

**Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection**

Report to:	<b>Executive</b>
Date:	<b>03 July 2018</b>
Subject:	<b>Review of Financial Performance 2017/18</b>
Decision Reference:	<b>I015182</b>
Key decision?	<b>Yes</b>

**Summary:**

This report:

- describes the Council's financial performance in 2017/18;
- 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 2017/18;
- makes proposals on the carry forward of over and under spendings into the current financial year; and
- reports Prudential and Financial Performance Indicators for 2017/18.

**Recommendation(s):**

That the Executive:

- (1) Notes the carry forwards set out in paragraphs 1.100 to 1.102 and paragraph 1.105 of the report, which are made in line with the Council's Financial Regulations;
- (2) Recommends to full Council that the proposals in paragraphs 1.103, 1.104 and 1.107 of the report relating to the treatment of underspends in excess of 1.0% be approved;
- (3) Notes the transfers to and from reserves carried out in 2017/18 as set out in Table E; and
- (4) Notes financial performance in 2017/18 including Flexible Use of Capital Receipts and the Prudential Indicators.

**Alternatives Considered:**

1. This report describes the actual position for the 2017/18 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 1.103, 1.104 and 1.107, there are a number of different ways these could be used. The proposed is a mix of funding service expenditure and transfers to reserves. This is considered to be the most prudent and appropriate approach for the Council in the current financial climate.

**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 managing the financial challenges facing the Council.

**1. Background**

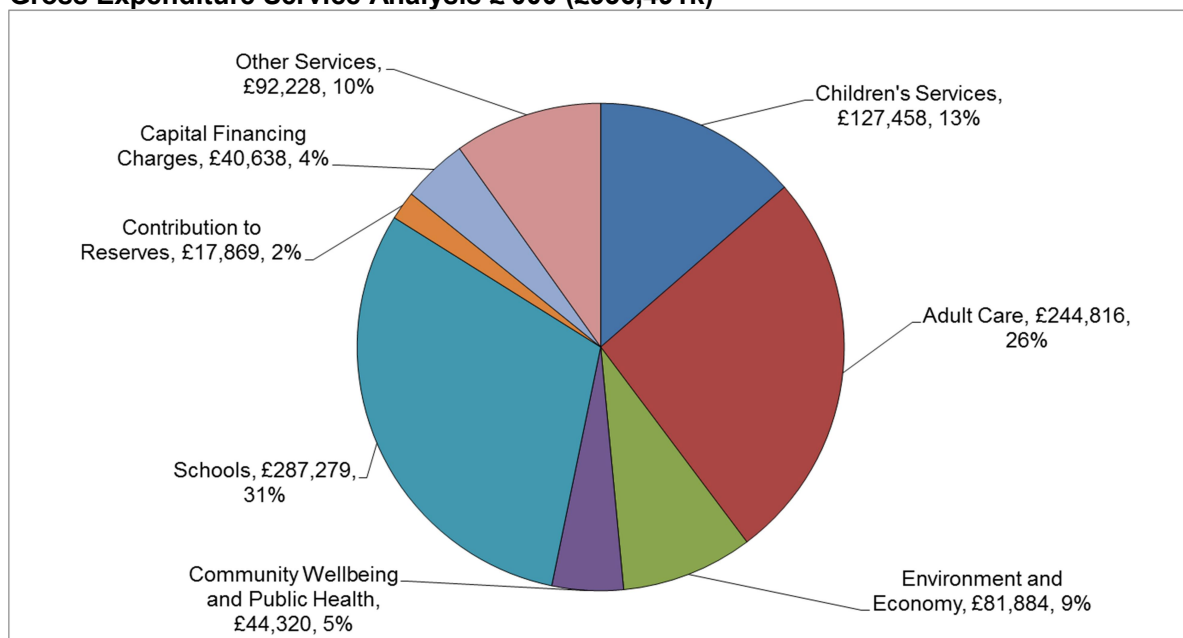
1.1 The County Council sets its spending plans for 2017-18 against a backdrop of continued significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care and waste disposal. In developing its financial plan the Council considered all areas of current spending to identify cost pressures which must be funded and savings which could be made, through efficiencies and by reducing the level of service provided. The budget proposals also included an increase in Council Tax levels of 3.95% (1.95% general increase, plus 2.00% for Adult Social Care Services) and one off use of reserves.

**Annual Revenue Spending**

1.2 The Council spent £936.491m in 2017-18 on providing public services – £1,260 for every person in Lincolnshire.

1.3 The Council's annual spending on providing public services are set out in the charts below and show how this was used both by type of service provided and by type of expenditure.

### Gross Expenditure Service Analysis £'000 (£936,491k)



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

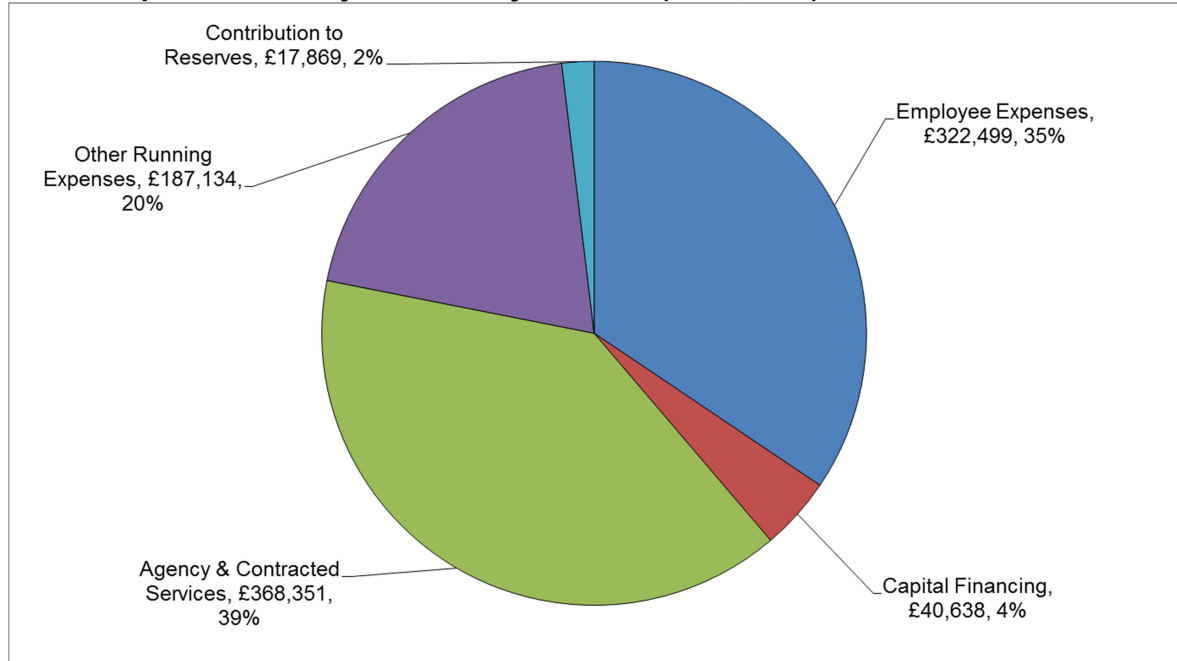
Adult Care Includes: Adult Safeguarding, Adult Frailty, Long Term Conditions and Physical Disability, Carers and Adult Specialities.

