 obligations as they are taken. This includes decisions on the use of carried forward underspends.

3. Conclusion

3.1 The report provides details of the Council's financial performance for 2019/20. Net revenue spending amounted to £436.081m, excluding Schools Budgets. Net capital spending totalled £73.552m.

3.2 Existing policies allow all over and underspends on capital, schools budgets and shared services to be automatically carried forward. The carry forwards and transfers to and from earmarked reserves have been proposed in accordance with existing policy. General reserves stand at £16.050m with a further £52.683m in the Financial Volatility earmarked reserve.

4. Legal Comments:

Recommendation 1 is compliant with the Council's Financial Regulations.

With regard to recommendation 2, Council's Financial Regulations provide that the use of all underspending on service budgets in excess of 1% will be considered by the Executive and decided by the full Council. The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

Recommendations 3 and 4 enable the Executive to monitor performance against the Council's approved budget. Under Section 3 of the Local Government Act 2003 the Authority must determine and keep under review how much money it can afford to borrow. Reporting on the Prudential Indicators assists the Council in discharging this function.

The recommendations are lawful in accordance with the Constitution and the Policy Framework and within the remit of the Executive.

5. Resource Comments:

Accepting the recommendations in this report provides the Council with a sound financial base from which to manage the challenges of recovering from the Covid-19 pandemic and preparing for a change in the local government funding regime, which remains an uncertain future outcome for this Council.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

On 2 July 2020 the Overview and Scrutiny Management Board considered this report on the Review of Financial Performance 2019/20. Comments made by the Board will be tabled at the meeting.

d) Have Risks and Impact Analysis been carried out?

No

e) Risks and Impact Analysis

N/A

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Capital Performance Report
Appendix B	Prudential Indicators 2019/20
Appendix C	Flexible Use of Capital Receipts Outcomes 2019/20

8. Background Papers

Document title	Where the document can be viewed
Financial Strategy (Council Budget 2019/20 - 22/2/2019)	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5273&Ver=4

This report was written by Michelle Grady, who can be contacted on 01522 553235 or Michelle.Grady@lincolnshire.gov.uk.

Type of Scheme Block Scheme
 Directorate Adult Care and Community Wellbeing
 Area Better Care Fund
Scheme Name Better Care Fund - Disabled Facility Grants

Financial Information 2019/20 £m			
Gross Expenditure Budget	6.149	Net Expenditure Budget	0.000
Gross Income Budget	-6.149	Actual	0.000
Net Expenditure Budget	0.000		
Net Over/(Underspend)			0.000

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	0.000	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.000	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	6.149	New Grants and Contributions	-6.149
Budget Re-phased into Future Years	0.000		
Gross Expenditure Budget	6.149	Gross Income Budget	-6.149

Purpose of Scheme

A Disabled Facility Grant or DFG is means tested and is available from Lincolnshire County Council to pay for essential housing adaptations to help disabled people live safely and independently in their own homes.

Performance of Scheme

This scheme runs year to year. The full DFG allocation is received by Lincolnshire County Council from the Government each year and is then distributed to the Local District Councils as per the DOH circular

Type of Scheme Project
 Directorate Adult Care and Community Wellbeing
 Area Adult Frailty & Long Term Conditions
Scheme Name Extra Care Housing

Status of Project In progress

Financial Information 2019/20 £m			
Gross Expenditure Budget	1.400	Net Expenditure Budget	1.400
Gross Income Budget	<u>0.000</u>	Actual	1.400
Net Expenditure Budget	1.400		
Net Over/(Underspend)			0.000

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	0.000	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.000	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	1.400	New Grants and Contributions	0.000
Budget Re-phased into Future Years	0.000		
Gross Expenditure Budget	1.400	Gross Income Budget	0.000

Whole Lifetime Financial Information £m			
Gross Expenditure Budget	2.800	Net Expenditure budget	2.800
Gross Income Budget	<u>0.000</u>	Scheme Total Forecast	2.800
Net Expenditure Budget	2.800		
Whole Life Variance			0.000

Direction of Travel from previous forecast



Purpose of Scheme

The De Wint Extra Care Housing scheme commenced development in November 2019. It is a partnership between the City of Lincoln Council (CoLC) and the County Council to provide Extra Care Housing (ECH) for anticipated demand in the City. It will provide a total of 70 units of accommodation for a minimum 30 year period enabling choice for residents and revenue savings by providing an alternative to expensive residential care. The total cost of the development is £12 million, with the CoLC contributing £6m, Homes England £3.2m and the County Council £2.8m. It provides Adult Care with nomination rights on 35 units for 30 years using a process of first right of refusal with no void risk. See report to the Executive 09/07/2019.

Performance of Scheme

On 16th January 2020 construction began on the 70 new apartments to replace sheltered housing accommodation at De Wint Court in Lincoln.

Lincolnshire County Council transferred over the promised initial £1.4m funding to Lincoln City Council on 27th January 2020.

The final £1.4m of funding will be transferred to Lincoln City Council on completion of the project. This is expected to be in the latter-half of 2021.

The scheme is on target, as a drawdown from the reserve was made in 2019-20 to put the budget in line with the planned expenditure.

