

**BUDGET CONSULTATION  
27 JANUARY 2023**

**PRESENT:**

Councillors

Councillors: attended the meeting as observers

Officers in attendance:-

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A list of attendees is detailed at Appendix A to these notes.

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

Michelle Grady, Assistant Director – Finance and Adam Hopley, Strategic Finance Lead - Corporate, introduced a presentation on "Budget Engagement Meeting with Key Stakeholders, 27 January 2023", which was a consultation exercise led by the County Council to highlight the Council's current budget and financial outlook for public services over the coming year.

During discussion the following main points were highlighted:

- In terms of the economic and financial context, inflation had peaked at 11.1% in October 2023, and it was noted this would have been higher without government intervention in energy prices etc.
- In the government's Autumn Statement, specific consideration was given to the current economic issues, and in the short term there would be more fiscal intervention as the economy got back to a more stable point. In terms of the medium term outlook, once the economy was growing again, then the investment in public services would grow at a slower rate.

- There had been many world factors which had contributed to the high inflation rate, however the Bank of England was able to influence this through the interest rates, which had been increasing gradually over the past year, and it was expected that they would increase further. It was hoped that this would start to bring the inflation rate back down. In terms of impacts on the County Council, this increased the costs of borrowing for schemes included in the capital investment programme.
- This was now a much riskier environment financially, than it had been for a number of years.
- The Autumn Statement had a number of headlines for local government, which included the delay to the social care reforms of two years, however, the funding which had been earmarked for this had been retained within Adult Social Care (ASC). There was also an additional investment of £1bn for 2023-24 and £1.7bn in 2024-25 to aid with hospital discharge. The County Council was also able to increase its council tax by a maximum of 5% (3% general and 2% for the ASC precept). Another consideration would be the increase to the National Living Wage by 9.7% to £10.42 an hour from April 2023.
- In terms of the provisional local government finance settlement it was highlighted that LCC would receive a notional £62.5m increase in core spending power. This would be split between grant funding and extra council tax. However, it was predicated on the County Council increasing its council tax by the maximum figure of 5%. There were also increases for the ASC market sustainability and improvement fund, ASC discharge and a settlement funding assessment. However, there were also reductions in the New Homes Bonus, and the Service grant to reflect the reversal of the health and social care national insurance rise. It was also noted that this was a one-year settlement, but overall it was better than expected.
- It was queried whether the Council would receive any additional funding to cover the public sector pay increases. Officers advised that the LCC employees pay was negotiated through a national scheme, but organisations were expected to manage these increases through their own budgets. The pay increase for 2022 was funded through use of the Council's contingency fund.
- It was queried whether it was likely that the funding situation would change if there was a change of government. It was acknowledged that Lincolnshire received a lot less funding than some of the counties in the south east, for example. Officers commented that the government had committed to a Fairer Funding Review, however, this had been pushed back to the next Parliament.
- It was commented that there were pockets of deprivation in Lincolnshire, both within rural areas and within towns, and there was a need for the government to recognise this. It was noted that some of the grants received by the County Council were weighted for those authorities with a lower tax base, and so Lincolnshire had benefitted from these.
- It was discussed whether having more decision-making at a lower level would be beneficial, however it was commented that this would need to include the power to remove the maximum cap for council tax increases, and this was not possible under the current funding mechanism.