Community Wellbeing and Public Health Includes: Community Resilience & Assets and Wellbeing.

Environment and Economy Includes: Sustaining & Developing Prosperity Through Infrastructure, Protecting & Sustaining the Environment and Sustaining & Growing Business & the Economy.

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

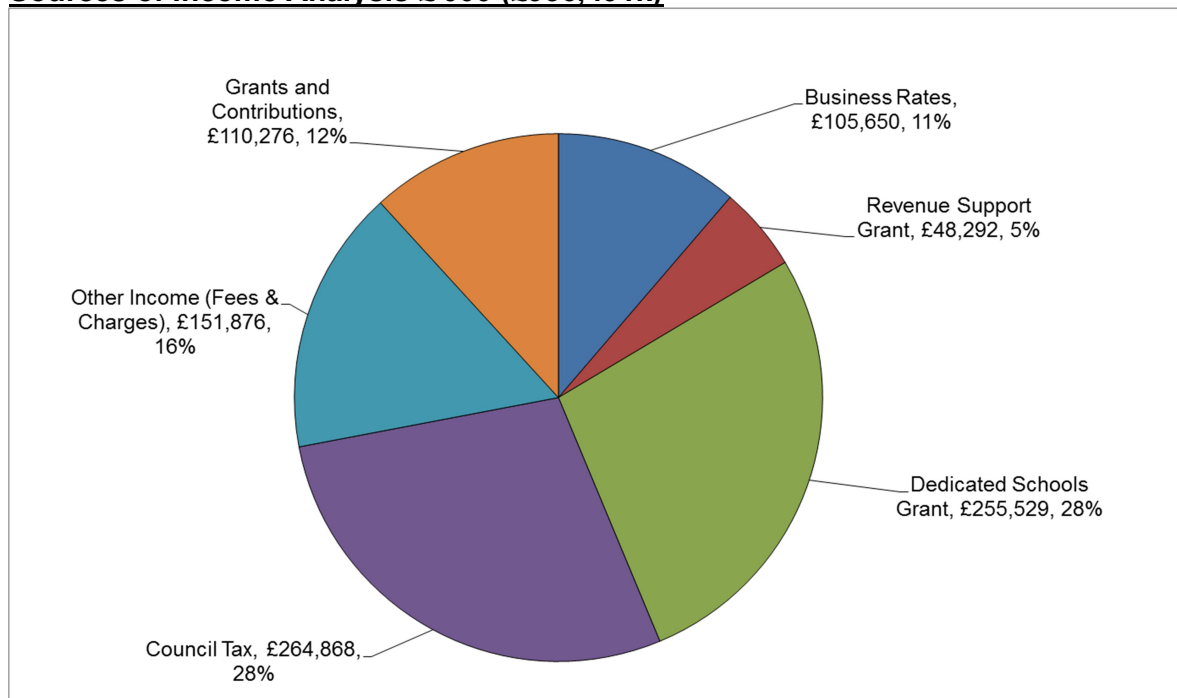
### Gross Expenditure Subjective Analysis £'000 (£936,491k)



The distribution of expenditure type differs significantly between different services. For example employee expenses comprises 57.4% of budgeted expenditure in schools, for other (non-schools) budgets it is only 25.0% of expenditure and contract payments comprises 51.1% of total expenditure. These differences reflect how Council services are provided.

The Council's revenue spending was funded by:

### Sources of Income Analysis £'000 (£936,491k)



1.4 In 2017-18 the Council increased Council Tax by 3.95% and also saw growth of 1.44% on the number of band D equivalent properties in Lincolnshire. This in total generated an additional income for the Council of £13.520m. The Council Tax collection funds in Lincolnshire also generated a surplus in 2017-18 of a further £3.156m to the County Council.

1.5 Business Rates generated £105.650m. This is made up of a number of elements, £18.940m collected from businesses in Lincolnshire, £85.264m received as a top up from central government and an estimated £1.446m from the County Council pooling with six of the Lincolnshire District Councils.