Type of Scheme Project
 Directorate Commercial
 Area Chief Technology Officer
Scheme Name Broadband

Status of Project In progress

Financial Information 2019/20 £m			
Gross Expenditure Budget	4.747	Net Expenditure Budget	4.747
Gross Income Budget	0.000	Actual	3.560
Net Expenditure Budget	4.747		
Net Over/(Underspend)			-1.187

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	7.130	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.821	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	0.000	New Grants and Contributions	0.000
Budget Re-phased into Future Years	-3.204		
Gross Expenditure Budget	4.747	Gross Income Budget	0.000

Whole Lifetime Financial Information £m			
Gross Expenditure Budget	40.482	Net Expenditure budget	13.042
Gross Income Budget	-27.440	Scheme Total Forecast	13.035
Net Expenditure Budget	13.042	Whole Life Variance	-0.007

Direction of Travel from previous forecast



Purpose of Scheme
 To improve access to Broadband across Lincolnshire

Performance of Scheme
 The original budget for 2019/20 was £7.130m, this was increased by £0.821m unspent budget from 2018/19. The sum of £3.204m has been re-phased into future years.
 • The In Year budget changes of -£2.383m represent the re-phasing of expenditure to reflect the costs of the programme in this financial year in line with contractual performance.
 Spend for the year was some £1.187m below budget and significantly less than forecast due in part to the contractor failing to meet contractual milestones but also due to the better than expected customer take up of the enhanced broadband provision created by the project, which results in a clawback of previous LCC funding from the contractor.

Type of Scheme Project
 Directorate Commercial
 Area Chief Technology Officer
Scheme Name IMT (Cloud Navigator/Windows 10)

Status of Project In progress

Financial Information 2019/20 £m			
Gross Expenditure Budget	3.900	Net Expenditure Budget	3.900
Gross Income Budget	0.000	Actual	2.866
Net Expenditure Budget	3.900		
Net Over/(Underspend)			-1.034

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	5.000	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	2.321	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	-12.421	New Grants and Contributions	0.000
Budget Re-phased into Future Years	9.000	Gross Income Budget	0.000
Gross Expenditure Budget	3.900		

Whole Lifetime Financial Information £m			
Gross Expenditure Budget	4.079	Net Expenditure budget	4.079
Gross Income Budget	0.000	Scheme Total Forecast	4.079
Net Expenditure Budget	4.079	Whole Life Variance	0.000

Direction of Travel from previous forecast



Purpose of Scheme
 To develop a fit for purpose, secure and resilient IMT platform to support the Council's future requirements.

Performance of Scheme
 The original budget for 2019/20 was £5.000m on Cloud Navigator and £0.000m on Windows 10. The Windows 10 budget was increased by £2.321m unspent budget from 2018/19.
 The £14.000m total net budget on Cloud Navigator was reallocated during the year to other approved IMT projects to develop a fit for purpose, secure and resilient IMT platform to support the Council's future requirements, including £1.579m to Windows 10.
 The year-end position was largely as forecast, with a £1.034m underspend arising from a significant reduction in the number of devices issued in line with the IMT board policy to restrict the issuing of multiple devices.

Type of Scheme Block Scheme
 Directorate Commercial
 Area County Property Officer
Scheme Name Property

Financial Information 2019/20 £m			
Gross Expenditure Budget	3.694	Net Expenditure Budget	3.634
Gross Income Budget	-0.060	Actual	2.573
Net Expenditure Budget	3.634		
Net Over/(Underspend)			-1.061

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	5.804	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.489	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	0.102	New Grants and Contributions	-0.060
Budget Re-phased into Future Years	-2.701		
Gross Expenditure Budget	3.694	Gross Income Budget	-0.060

Purpose of Scheme

To fund repairs and maintenance to the Council's property portfolio, allocated to major areas of:

- £2.300m for repairs and maintenance
- £0.476m to maintain the County Farms estate
- £0.810m for property refurbishment / development.

Performance of Scheme

The underspend for the year is due to some projects slipping into next year, principally, Grantham Fire Pod (£0.307m) due to delay by external partner and roofing of main building and Orchard House £0.500m due to the larger scale of the works.

Type of Scheme Block Scheme
 Directorate Fire and Rescue & Public Protection
 Area Fire and Rescue
Scheme Name Fire & Rescue and Emergency Planning

Financial Information 2019/20 £m			
Gross Expenditure Budget	1.472	Net Expenditure Budget	1.472
Gross Income Budget	0.000	Actual	0.863
Net Expenditure Budget	1.472		
Net Over/(Underspend)			-0.609

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	1.620	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	1.062	Grants & Contributions Previous Years	0.005
Budget Allocated from Other Schemes	-0.372	New Grants and Contributions	-0.005
Budget Re-phased into Future Years	-0.838		
Gross Expenditure Budget	1.472	Gross Income Budget	0.000

Purpose of Scheme
 To update the IMT infrastructure and systems of the service.

Performance of Scheme
 The underspend of £0.609m for the year was a little more than forecast due to delays in implementation caused by the requirement to complete additional preparatory work before installation of new equipment and supplier resources being unavailable due to them being committed to other LCC IMT projects.