- It was noted that how schools were funded had changed significantly over the years. The Council now received a dedicated schools grant which was very specific in how it could be used.
- A query was raised in relation to reserves, and whether the council was happy with the current levels. It was noted that there were some reserves which had a specific purpose, such as the winter maintenance budget which was there to cover gritting of roads during the winter months, and there was a need to maintain this type of reserve. It was also highlighted that there was a financial volatility reserve which was there to help the council to manage if costs exceeded income. In terms of earmarked reserves, which totalled around £240m, around half of this was held for schools, and the remainder was made up of grants, such as for public health, as well as an insurance fund reserve and a development fund. There was also a contingency budget, which this year had been increased to £6.5m and had been used to cover the staff pay award.
- It was commented that the County Council had always done a good job of managing its finances, including during the pandemic, when other authorities began to struggle.
- Officers advised that the Council had received additional grants during the pandemic to help manage additional costs. It was also noted that having well run services was beneficial when managing budgets. The Council was fortunate that it had not had to cut any services over the past couple of years.
- It was commented that during the pandemic, information had been cascaded down to providers well. Officers noted that the Council had dealt with providers individually during the pandemic to determine how best to support them.
- In relation to a devolution deal, officers advised government was being lobbied on this and it would create an extra layer of funding and decision making. This was something which Greater Lincolnshire was actively looking for. However, it was commented that devolution was one thing, but local government reorganisation was something different. It was likely that any funding received in relation to devolution would be geared towards infrastructure or higher level projects.
- In relation to the Medium - Term Financial Position, the main drivers for the budget shortfall were higher cost pressures due to the current inflationary environment.
- It was highlighted that one area of risk which was still being worked through was Home to School Transport, where a deep dive of this area was being undertaken. There were cost pressures which were not yet included in the budget, but this work would be concluded for the report which would be presented to Council on 17 February 2023 for approval.
- In terms of the reversal of the National Insurance levy, it was clarified that the Government had amended the Services Grant funding stream to reflect the reduction in cost this would cause. The amount recovered was higher than the levy cost to LCC. Separately, the 2022/23 pay award cost was higher than had been planned, which required the Council to cover this through the corporate contingency.
- In terms of the Capital Programme, it was noted that no major projects had been added, and the focus would be on those that were already underway which included Spalding Western Relief Road, Grantham Southern Relief Road and the North

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Hykeham Relief Road, as well as the delivery of the SEND schools provision. This was to ensure that the programme remained affordable.

- The Council was thanked for maintaining its commitment to deliver the SEND Schools provision.
- In relation to the SEND schools budget, it was noted that the provision was better for the child as they could remain local to family, and it also reduced the Councils ongoing costs as children would not need to be placed out of county. It was noted that the Council did try and take the approach of prevention wherever possible with services as it would be better for the person, and would save money over the long term.
- It was also highlighted that Lincolnshire was one of the few counties that had managed to keep all of its Children's Centres open.
- It was noted that all areas of government were having problems attracting good staff, but Lincolnshire was not experiencing as many problems as other areas. There were still difficulties in attracting staff, however, Lincolnshire was able to retain staff fairly well. Having the university was a benefit as people would often stay in the County after graduating. There was a hope that the medical school in Lincoln would also encourage people to stay in the County.
- In relation to the Council Tax proposals, it was reported that there were three options being considered and consulted upon:
  - Option A – (2% ASC precept and 0.99% general precept)
  - Option B – (2% ASC precept and 1.99% general precept)
  - Option C – (2% ASC precept and 2.99% general precept)
- A discussion took place around the options for setting the council tax level and it was acknowledged that this was a difficult decision, particularly with consideration of the cost of living crisis when all other prices were increasing as well. There was understanding around the need for council tax to be increased. However, it was highlighted that there were schemes out there to help people who were struggling, and all district councils had schemes to help people with paying their council tax. There was a need to explain to people how their money was actually spent, and that there were also efficiency savings being made.
- It was suggested whether the increase in hybrid working could help with organisations becoming more efficient (although it was acknowledged that this would not work for all services). It was noted that more hybrid working could lead to reduced mileage claims as well as reducing the impact on the environment.
- The challenge with two tier authorities was that responsibilities were split, however the county council had continued to work with district councils on issues such as housing provision.
- In terms of next steps, the updated budget proposals would be considered by the Executive on 7 February 2023, and then the budget would be recommended to Council for approval on 17 February 2023.

**Appendix A**

<b>Present</b>	<b>Representing</b>
Councillor M A Whittington	Lincolnshire County Council
Ken Rustidge	NEU
Paul Allison	Linkage
Michelle Grady	Lincolnshire County Council
Adam Hopley	Lincolnshire County Council
Rachel Wilson	Lincolnshire County Council

The meeting closed at 12.17 pm