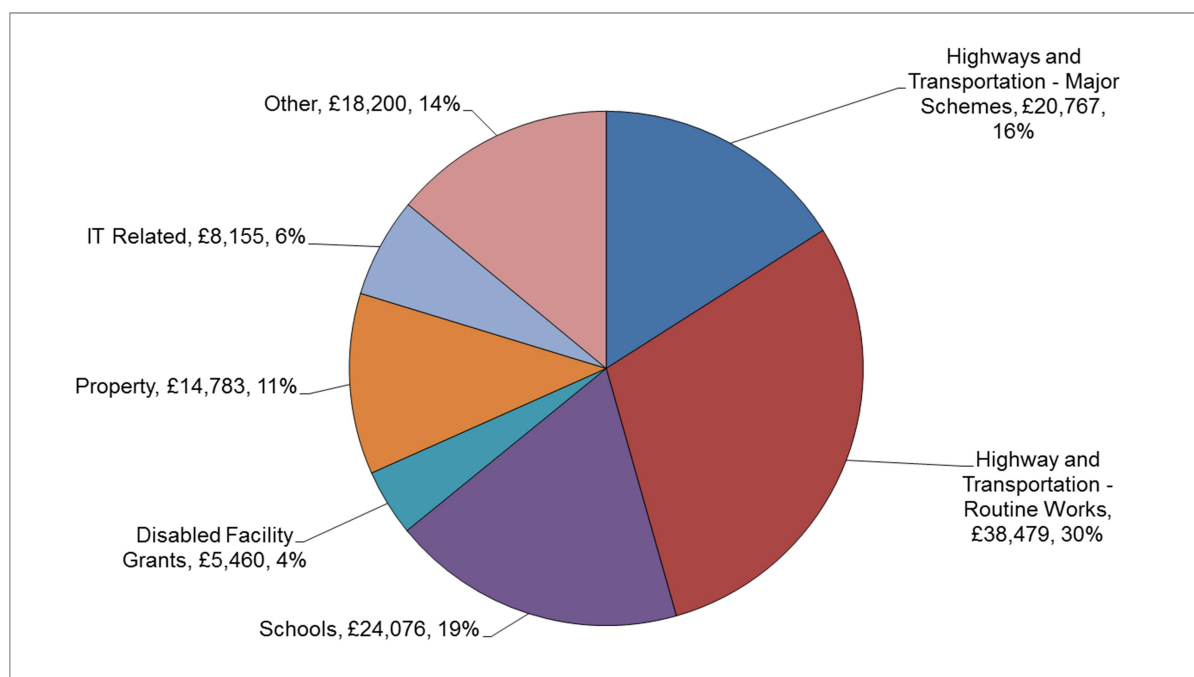
1.6 Funding from Revenue Support Grant (RSG) in 2017-18 has provided the County Council with £48.292m. The value of this grant continues to fall. On a like for like basis this has decreased by £22.059m or 31.4% from the grant received in 2016-17

1.7 In addition to RSG the Council also receives specific government grants. The most significant of these was £255.529m of Dedicated Schools Grant which is used for funding education in Lincolnshire and £33.524m for Public Health Grant.

#### Capital spending and funding

1.8 The Council spent £129.920m on the County's assets, in particular on roads and schools. The net capital spend was £53.087m which was £26.751m or 33.5% less than planned. The following chart sets out the spending on major investment projects by service area:

#### **Gross Expenditure on Major Investment Projects £'000k (£129,920k)**



Other includes: Adults Care, Fire and Rescue and Protecting & Sustaining the Environment, Street Lighting Transformation.

1.9 In 2017-18 expenditure was incurred on the following schemes:

- Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.
- Integrated Transport Schemes across the Council including: minor capital improvements, rights of way, road safety, public transport and town/village enhancements.
- Construction of two new road schemes, one in Lincoln and the other in Grantham.
- The continuation of the programme to integrate new technology into Street Lighting.
- Construction of a joint property for all blue light services in Lincoln.
- Programme of modernisation to meet the statutory responsibility for provision of educational places and a programme to improve the condition of school buildings.

1.10 The Council has received grants from central government and other bodies (£111.984m) to fund: maintenance work on roads, the Council's programme of modernisation and improvement of condition of school buildings and provision of education places. £14.602m of funding for the capital programme came from temporary internal and external borrowing and £3.334m from revenue funding and use of earmarked reserves.

1.11 The Council sets itself a limit on its total borrowing to ensure that it remains prudent and affordable. The Council's target is to ensure that annual minimum revenue provision (MRP) plus interest are no more than 10.0% of the Council's annual income. The figure for 2017/18 was 5.26%. MRP is the amount required to be set aside as a provision for debt repayment, and in accordance with Regulation, this amount should be prudent to ensure debt is repaid over a period reasonably commensurate with the period over which the capital expenditure funded by borrowing provides benefits. The Council's current policy is to apply the average life method to calculate the MRP and use the MRP in full to repay debt annually.

## **The Council's financial standing**

### Key Financial Performance Measures: Financial Health and Performance

1.12 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 2017/18 is shown in **TABLE A**.

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

Key Financial Performance Measures: Financial Health & Performance				
REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2017/18 Estimate	2017/18 Actual
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 27 county councils)	Yes	Yes 23rd out of 27
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	£4.030m
4	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	5.75%	5.26%
5	Accounting	Unqualified external audit opinion	Yes	Not yet Available
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 low assurance" opinion from internal audit	Yes	No *
8	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	90.00%	89.60%
9	Treasury management	Risk adjusted return comparison	Weighted Benchmark	0.54%

\* Payroll did not meet this criteria for 2017/18

## Revenue Budget Outturn

1.13 The revenue budget outturn for 2017/18 is summarised below:

- Total service revenue spending, excluding schools, was under spent by £6.599m or 1.7%.
- There was an underspend of £20.721m on other budgets or 30.3%.
- The Council received £0.349m or 0.1% more general funding income than originally budgeted for.

**1.14 This gives the Council (excluding schools) an overall underspend of £27.669m.**

1.15 In addition, there was a £17.058m underspend relating to Schools. This amount will be carried forward for schools to use in 2018/19.