Type of Scheme Project
 Directorate Children's Services
 Area Education

Scheme Name SEND Capital Funding with pupils with EHC Plans **Status of Project In progress**

Financial Information 2019/20 £m			
Gross Expenditure Budget	8.863	Net Expenditure Budget	6.477
Gross Income Budget	-2.386	Actual	1.477
Net Expenditure Budget	6.477		
Net Over/(Underspend)			-5.000

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	0.771	Original Gross Income Budget 2019/20	-0.771
Budget b/f from Previous Year	0.245	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	7.847	New Grants and Contributions	-1.615
Budget Re-phased into Future Years	0.000		
Gross Expenditure Budget	8.863	Gross Income Budget	-2.386

Whole Lifetime Financial Information £m			
Gross Expenditure Budget	64.926	Net Expenditure budget	7.069
Gross Income Budget	-57.857	Scheme Total Forecast	7.069
Net Expenditure Budget	7.069	Whole Life Variance	0.000

Direction of Travel from previous forecast



Purpose of Scheme

Capital funding to create communities of specialist education across the county for pupils with SEND, in both special and mainstream schools, through collaboration and collective responsibility ensuring all pupils' needs can be met at their nearest schools. When fully implemented, pupils will no longer have to travel considerable distances to a school to have their needs met, nor will pupils need to be educated away from home, unless a very specific need dictates.

Performance of Scheme

The Department for Education has allocated grant funding to local authorities to improve the special provision for children and young people with education, health & care (EHC) plans. £2.386m of funding has been received in 2019-2020 and gross expenditure on this project is £3.863m, offset by £2.386m grant (£1.477m net expenditure). This expenditure has been funded by the utilisation of Basic Need grant (£0.984m), previous years grant from reserves (£0.710m) and part of the current years grant (£2.169m). The remaining grant (£0.217m) has been transferred to reserves. The £5m underspend represents the agreed transfer from DSG revenue underspend to support the overall SEND capital programme. This funding is required to fund commitments in future years. A position statement will be provided in the new financial year on the overall cost of the project and how the programme will be funded.

Type of Scheme Block Scheme
 Directorate Place
 Area Communities
Scheme Name Libraries

Financial Information 2019/20 £m			
Gross Expenditure Budget	1.072	Net Expenditure Budget	1.072
Gross Income Budget	0.000	Actual	0.551
Net Expenditure Budget	1.072		
Net Over/(Underspend)			-0.521

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	0.150	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.109	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	0.813	New Grants and Contributions	0.000
Budget Re-phased into Future Years	0.000		
Gross Expenditure Budget	1.072	Gross Income Budget	0.000

Purpose of Scheme
 The provision of updated ICT infrastructure in libraries.

Performance of Scheme
 Delays in the contractor installing new equipment has resulted in a £0.521m underspend in the year but this position is expected to be recovered when the libraries re-open and the project is then able to continue.

Type of Scheme Block Scheme
 Directorate Place
 Area Communities
Scheme Name Flood & Water Risk Management

Financial Information 2019/20 £m			
Gross Expenditure Budget	0.910	Net Expenditure Budget	0.493
Gross Income Budget	-0.417	Actual	-0.079
Net Expenditure Budget	0.493		
Net Over/(Underspend)			-0.572

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	0.000	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.477	Grants & Contributions Previous Years	0.117
Budget Allocated from Other Schemes	0.433	New Grants and Contributions	-0.534
Budget Re-phased into Future Years	0.000		
Gross Expenditure Budget	0.910	Gross Income Budget	-0.417

Purpose of Scheme

A range of projects to alleviate flood risk, generally on a matched funding basis with national government agencies.

Performance of Scheme

The in year underspend will be carried forward to meet project commitments for flood and water risk management. Typically, major flood alleviation schemes take a number of years to deliver, from feasibility to construction. In order to provide the certainty of funding to allow third-party contributions to be sought (including national Flood Defence Grant in Aid), each scheme has a capital allocation, which is carried forward until project completion. The Council's programme currently comprises 17 'live' schemes.

Type of Scheme Block Scheme
 Directorate Place
 Area Highways
Scheme Name Highways Asset Protection

Financial Information 2019/20 £m			
Gross Expenditure Budget	36.018	Net Expenditure Budget	6.080
Gross Income Budget	<u>-29.938</u>	Actual	17.357
Net Expenditure Budget	6.080		
Net Over/(Underspend)			11.277

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	24.955	Original Gross Income Budget 2019/20	-24.955
Budget b/f from Previous Year	3.921	Grants & Contributions Previous Years	0.214
Budget Allocated from Other Schemes	7.142	New Grants and Contributions	-5.197
Budget Re-phased into Future Years	0.000		
Gross Expenditure Budget	36.018	Gross Income Budget	-29.938

Purpose of Scheme

This block includes spending on surface treatment, potholes, structures, traffic signals, street lighting and a variety of minor works to maintain highway assets and is predominantly funded by a Department of Transport (DfT) annual grant.

Performance of Scheme

The detailed planned programme of work normally exceeds the DfT grant as delivery of the programme is heavily dependent on winter weather conditions and other operational delays. The overspend will be managed within the future programme of work. In addition the DfT has announced additional funding (over and above the normal annual grant) to accelerate the repair of potholes in 2020/21.