1.16 The revenue outturn position for 2017/18 is shown in **TABLE B** (over page).

**TABLE B – Revenue Budget Final Outturn 2017/18**

	Revised Net Revenue Budget	Expenditure	Under or Over Spending	Percentage Under or Over Spending
	£'000	£'000	£'000	%
<b>COMMISSIONING STRATEGIES</b>				
Readiness for School	4,888	4,734	(154)	-3.2%
Learn & Achieve	33,359	32,902	(457)	-1.4%
Readiness for Adult Life	5,980	5,591	(390)	-6.5%
Children are Safe and Healthy	61,836	61,889	53	0.1%
Adult Safeguarding	3,656	4,092	436	11.9%
Adult Frailty, Long Term Conditions and Physical Disabilities	113,160	111,561	(1,599)	-1.4%
Carers	2,327	2,003	(324)	-13.9%
Adult Specialities	62,463	62,443	(20)	0.0%
Wellbeing	26,838	26,862	24	0.1%
Community Resilience & Assets	10,456	10,189	(267)	-2.6%
Sustaining & Developing Prosperity Through Infrastructure	38,992	38,994	2	0.0%
Protecting & Sustaining the Environment	23,266	22,357	(908)	-3.9%
Sustaining & Growing Business & the Economy	862	697	(165)	-19.1%
Protecting The Public	23,399	23,768	369	1.6%
How We Do Our Business	8,990	8,162	(828)	-9.2%
Enablers & Support To Council's Outcomes	36,189	33,822	(2,367)	-6.5%
Public Health Grant Income	(33,524)	(33,524)	0	0.0%
Better Care Funding	(34,497)	(34,501)	(4)	0.0%
<b>TOTAL COMMISSIONING STRATEGIES</b>	<b>388,638</b>	<b>382,039</b>	<b>(6,599)</b>	<b>-1.7%</b>
<b>OTHER BUDGETS</b>				
Capital Financing Charges	47,100	39,001	(8,100)	-17.2%
Contingency	2,645	0	(2,645)	-100.0%
Other Budgets	18,746	8,770	(9,976)	-53.2%
<b>TOTAL OTHER BUDGETS</b>	<b>68,491</b>	<b>47,770</b>	<b>(20,721)</b>	<b>-30.3%</b>
<b>SCHOOL BUDGETS</b>				
Schools (DSB)	241,521	226,723	(14,798)	-6.1%
Schools Related Expenditure (DSB)	26,985	24,300	(2,686)	-10.0%
Dedicated Schools Grant	(255,371)	(255,529)	(158)	0.1%
Schools Budgets (Other Funding)	(3,472)	(2,889)	583	-16.8%
<b>TOTAL SCHOOL BUDGETS</b>	<b>9,663</b>	<b>(7,395)</b>	<b>(17,058)</b>	<b>-176.5%</b>
<b>TOTAL EXPENDITURE</b>	<b>466,792</b>	<b>422,414</b>	<b>(44,378)</b>	<b>-9.5%</b>
<b>INCOME</b>				
Revenue Support Grant	(48,292)	(48,292)	0	0.0%
Business Rates	(106,961)	(108,424)	(1,463)	1.4%
Council Tax	(264,868)	(264,868)	0	0.0%
Other Non Specific Grants	(19,814)	(18,700)	1,114	-5.6%
<b>TOTAL INCOME</b>	<b>(439,935)</b>	<b>(440,284)</b>	<b>(349)</b>	<b>0.1%</b>
<b>USE OF BALANCES</b>				
Use of Balances - Earmarked Reserves	(26,757)	(26,757)	0	0.0%
Use of Balances - General Reserves	(100)	(100)	0	0.0%
<b>TOTAL USE OF RESERVES</b>	<b>(26,857)</b>	<b>(26,857)</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL</b>	<b>0</b>	<b>(44,727)</b>	<b>(44,727)</b>	



**Children's Services** – (£0.948m under budget).

1.17 Over the four commissioning strategies, Children's Services underspent by £0.948m (0.89%).

**Readiness for School** commissioning strategy under spent by £0.154m (or 3.2%).

1.18 This underspend relates to general underspends taking place in the running of children centres across the county and their commissioned activities (£0.075m). Further underspends have arisen from supporting out of school childcare placements as part of a holistic family support plan and other early years support activities (£0.079m).

**Learn and Achieve** commissioning strategy under spent £0.457m (or 1.4%).

1.19 The main area of underspend relates to Home to School / College Transport delivery. The majority of this underspend relates to the lower number of planned transport days in 2017/18 (187), and the impact of three snow days within the County which led to partial and full school closures. The cost base will increase in 2018/19 with the number of transport days rising to 191 days.

**Readiness for Adult Life** commissioning strategy under spent by £0.390m (or 6.5%).

1.20 The main area of variance relates to the Lincolnshire Secure Unit (£0.307m) where additional income has been received in 2017-2018 some of which related to March 2017.

**Children are Safe and Healthy** commissioning strategy over spent by £0.053m (0.1%).

1.21 The main area of variance relates to the overspend on Out County Placements (£1.829m) which is due to the complex needs of the young people whose needs cannot be met in-house. For those young people requiring out of county residential placements, the market place is becoming more limited and providers are charging higher rates due to the complex behaviour of the young people. The Directorate Management Team agreed to use one off underspendings to help offset this pressure such as the 2016/17 1% carry forward £0.642m, the release of one-off funding from the Legal Shared Service (£0.345m) and the budget for the Beacon development (£0.719m) that is transitioning from 7 to 11 beds following a capital development. The budget pressures identified through the 2018/19 budget setting process have realigned the budget requirements in children's social care to ensure they represent current demand levels. Other areas of variance relate to the reallocation of various central staffing resources to other funding streams, such as Partners in Practice.

**Adult Care and Community Wellbeing** – (£1.483m under budget).

1.22 The Adult Care & Community Wellbeing (AC&CW) final outturn for 2017/18 is £206.960m, an under-spend of £1.483m (0.71%) against a budget of £208.443m.

1.23 The increasing strategic importance of the Better Care Fund (BCF) has meant that the impact to AC&CW now has to be reflected in service budgets, with a detailed exercise undertaken over the summer and autumn months to incorporate all schemes funded via the BCF into the AC&CW budget from 2017/18 onwards.

1.24 The BCF 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.

**Adult Safeguarding** commissioning strategy over spent by £0.436m (11.9%).

1.25 The final outturn for Safeguarding Adults was £4.092m, an overspend of £0.436m on a budget of £3.656m.

1.26 The service continues to see significant pressures due to the 2013 Cheshire West ruling regarding Deprivation of Liberty Safeguards (DOLs).

1.27 Whilst considerable work has been done to reduce the backlog this financial year, assessment activity in this area continues to increase, with an additional 800 assessments being received in the year than was originally budgeted for. However despite this, the backlog of assessments and reviews carried forward from last year have been reduced by over 50% in the year. Whilst the overspend was due to this additional workload in the year, the reduction in the backlog has ensured that the Council's statutory obligations around DOLs have been met.

**Adult Frailty, Long Term Conditions and Physical Disability** commissioning strategy under spent by £1.599m (1.4%).

1.28 The final outturn for Adult Frailty and Long Term Conditions underspend was £1.599m for 2017/18.

1.29 The Older Persons and Physical Disabilities element of the Adult Frailty and Long Term Conditions strategy was £102.686m, an under-spend of £0.285m on a budget of £102.971m which included £15m of Better Care funding that this year was included within the budget.

1.30 The homecare service provision has increased in 2017/18 particularly in Physical Disabilities. The growth in Direct Payment service user numbers has continued in 2017/18, this has increased from 1406 services users at beginning of 2017/18 for OP/PD to 1815 at the end of 2017/18.

1.31 The number of new service users placed in long term residential and nursing care was 1101 in 2017/18 a similar number to 2016/17 of 1109.

1.32 The service has seen £1.5m increase in income with £37.292m in 2017/18 compared to last year £35.739m. £0.700m additional income was from Direct Payment Audit, the other £0.800m was for debtor income for service users where property is included in the assessment.

1.33 Budgets related to Infrastructure costs for senior management and back office staff were also underspent as a result of vacancies in Performance, Operations and Quality Assurance teams.

1.34 There was also a transfer of £0.180m to Infrastructure from Business Support in the last year that related to CSC staff costs that have now been transferred to Serco. This was not spent and so included within the total underspent. This amount has been included within some of the savings for 18/19 budget so will not be a carried forward budget.

**Carers** commissioning strategy under spent by £0.324m (13.9%).

1.35 The service ended 2017/18 with an under-spend of £0.324m against a budget of £2.327m.

1.36 Carer's activity continues to be below historic levels due to changes in the eligibility criteria set out in the Care Act 2014, however following the implementation of the new carers contract the strategy saw an increased uptake of personal budgets over the financial year.

**Adult Specialities** commissioning strategy under spent by £0.020m (0%).

1.37 Services for Learning Disabilities are administered via a Section 75 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.

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

1.39 Specialist Adult Services finished 2017/18 with a small underspend of £0.020m against a budget of £62.463m.

1.40 Within the Learning Disability service there has been an increase in the number of complex cases entering the service for both Supported Living and Residential placements. Supported Living costs have also been affected by increases in the cost of waking night services following guidance from Her Majesty's Revenue and Customs (HMRC) that employees should be paid the national living wage (NLW) for sleep in shifts, however this has been covered by additional funding from the Better Care Fund (BCF). The number of new Direct Payment Agreements has also increased this year primarily as a result of an increase in the number of school leavers that have come through in the year following changes to level of educational support that service user are entitled to.

1.41 Whilst growth within these areas was built into this year's budget, these additional costly packages have meant that there has been some additional pressure within 2017/18.

1.42 Income continues to increase especially with respect to direct payment refunds and increases in residential service contributions. There were also a

number of one off receipts from other local authorities that related to old disputed debts that were settled this financial year. The element of Health Care costs have also increased this year which has meant that the LCC have invoiced the CCGs for a further £0.500m on top of the £11.4m already invoiced through the S75 agreement.

1.43 Whilst the Mental Health services are reporting a balanced budget this year the Service have had to increase the budget in year by £0.405m. This was to ensure that the provider of the service, LPFT, were able to meet all obligations around demographic growth and inflationary increases. A considerable amount of partnership work has been done this year between LCC and LPFT to ensure that any higher than average cost placements were challenged and endorsed before they were agreed.

**Wellbeing** was over spent by £0.024m (or 0.1%).

1.44 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.

1.45 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.

1.46 The service ended 2017/18 with a small overspend of £0.024m against a budget of £26.838m.

1.47 The outturn was produced via a combination of overspends within the wellbeing services including Integrated Community Equipment Service (£0.392m) and issues related to the implementation of the new Telecare service (£0.210m). These were then mostly offset by a number underspends within Smoking Cessation contracts (£0.608m) and Sexual Health Prescribing contracts (£0.243m) both underspends were due to reductions in activity within both areas.

1.48 There were also a number of staff vacancies across the service; however posts have started to be filled and will continue to do so in the new financial year.

### **Better Care Fund**

1.49 The Lincolnshire Better Care Fund (BCF) is a framework agreement between the Council and the Lincolnshire Clinical Commissioning Groups (CCGs) and looks to pool funds from these organisations to help support the national and local objective of closer integration between the Council and the CCGs.

1.50 The total pooled amount in 2017/18 was £221.857m which included £54.817m that was allocated to the Lincolnshire BCF from the Department of Health and Social Care. The pool total has increased to £230.391m in 2018/19

1.51 Lincolnshire's fund is one of the largest in the country and includes pooled budgets for Learning Disabilities, Children and Adolescence Mental Health Services (CAMHS) and Community Equipment plus 'aligned' Mental Health funds from the County Council and the four CCGs.

1.52 In addition to the continuation of existing pooled funds, there are a number of other funding streams. These increases result from:

- Inflationary increases in CCG funding, and as a result in the CCG funding for the Protection of Adult Care Services
- The addition of the iBCF funding that was announced in the Chancellor's November 2015 budget totalling £2.105m in 2017/18, increasing to £14.249m in 2018/19
- The announcement of iBCF Supplementary funding in the Chancellor's March 2017 budget. This provides an additional £15.265m in 2017/18, this fund will reduce to £9.609m in 2018/19

1.53 Overall BCF funding from central government is expected to increase by £6.772m in 2018/19.

1.54 There is a requirement to ensure that the funding has a positive impact on performance in the areas of Delayed Transfers of Care, Non-Elective Admissions, Residential Admissions and positive outcomes following Reablement, and these have been reflected in our plans.

**Community Resilience and Assets** was under spent by £0.267m (or 2.6%).

1.55 The Customer Service Centre underspend (£0.158m) reflects call volume levels. Whilst this budget has underspent the current expectations of volume levels coupled with contractual inflationary increases, are likely to result in a cost pressure during 2018/19.

1.56 There was an underspend within the Library service primarily relating to an additional £0.055m of income from the previous financial year for historic monies owed for the prison library service.

**Environment and Economy** (£1.071m under budget).

**Sustaining and Developing Prosperity Through Infrastructure** – commissioning strategy over spent by £0.002m (or 0.0%).

1.57 Whilst this commissioning strategy spent on target there were some key variances which include:

- Winter Maintenance – Due to the severe weather conditions during the year the Service completed 125 gritting runs which is more than is provided for in this budget, causing an overspend of £1.511m . To offset this £0.500m of

the Adverse Weather reserve has been utilised leaving an overspend of £1.011m on this budget.