Type of Scheme Block Scheme
 Directorate Place
 Area Highways
Scheme Name Integrated Transport

Financial Information 2019/20 £m			
Gross Expenditure Budget	1.946	Net Expenditure Budget	-1.322
Gross Income Budget	-3.267	Actual	-2.460
Net Expenditure Budget	-1.322		
Net Over/(Underspend)			-1.138

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	3.856	Original Gross Income Budget 2019/20	-3.312
Budget b/f from Previous Year	0.278	Grants & Contributions Previous Years	0.045
Budget Allocated from Other Schemes	-2.088	New Grants and Contributions	0.000
Budget Re-phased into Future Years	-0.100		
Gross Expenditure Budget	1.946	Gross Income Budget	-3.267

Purpose of Scheme
 Annual grant from DfT with a flexibility to be used to fund (or part fund) a range of projects. The grant can be used across financial years as projects can be delayed

Performance of Scheme
 All the grant has been allocated with some projects in progress that will complete across financial years

Type of Scheme Project
 Directorate Place
 Area Highways

Scheme Name Lincoln Eastern Bypass

Status of Project

In progress

Financial Information 2019/20 £m			
Gross Expenditure Budget	42.863	Net Expenditure Budget	42.863
Gross Income Budget	0.000	Actual	38.927
Net Expenditure Budget	42.863		
Net Over/(Underspend)			-3.936

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	27.122	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	21.870	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	0.000	New Grants and Contributions	0.000
Budget Re-phased into Future Years	-6.129		
Gross Expenditure Budget	42.863	Gross Income Budget	0.000

Whole Lifetime Financial Information £m			
Gross Expenditure Budget	124.228	Net Expenditure budget	73.731
Gross Income Budget	-50.497	Scheme Total Forecast	73.900
Net Expenditure Budget	73.731	Whole Life Variance	0.169

Direction of Travel from previous forecast



Purpose of Scheme
 Construction of 7.5km highway scheme to the east of Lincoln, connecting sections of the A15 to the north and south of Lincoln.

Performance of Scheme
 The original budget for 2019/20 was £27.122m, this was increased by £21.870m underspend from 2018/19. £6.129m has been re-phased to future years.
 Expenditure in 2019/20 has reduced from the amount planned due to site flooding and Covid-19 work restrictions.

Type of Scheme Project
 Directorate Place
 Area Highways

Scheme Name A46 Welton Roundabout **Status of Project** TBC
 (Integrated Transport/NPIF)

Financial Information 2019/20 £m			
Gross Expenditure Budget	2.267	Net Expenditure Budget	0.267
Gross Income Budget	<u>-2.000</u>	Actual	-0.733
Net Expenditure Budget	0.267		
Net Over/(Underspend)			-1.000

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	1.100	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.204	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	2.267	New Grants and Contributions	-2.000
Budget Re-phased into Future Years	-1.304		
Gross Expenditure Budget	2.267	Gross Income Budget	-2.000

Whole Lifetime Financial Information £m			
Gross Expenditure Budget	5.300	Net Expenditure budget	2.500
Gross Income Budget	<u>-2.800</u>	Scheme Total Forecast	3.995
Net Expenditure Budget	2.500	Whole Life Variance	1.495

Direction of Travel from previous forecast



Purpose of Scheme
 Construction of a new roundabout on the A46 with the junction to the village of Welton to increase safety and the flow of traffic.

Performance of Scheme
 The project has started with the vast majority of the expenditure due in 2020/21. The project is funded by an NPIF (£2m), allocation from the Integrated Transport Grant (£2.9m) and forward funding from LCC (£1.1m).

Type of Scheme Project
 Directorate Place
 Area Highways

Scheme Name Grantham Southern Relief Road **Status of Project** In progress

Financial Information 2019/20 £m			
Gross Expenditure Budget	11.075	Net Expenditure Budget	1.322
Gross Income Budget	-9.753	Actual	1.711
Net Expenditure Budget	1.322		
Net Over/(Underspend)			0.389

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	28.574	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	-2.312	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	12.559	New Grants and Contributions	-9.753
Budget Re-phased into Future Years	-27.747		
Gross Expenditure Budget	11.075	Gross Income Budget	-9.753

Whole Lifetime Financial Information £m			
Gross Expenditure Budget	101.630	Net Expenditure budget	68.630
Gross Income Budget	-33.000	Scheme Total Forecast	67.345
Net Expenditure Budget	68.630	Whole Life Variance	-1.285

Direction of Travel from previous forecast



Purpose of Scheme

The Grantham Southern Relief Road aims to improve the town's infrastructure and growth. By the construction of a 3.5km relief road in three phases:
 Phase One - creation of a roundabout off the B1174.
 Phase Two - the B1174 will join the A1 trunk road.
 Phase Three - link the A52 at Somerby Hill to the new roundabout.

Performance of Scheme

Phase 2 works on the A1 started on 16 September 2019 although progress was impeded by the prolonged period of wet weather during the winter and technical issues with the piling works. Operation of the site has also been affected by the COVID-19 pandemic and although work has continued with appropriate social distancing measures implemented, some activity such as the diversion of high voltage power cables, that are dependent on third party agencies, have been stopped. This is likely to impact the project's critical path and lead to delays in completion. Phase 3 is now expected to commence in September 2020. The budget for 2019/20 has been re-phased to future years with the total project (whole life) expenditure forecast at the end of March to be a £1.285m overspend due to the wet weather challenges. Since then the whole life forecast has been revised to c£7.8m, which is largely due to Network Rail S106 costs that are not part of the construction costs budget, but is exacerbated by the technical challenges, wet weather and COVID-19.