- The remaining Highways revenue budgets were fully utilised. A surplus was generated on the new Permitting Scheme (£0.477m). Fees for permitting will be reviewed to ensure they meet the cost neutral stance required, to enable this, the Service are requesting this surplus be added to an earmarked reserve, so fees can be balanced over a three year period.
- Transportation has an underspend of £0.810m. This is relating to additional income from traffic regulation orders (£0.348m), savings on concessionary fares (£0.191m), staffing vacancies and other small variances within the Transportation team (£0.270m).
- The Heritage service has an overspend of £0.301m as net expenditure has fallen from £2.3m in 2016/17 to £1.586m in the current year and income rose by over £0.4m. There have continued to be a small (and reducing) number of one off legacy costs to bring Lincoln Castle's servicing and maintenance in line with policy and provide longer term efficiencies as the Heritage Service continues to implement disciplined and detailed financial and accounting processes.

**Protecting and Sustaining the Environment** – commissioning strategy under spent by £0.908m (or 3.9%).

1.58 Within this strategy, the key variance relates to waste management. Although pressures associated with the higher tonnages processed through the Energy from Waste plant remain, there are savings on reduced costs from mixed dry recycling and a reduced tonnage for composting and other areas of recycling, which reflects the volatility of the waste industry.

1.59 There is an underspend on Flood Risk Management (£0.137m) which is committed to flood schemes and will be added to reserves for this purpose.

**Sustaining and Growing Business and the Economy** – commissioning strategy under spent by £0.165m (or 19.1%).

1.60 The underspend within this strategy relates to additional income from business units and the receipt of additional income received for the GLLEP accountable body function from work in prior financial years.

**Finance and Public Protection** (£2.826m under budget)

**Protecting the Public** – commissioning strategy over spent by £0.369m (or 1.6%).

1.61 The Fire & Rescue Service have an overspend of £0.319m. This is mainly in relation to increasing costs of employers pension contributions following changing pension legislation and auto enrolment of Retained Duty System Firefighters. This issue was identified earlier in the year, and has been included as a funded cost

pressure within the approved budget for 2018/19. There has also been additional costs due to an increase in call outs the Service has responded to .

**How We Do Our Business** – commissioning strategy under spent by £0.828m (or 9.2%).

1.62 The Financial Strategy budgets underspent by £0.266m (or 6.5%). The majority of this related to an underspending on the SERCO contract budgets of £0.238k. This is due to lower volumes of transactions for on the social care finance elements of the contract, where the original budget was based on implementation of the Care Act. Base budgets for 2018/19 have been adjusted to reflect these reduced volumes.

1.63 There were a number of smaller underspends, including over achievement of income, when compared to budgets, for the schools finance service (£0.052m).

1.64 This budget also includes a receipt of a surplus from the ESPO joint procurement arrangements (£0.283m)

1.65 There are a number of small underspends in Corporate Standards (£0.098m) and Democratic Services (£0.079m) . The cost of the May 2017 local elections also has an underspend (£0.071m).

**Enablers and Support to Council Outcomes** – commissioning strategy under spent by £2.367m (or 6.5%).

1.66 Property Strategy has an overspend £0.229m which is mainly in relation to the property maintenance scheme in place for schools, this has been offset by additional County Farms rental income (£0.096m).

1.67 Strategic Communications has a small underspend (£0.034m) due to staffing vacancies throughout the year.

1.68 Legal Services have achieved an additional traded surplus of £0.682m. The Legal Management Board will take a decision in June as to the treatment of the surplus but in recent years it has been redistributed in full to partner authorities in proportion to their use of the service.

1.69 IMT Strategy has an underspend of £0.515m. Key variations include, an underspend relating to the Serco contract (£0.530m), an underspend due to the Microsoft Enterprise Agreement rollout (£0.600m) partly offset by additional costs incurred on essential project work and feasibility studies (£0.417m).

1.70 People Strategy & Support underspent by £0.654m (16.88%). This includes £0.127m of income received as a result of the purchase of employee leave. It is requested that these funds be transferred to a reserve to enable the future funding of an online benefits portal and to replenish the stock of Long Service Awards folders. Other areas of variance include a reduction in activity led budgets (£0.308m), savings on the graduate programme (£0.043m) and the reallocation of staff spending to alternative funding streams e.g. Partners in Practice.

1.71 Commissioning has underspent by £0.714m, this is made up of £0.395m Serco abatement contract performance penalties, plus an underspend on staffing costs due to vacancies of £0.215m.

1.72 The further £0.104m relates to Procurement which is required to be added to reserves as this fund is a shared resource alongside our partner bodies.

**Schools** – (£17.058m under budget)

1.73 Under government regulations, schools carry forward automatically their under and overspendings to the next financial year. Budgets held centrally within the ring-fenced 2017-18 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 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 their use.

**Other Budgets** – (£20.721m under budget)

**Capital Financing Charges** – under spent by £8.100m (or 17.2%)

1.74 The Council's capital financing charges were £8.100m under budget. Slippage of the capital programme during 2017/18 reduced the need to borrow to £14.600m, from £36.500m, all of which was financed using the Council's internal balances instead of borrowing externally. As a result, minimum revenue provision (the amount set aside to repay debt), interest payable on external borrowing and Revenue set aside to finance capital was all lower than budgeted for by £8.100m.

**Contingency** – under spent by £2.645m (or 100.0%).

1.75 The Council has a contingency budget set aside for emerging pressures which may arise during the financial year. At the year-end £2.645m remained, and was not required in 2017/18.

**Other Budgets** – under spent by £9.976m (or 53.2%)

1.76 Other Budgets were under budget by £9.976m. This comprises a number of under and over spends, the most significant being:

- The budget for the expected increase for National Living Wage at £8.740m is held centrally within Other Budgets. This under spend is primarily due to the national living wage growth in Adult Care being funded by the new BCF monies in 2017/18. Beyond 2017/18 it is anticipated that the national living wage costs in Adult Care will continue to be funded from BCF income;