Type of Scheme Block Scheme
 Directorate Place
 Area Highways
Scheme Name Network Resilience

Financial Information 2019/20 £m			
Gross Expenditure Budget	0.652	Net Expenditure Budget	0.652
Gross Income Budget	0.000	Actual	0.591
Net Expenditure Budget	0.652		
Net Over/(Underspend)			-0.061

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	0.000	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.512	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	0.065	New Grants and Contributions	0.000
Budget Re-phased into Future Years	0.075		
Gross Expenditure Budget	0.652	Gross Income Budget	0.000

Purpose of Scheme
 Annual programme of replacing winter maintenance vehicles as they come to the end of their lease. The replacements are purchased by LCC leading to substantial savings on the revenue budget.

Performance of Scheme
 The replacement schedule is on track

Type of Scheme Block Scheme
 Directorate Place
 Area Growth
Scheme Name Economic Development - Business Unit Development

Financial Information 2019/20 £m			
Gross Expenditure Budget	1.000	Net Expenditure Budget	1.000
Gross Income Budget	<u>0.000</u>	Actual	0.000
Net Expenditure Budget	1.000		
Net Over/(Underspend)			-1.000

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	2.000	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	0.000	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	0.000	New Grants and Contributions	0.000
Budget Re-phased into Future Years	-1.000		
Gross Expenditure Budget	1.000	Gross Income Budget	0.000

Purpose of Scheme
 Expansion of the Council's managed workspace provision

Performance of Scheme
 As forecast, there was no spend on this scheme during 2019/20. Alternative options are currently under consideration to select an appropriate site for the expansion of provision within the approved scheme budget.

Type of Scheme Block Scheme
 Directorate Centralised
 Area
Scheme Name New Developments Capital Fund

Financial Information 2019/20 £m			
Gross Expenditure Budget	7.905	Net Expenditure Budget	7.905
Gross Income Budget	0.000	Actual	0.000
Net Expenditure Budget	7.905		
Net Over/(Underspend)			-7.905

Direction of Travel from previous forecast



Movement of Budget in 2019/20 £m			
Gross Expenditure		Gross Income	
Original Gross Expend. Budget 2019/20	7.500	Original Gross Income Budget 2019/20	0.000
Budget b/f from Previous Year	6.638	Grants & Contributions Previous Years	0.000
Budget Allocated from Other Schemes	-2.095	New Grants and Contributions	0.000
Budget Re-phased into Future Years	-4.138		
Gross Expenditure Budget	7.905	Gross Income Budget	0.000

Purpose of Scheme
Funds set aside for capital schemes which emerge throughout the year

Performance of Scheme
During the year a total of £2.184m was allocated to emerging schemes; £4.138m was re-phased into next year; and £0.089m was returned following completion of Horncastle Salt Barn, which was originally funded from the fund.
The underspend of £7.905m will be carried forward into 2020/21. Allocations of £4.615m will be made in 2020/21 for projects expected to start that year. The balance of £3.290m will be available for emerging schemes in 2020/21.

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APPENDIX B – PRUDENTIAL INDICATORS

PRUDENTIAL INDICATORS ACTUAL COMPARED TO ESTIMATED 2019/2020			
Original Estimate	2019/20 £000	Actuals	2019/20 £000
Prudence Indicators:			
1) Capital Expenditure & Financing			
Net Capital Expenditure	118953	Actual Net Capital Expenditure (Excl Sch RCCO & Leasing)	73552
2) Capital Financing Requirement			
Capital Financing Requirement 31/3/2020	705820	Actual Capital Financing Requirement 31/3/2020	616220
Capital Financing Requirement Estimate at 31/3/2022	760695	Capital Financing Requirement Estimate 31/3/2022	671095
3) Gross Borrowing and the Capital Financing Requirement			
Gross External Borrowing	593127	Actual Gross External Borrowing	502646
Headroom Over CFR at 31/3/2022	167568	Actual Headroom Over CFR at 31/3/2022	168449
4) External Debt			
Authorised Limit for External Debt		Actual external debt at 31/3/2020	
Borrowing	696847	Long Term LCC	501540
Other Long Term Liabilities	12026	Long Term Schools	862
Total Authorised Limit	708873	Salix	244
		Temporary(Home Office)	0
Operational Boundary for External Debt		Borrowing	
Borrowing	681847	Other Long Term Liabilities (Credit Arrangements)	9471
Other Long Term Liabilities	10026	Total Debt	512117
Total Operational Boundary	691873		
Affordability Indicators:			
5) Financing Costs & Net Revenue Stream			
Estimated Ratio of Financing Costs To Net Revenue Stream	5.52%	Actual Ratio of Financing Costs To Net Revenue Stream	4.93%
Estimated Ratio of MRP & Interest Costs To Net Revenue Stream	5.68%	Actual Ratio MRP & Interest Costs To Net Revenue Stream	5.16%
Proportionality Indicators			
6) Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments			
Estimated Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	2.04%	Actual Proportion of Usable Reserves at Risk from Potential Loss of Investments	1.35%
7) Income from Non Treasury Investments & Net Service Expenditure			
Estimated Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	0.51%	Actual Proportion of Non-Treasury Investment Income to Net Service Expenditure	0.55%
Treasury Indicators:			
8) Interest Rate Exposures (Variable)			
Upper limit for variable interest rate exposures		Actual variable interest rate exposuew at 31 March 2020	
Borrowing	30%	Borrowing	0%
Investments	100%	Investments	23%
9) Total Principal Sums Invested			
Upper limit for total principal sums invested for over 365 days (per maturity date). Treasury and Non Treasury Investments.	40000	Actual principal sums invested > 365 Day. Treasury and Non Treasury Investments.	13850
10) Maturity Structure of borrowing			
Upper Limit for maturity structure of borrowing		Actual maturity structure of borrowing at 31 March 2020	
Under 12 months	25%	Under 12 months	2.90%
12 months and within 24 months	25%	12 months and within 24 months	2.20%
24 months and within 5 years	50%	24 months and within 5 years	5.40%
5 years and within 10 years	75%	5 years and within 10 years	12.70%
10 years and above	100%	10 years and above	76.80%
11) Borrowing in Advance of Need			
Estimated borrowing in advance of need limit equal to 25% of the expected increase in CFR over 3 year budget period	13719	Actual borrowing taken in advance of need in 2019/20	0

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APPENDIX C - FLEXIBLE USE OF CAPITAL RECEIPTS

	Budget Expenditure on Transformation	Budget Expenditure on Transformation	Cumulative Budget Expenditure on Transformation	Actual Expenditure on Transformation	Actual Expenditure on Transformation	Cumulative Actual Expenditure on Transformation	Variance	Project Cumulative Savings or Transformation Results
	2016-17 to 2018-19	2019-20	2016-17 to 2019-20	2016-17 to 2018-19	2019-20	2016-17 to 2019-20		
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	
Corporate Redundancy	5.500	1.500	7.000	2.848	0.354	3.203	-3.797	From 2016-17 to 2019/20 the Council incurred £3.203m of costs. The Council tracks the payback period for redundancy costs and the total cumulative payback is £6.657m. This is a more positive payback than the rate assumed.
Service changes and reductions (including redundancies)	5.500	1.500	7.000	2.848	0.354	3.203	-3.797	
Bluelight Project	0.878	0.000	0.878	0.896	0.072	0.967	0.090	<p>This will support the Blue Light Programme, which is a collection of projects run by Lincolnshire Police, Lincolnshire Fire and Rescue and East Midlands Ambulance Service (EMAS) designed to:</p> <ol style="list-style-type: none"> 1. Provide a modern and fit for purpose estate which meets the needs of each party into the future. 2. Optimise savings and reduce the running costs for all Parties. 3. Maintain and improve service delivery and public confidence in emergency services in Lincolnshire. 4. Continue to build upon existing collaboration and partnership working between Lincolnshire's emergency services. 5. Maximise interoperability and integration opportunities for Lincolnshire emergency services in the future. <p>The new emergency services building at South Park is now complete and the first phase of occupation took place in mid-June with East Midlands Ambulance Service and Lincolnshire Fire and Rescue starting to operate from the building. The Lincolnshire Police decanting followed swiftly in the Autumn. Now the South Park Campus is operational, the project is moving into closure phase. Benefits of this project can start to be realised, including reductions in running costs, collaborative working in line with Government policy and having a modern, affordable, fit for purpose blue light campus.</p>
Strategic Asset Management	1.567	0.404	1.971	1.982	0.397	2.379	0.408	<p>The work done by the team supports the programme of rationalisation, supports the transformation programme that the various services are undertaking to ensure that the property portfolio is being utilised effectively. This includes further collaborative working with other government departments and local authorities, e.g. Lincolnshire Police, East Midlands Ambulance Service, Health Authorities and District Councils</p> <p>The team have continued to support the programme of rationalisation which delivered the new integrated service based in South Park. Savings from this will not be identified until all tenants have had a full year of occupancy (December 2020). The rationalisation programme has been put on hold due to covid-19 and any savings expected from the move of staff from the leased Richmond House in 2020 to Lexicon House are not known at present.</p>
Lancaster House	0.150	0.000	0.150	0.128	0.000	0.128	-0.022	The refurbishment of Lancaster House resulted from a move by staff from Witham House whereby the lease for c£216k per year at the time was surrendered.
Property rationalisation and collaboration	2.594	0.404	2.998	3.006	0.468	3.474	0.476	