- Pension Secondary Payment to the Pension Fund was reduced by £3.016m following advice from the actuary, Hymans Robertson, upon receipt of additional schools pensionable payroll information;
- Corporate and Service Redundancy is underspend by £1.778m. The Corporate Redundancy budget funds the costs associated with the staffing restructuring changes that had been approved through the 2017/18 Council's Budget. These planned changes support the Council to bring down expenditure in line with its current levels of planned income;
- The Council's insurance budget shows a surplus of £0.230m. The insurance fund provides a level of protection for risks that are retained in house and for those risks which are not insured elsewhere or are yet unknown. The surplus has arisen as a result of a number of factors. With better risk management, claim numbers have reduced in some areas and where settlements have taken place these have been managed to achieve savings. Where claim numbers and costs reduce it has been possible to achieve low claim rebates on external premiums. The improved recovery process for internal excesses has also contributed to the surplus. A further factor is the introduction of a more streamlined methodology of calculation the charges internally. The balance in the reserve is currently £4.487m.
- A dividend of £0.483m was received from Eastern Shires Purchasing Organisation (ESPO) in total, of which £0.143m was allocated in Other Budgets. The council is a member of the ESPO joint committee and as such is entitled to receive a share of the dividend generated by the organisation;
- The Council had planned to use £8.000m of flexible capital receipts in 2017/18 to fund transformation projects which will generate ongoing revenue savings to the authority. However, the Council generated £3.970m less receipts than expected. This is mainly due to the challenges faced when marketing the properties. Included in the capital receipt total is £0.584m relating to specific Schools capital projects in accordance with the Section 77 of the Schools Standards and Framework Act 1998. It is therefore requested that £0.584m go to an earmarked reserve for this purpose. This will fulfil the requirement to re-invest capital receipts relating to sale of playing fields as part of the consent given by the Department of Education. A shortfall in the capital receipts target needs to be funded from the revenue budget under current legislation regarding the flexible use of capital receipts.

**Council's General Funding** – £0.349m more than the income budget (or 0.1%)

1.77 The Council's general funding is currently forecast to be £0.349m more than the revenue budget approved at full Council in February 2017. The most significant reasons for this forecast reduction in funding are as follows:-

- Business Rates-Pooling with Districts - £1.323m (more than was budgeted for). This relates to income from the Council's participation in a Business Rates Pool with six of the Lincolnshire District Council's for 2017/18. The Council's original budget did not include this income due to previous years volatility from business rate appeals.
- Business Rates Top Up – £0.140m (more than was budgeted for). We have received additional funds from the 2016/17 Business Rates Tax Loss reconciliation as well as receiving notification of some additional income from an adjustment in Business Rates Tariff and Top-up calculation. This income has been accrued in 2017/18 as it will be received during 2018/19.
- Partners in Practice - £1.319m (less than budgeted for). This S31 grant is intended to support projects relating to innovation and reform in Children's Social Care. The full allocation for 2017/18 was planned to be £2.678m. Due to various extenuating circumstances outside of the Council's control contributing to lower spending levels, and the nature of the innovative project where spending will accelerate in the later years, the awarding body decided to hold back the payment for March 2018. The Council has objected to this decision and is currently liaising with the DfE to come to an acceptable conclusion.
- Special Educational Needs and Disabilities (SEND) - £0.084m (more than budgeted for). During 2017/18 the Council has been awarded additional Grant funding for SEND Reforms and Preparation for Employment that was not budgeted for.
- Education Services Grant - £0.075m (more than budgeted for). This Grant is to support local authorities to fund their schools' services. The amount allocated is adjusted throughout the financial year as schools convert to Academies. The Council has received more income during the year than what was included in the original budget.

## Capital Programme Outturn

1.78 The capital outturn for 2017/18 is summarised below:

- Net capital expenditure was £53.087m; and
- This was £26.751m or 33.5% less than planned.

1.79 The capital budget outturn is shown in **TABLE C**. This shows the year end position of each project, scheme or programme against the budget funded by the Council.