	Budget Expenditure on Transformation	Budget Expenditure on Transformation	Cumulative Budget Expenditure on Transformation	Actual Expenditure on Transformation	Actual Expenditure on Transformation	Cumulative Actual Expenditure on Transformation	Variance	Project Cumulative Savings or Transformation Results
	2016-17 to 2018-19	2019-20	2016-17 to 2019-20	2016-17 to 2018-19	2019-20	2016-17 to 2019-20		
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	
Record Management Project	0.318	0.000	0.318	0.173	0.000	0.173	-0.145	The project ran for 2 years and resulted in the destruction of over 7,500 boxes of records with more than 12,500 boxes reviewed. The work will provide the basis of the next approach the Council needs to adapt to improve the way it manages its records, reduce its holdings, and mitigate the risks currently presented. This will address the outdated practices that results in inconsistencies and inefficiencies, and a lack of ownership and accountability leading to unnecessary retention of a significant number of records.
Commercial Projects and Performance	3.450	1.159	4.609	2.673	0.984	3.658	-0.951	The team has supported the following projects that will transform the delivery of services: 1. Bluelight Collaboration project is moving into closure phase as the South Park Campus is now operational. 2. The IMT Board is now established. It is responsible for delivering, championing and driving improvement to the Council IMT delivery. It ensures that IMT work programme follows the Council's existing formal decision making governance arrangements and monitors the delivery of that programme. 3. Zipporah upgrade to Neo has now commenced and the upgrade of the Council's online booking and e-commerce system ensures the Council can continue to offer online and telephone card payments facilities. 4. Safer Together - This will develop and improve collaboration between the Council, the Police and other partners by working to promote safer communities across the county through - Project 1 - Establish a multi-discipline, co-located Council and Police team working together on priority themes relating to crime prevention and responses; and Project 2 - New partnership models and working practices to improve outcomes for cohorts with complex and multiple needs and their families. 5. Work is now complete implementing the new JADU digital platform and the transition from the old website to the new website has been successful. The website now complies with the requirements of the new Accessibility Standards, offers a mobile friendly design to improve user experience and improved access to information that enables self service through My Account facility. 6. HR Transformation Programme is developing a transformed and integrated HR Service. Expected benefits are automation of manual processes, improved reporting, compliance with case law and regulations to help Managers become more self-sufficient people managers. 7. Budget 2020 work has delivered a balanced budget for the next two financial years through a range of initiatives and transformation. A deep dive programme of work is underway any savings / efficiencies identified will feed into the continuing balancing of the budget.

	Budget Expenditure on Transformation	Budget Expenditure on Transformation	Cumulative Budget Expenditure on Transformation	Actual Expenditure on Transformation	Actual Expenditure on Transformation	Cumulative Actual Expenditure on Transformation	Variance	Project Cumulative Savings or Transformation Results
	2016-17 to 2018-19	2019-20	2016-17 to 2019-20	2016-17 to 2018-19	2019-20	2016-17 to 2019-20		
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	
Commissioning - Strategic Commissioning Shared Services	1.094	0.368	1.462	1.047	0.358	1.404	-0.058	<p>Savings are achieved through reducing costs but also keeping future contract costs as low as possible (i.e. ensuring that growth in costs is kept to a minimum).</p> <p>In addition to savings and transformation reported in previous year, for 2019-20 the team completed various activities which have transformed the way these services will be delivered in the future:</p> <ol style="list-style-type: none"> 1. The Highways 2020 contract has been successfully retendered and reflects the current strategy for Highways. 2. Waste – Dry Mixed Recyclables Agreement. This project has been completed and a contract is in the process of being signed. Whilst the service delivery has not really altered, the commercials of the contract have with a shift in risk transfer surrounding the payment mechanism of the contract with a shared approach to the onwards sale of the Dry Recycled Materials and the fluctuation in the volatile market prices. 3. Household Waste Recycling Centre – Materials Reception – An exercise was carried out to refresh the Dynamic Purchasing System with some amendments to the documentation and the award criteria with a focus on generating a greater interest from the market, leading to greater competition and improved service delivery. 4. Electricity Contract – The Council has secured its power for its Corporate Property portfolio and Highways. Taking into consideration the social value agenda (Environmental) and in support of the Council's Carbon Management Action Plan the Council made the decision to move to 100% green electricity. 5. Adult Skills and Family Learning Services – Due to an increase in annual funding available from ESFA a new framework agreement was established with a focus on providing a high level of flexibility, which in turn attracts more suppliers, allowing for the delivery of a more diverse range of educational subjects and is sufficiently flexible to accommodate further additional funding should it become available. 6. The team continued to work with ICT to re-procure the Microsoft licenses the Council use and this provided a savings of £547k over 3 years. This will also support the move to Office 365. They were also involved in the transformation of Council's new website.

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Commissioning - Strategic Commissioning LCC	0.767	0.193	0.960	1.033	0.433	1.466	0.506	The team concluded procurement of the following encompassing 2016-17 to 2019-20 that transformed the way the service will be provided: 1. Carers Support Service - consolidated multiple independent arrangement across multiple providers to a single contract and lead providers for specialist support to carers in Lincolnshire, including provision of information advice and signposting, face to face assessment, guidance and various other measures. 2. Sensory Impairment Support Service - the new contract offers an improved person centred service delivery, providing flexible and innovative solutions within a fixed budget that offers value for money year on year. 3. A substance misuse delivery model that is holistic and aims to provide an integrated treatment system for drugs and alcohol which will effectively meet the needs of the local population. 4. The re-designed Wellbeing Service 'Wellbeing Lincs' will give people empowerment to live healthy independent lives, provide preventative service that delays escalation to more costly health and care services, increase accessibility to support, improvement in health and wellbeing and an individual's ability to self-care and tailor to ensure the individual gets the right support at the right time. 5. The new Telecare Service will work effectively to support the people to remain at home ensuring that the new provider understands the targeted outcomes along with a positive and flexible approach supporting the service user, carers and trusted assessors. 6. A new innovative cost model for Learning Disability residential services to support the vulnerable adults with learning disabilities that will represent a significant step forward in how the Council commissions residential care. 7. The new Integrated Lifestyle Service commenced in 2018-19 improves levels of physical activity, reducing weight and BMI, quitting smoking and drinking within safe limits. 8. A new framework for day care to address the mixture of spot contracts, which commenced at different times and for varying durations, based on different pricing and in some cases with different specifications and contract terms. This provided a new buildings based day care contracts for older people and people with learning disabilities, maximised the choice of services, ensured consistency in service quality and introduced transparency and control to service costs. 9. A full Housing Related Support and Crisis Housing review of available options concluded and the decision to re-commission under a single countywide provider. The budget has been reduced by £1m and include a redesigned service to help achieve positive outcomes for service users and maximises the effectiveness and efficiency of the service.
Efficiencies through contracting and procurement	5.629	1.720	7.349	4.926	1.775	6.701	-0.648	
ICT Project Work	1.164	0.114	1.278	1.253	0.440	1.692	0.414	Improvements and efficiencies here may not easily convert directly into a reduction in spending, however, they will increase capacity and allow other savings to be delivered across other areas of the Council. A number of IMT projects to improve the ICT infrastructure of the Council have been undertaken: 1. The design and installation of an IT network and security on the Lancaster House Campus; 2. To migrate the IMP content platform to Open Text Cloud as current versions are coming to the end of their life. 3. The contract for Achieve is ending in July 2020. A project to replace legacy forms created in Achieve to the new Firmstep replacement is nearing completion and will generate a saving for the Council.
Electronic Data Warehousing (EDW)	0.270	0.000	0.270	0.468	0.000	0.468	0.198	This is a transformational project which aims to locate key Council's datasets in a central database.

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	£'m	£'m	£'m	£'m	£'m	£'m	£'m	
Transformation Enabling Technologies	3.000	3.000	6.000	0.000	0.000	0.000	-6.000	There are various IMT projects planned that will significantly improve the IT of the Council. These include support for the following 1. Office 365 will provide the Council with all the IT tools and functionality we need to work together efficiently, flexibly and safely. As it's a cloud based system, it's more accessible and resilient. The building blocks for use of Office 365 and other cloud services have been laid and work continues to prepare for migration to those platforms. From April 2020 we will begin systematically rolling out features of Office 365 across the Council. 2. LCC Telephony Upgrade - the software for the Council's Avaya telephone system used by staff and the CSC will be upgraded. This will improve supportability and provide additional features for the CSC such as voice recognition, which enables callers to verbally answer a number of system generated questions so that they can be quickly routed to the information or support they need. This will extend the working life of the Council's investment in telephone hardware. 3. Network Improvement - Work has started to upgrade the Council's network infrastructure to keep the network secure, resilient and has the performance to support our business needs. 4. Internet Upgrade - Alongside the network upgrade, the internet upgrade gave users improved performance and stability when accessing IT services, whether office based or working remotely. The website is now Accessibility compliant and offers a mobile friendly design to improve the user experience and improve access to information through self service.
Financial Strategy Staff Time - Mosaic Project and Agresso Upgrade	0.247	0.000	0.247	0.283	0.000	0.283	0.036	The Council is replacing the current Care Management system with Mosaic in order that all data are kept in one place and will include a finance module. This will help improve the efficiency in dealing with cases and transform the service processes resulting in efficiency. The Council's financial system Agresso was upgraded and provided an up to date, supported system that could be used as a platform for future transformation improvements.
Confirm on Demand		0.210	0.210		0.000	0.000		The service has now moved across to Confirm on Demand with the benefits being the ability to monitor the condition of every asset and make data-driven decisions in real time. This will help to predict and prevent failures. It will also help to respond efficiently to any emergencies by mobilising the right resources.
Transforming information technology	4.681	3.324	8.005	2.004	0.440	2.443	-5.352	

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Counter Fraud Investigations	0.622	0.220	0.843	0.707	0.235	0.942	0.099	<p>The year 2019/20 has seen significant success in terms of our contribution to recovery of fraud losses and fraud stopped. In addition to what was reported in previous year, the team have extended their use of data analysis during 2019/20 to review vast amounts of records which helped to identify Payroll overpayments of £2.7k in the most recent exercise.</p> <p>Extensive work has been done to raise awareness of bank mandate fraud in recent years. We have built up good lines of communication with service areas and Serco colleagues and in June 2019 a mandate fraud attempt was prevented by a vigilant member of staff – the value of the next payment due was £1.56m.</p> <p>Following on from the success of the partnership work with other Council around the Single Person Discounts reported last year, the team are developing the exercise to be reviewed on a rolling basis. This could potentially deliver additional council tax revenue of £5.2m over a 5 year period.</p>
Preventing and detecting fraud	0.622	0.220	0.843	0.707	0.235	0.942	0.099	
TOTAL	19.026	7.168	26.195	13.491	3.272	16.763	-9.222	