1.80 The reasons for significant capital budget over or underspendings are explained in the following paragraphs.

**TABLE C – Net Capital Programme Outturn 2017/18**

Capital Programme	Net Expenditure			
	Revised budget	Actuals	Variance	Variance
	£'000	£'000	£'000	%
Early Years Sufficiency / Extended Provision	1,730	1,594	(136)	-7.9%
Other Readiness for School	15	15	0	0.0%
<b>Readiness for School</b>	<b>1,745</b>	<b>1,609</b>	<b>(136)</b>	<b>-7.8%</b>
Devolved Capital	1,205	1,205	0	0.0%
Provision of School Places (Basic Need)	13,846	13,846	0	0.0%
School Modernisation / Condition Capital	8,246	8,246	0	0.0%
Other Learn & Achieve	1,383	415	(968)	-70.0%
<b>Learn &amp; Achieve</b>	<b>24,680</b>	<b>23,712</b>	<b>(968)</b>	<b>-3.9%</b>
Other Readiness for Adult Life	3	1	(2)	-100.0%
<b>Readiness for Adult Life</b>	<b>3</b>	<b>1</b>	<b>(2)</b>	<b>-100.0%</b>
Other Children are Safe & Healthy	735	605	(130)	-17.7%
<b>Children are Safe &amp; Healthy</b>	<b>735</b>	<b>605</b>	<b>(130)</b>	<b>-17.7%</b>
<b>Childrens Services - Commissioning</b>	<b>27,163</b>	<b>25,927</b>	<b>(1,236)</b>	<b>-4.6%</b>
Adult Care	615	615	0	0.0%
Better Care Fund - Disabled Facility Grants	169	169	0	0.0%
<b>Adult Frailty &amp; Long Term Conditions</b>	<b>784</b>	<b>784</b>	<b>0</b>	<b>0.0%</b>
Public Health	183	183	0	0.0%
<b>Wellbeing</b>	<b>183</b>	<b>183</b>	<b>0</b>	<b>0.0%</b>
<b>Adult Care &amp; Community Wellbeing</b>	<b>967</b>	<b>967</b>	<b>0</b>	<b>0</b>
Libraries	403	104	(299)	-74.2%
<b>Community Resilience and Assets</b>	<b>403</b>	<b>104</b>	<b>(299)</b>	<b>-74.2%</b>
Highways Asset Protection	5,519	52	(5,467)	-99.1%
Integrated Transport	3,325	664	(2,661)	-80.0%
Lincoln Eastern Bypass	(416)	0	416	-100.0%
Lincoln East-West Link	(1,766)	(1,083)	683	-38.7%
Grantham Southern Relief Road	1,262	2,058	796	63.1%
Transforming Street Lighting	543	171	(372)	-68.5%
Historic Lincoln	(1,442)	(104)	1,338	-92.8%
Other Sustaining & Developing Prosperity	1,442	1,298	(144)	-10.0%
NPIF - National Productivity Investment Fund	0	(1,166)	(1,166)	100.0%
<b>Sustaining &amp; Developing Prosperity Through Infrastructure</b>	<b>8,467</b>	<b>1,890</b>	<b>(6,577)</b>	<b>-77.7%</b>
Flood Defence	1,100	1,100	0	0.0%
Flood & Water Risk Management	1,150	212	(938)	-81.6%
Energy from Waste	667	555	(112)	-16.8%
Boston Household Recycling Centre	1,790	1,144	(646)	-36.1%
Other Protecting & Sustaining the Environment	(23)	(168)	(145)	630.4%
<b>Protecting &amp; Sustaining the Environment</b>	<b>4,684</b>	<b>2,843</b>	<b>(1,841)</b>	<b>-39.3%</b>
Teal Park, Lincoln	265	334	69	26.0%
Other Sustaining and Growing Business & the Economy	6,687	4,551	(2,136)	-31.9%
<b>Sustaining &amp; Growing Business &amp; the Economy</b>	<b>6,952</b>	<b>4,885</b>	<b>(2,067)</b>	<b>-29.7%</b>
<b>Environment &amp; Economy - Commissioning</b>	<b>20,506</b>	<b>9,722</b>	<b>(10,784)</b>	<b>-52.6%</b>
Fire & Rescue	561	541	(20)	-3.6%
Fire Fleet Vehicles and Associated Equipment	390	69	(321)	-82.3%
<b>Protecting The Public</b>	<b>951</b>	<b>610</b>	<b>(341)</b>	<b>-35.9%</b>
Broadband	5,500	4,324	(1,176)	-21.4%
Infrastructure and Refresh Programme	1,297	1,325	28	2.2%
Replacement ERP Finance System	2,936	1,335	(1,601)	-54.5%
Care Management System (CMPP)	72	245	173	240.3%
ICT Development Fund	690	0	(690)	-100.0%
Property	3,645	3,082	(563)	-15.4%
Property Rationalisation Programme	6,812	5,550	(1,262)	-18.5%
<b>Enablers &amp; Support To Council's Outcomes</b>	<b>20,952</b>	<b>15,861</b>	<b>(5,091)</b>	<b>-24.3%</b>
<b>Finance &amp; Public Protection - Commissioning</b>	<b>21,903</b>	<b>16,471</b>	<b>(5,432)</b>	<b>-24.8%</b>
New Developments Capital Contingency Fund	9,299	0	(9,299)	-100.0%
<b>Other Capital Programmes</b>	<b>9,299</b>	<b>0</b>	<b>(9,299)</b>	<b>-100.0%</b>
<b>Other Programmes</b>	<b>9,299</b>	<b>0</b>	<b>(9,299)</b>	<b>-100.0%</b>
<b>Total Capital Programme 2017/18</b>	<b>79,838</b>	<b>53,087</b>	<b>(26,751)</b>	<b>-33.5%</b>

1.81 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.

1.82 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.

### **Children's Services** (£1.236m under budget).

1.83 The net underspend of Children's capital is due to the slippage of costs on a number of projects for foster carers, and future years funding commitments exist for supported accommodation, 0-19 health services and the special school project. These projects are part of the on-going transformational work streams to facilitate change to enable improved service delivery outcomes and achieve greater value for money.

### **Adult Care and Community Wellbeing (AC&CW)** (balanced budget).

1.84 Capital investment within AC&CW is mostly delivered via capital reserve. AC&CW spent £0.732m on capital expenditure in 2017/18. The majority of spend (£0.426m) was against the ongoing modernisation programme taking place across the remaining in house day care centres that the Council operate, with £0.180 used to purchase Telecare equipment.

1.85 A further £0.178m was utilised as part of a Government initiative to install efficient heating systems in the homes of vulnerable people. Funding for this initiative was provided via a grant.

### **Environment and Economy** (£10.485m under budget).

1.86 The capital programme for the Sustaining & Developing Prosperity through Infrastructure strategy shows a net underspend of £6.577m. Whilst there were some delays in programmed Highways works due to the bad weather, the Highways Asset Protection grants (£32.705m) were fully committed, and delayed works have been delivered over the spring period. Other variations relate to the timing of external grants, and ensuring external grants are fully utilised before calling upon council budgets.

1.87 The Historic Lincoln project is currently showing an overspend of £1.338m, the final claim for Heritage Lottery Fund for Lincoln Castle Revealed will be submitted in February 2019, and all final accounts will need to be settled by then. Officers are working to ensure that all grant income is received by that date, and a final budget position will then be known.

1.88 The Sustaining & Growing Business & the Economy strategy has an underspend of £2.067m. Skegness Countryside Business Park has been delayed due to significant problems with state aid but these appear to have been overcome and the project plan is now being implemented. Slight delays on the Coastal Observatory were due to inclement winter weather, and remaining underspends are now being re-profiled to meet new priorities. Holbeach Peppermint Junction has been delivered under budget.

1.89 The Protecting & Sustaining the Environment strategy has an underspend of £1.841m. The Boston Household Waste Recycling Centre became operational in April, and final costs are being processed. There are also some delays under Flood and Water Risk Management schemes undertaken in conjunction with the Environment Agency.

**Finance and Public Protection** (£5.433m under budget).

1.90 There is a small underspend on the Protecting the Public capital programme (£0.308m) due to the timing of the staged payments on the fire fleet programme.

1.91 Enablers and Support to Council's Outcomes was underspent by £5.091m. The underspend within the Property Rationalisation programme is mainly relating to the timing of grant receipt for the Blue Light programme at South Park. There are also some timing delays with the Broadband and Replacement ERP programmes.

**New Developments Capital Contingency Fund** (£9.299m under budget).

1.92 For 2017/18 the Council set aside £7.500m in a New Development Capital Contingency Fund, plus the carried forward underspend from 2016/17 of £7.718m. During the financial year £5.918m was allocated from this budget. This has been utilised to fund the following schemes:

- Net Council contribution to Holbeach Peppermint Junction (£3.020m);
- Property – Lancaster House Improvement works (£1.600m);
- Grantham Fire Houses – Provision of Fire Pods (£0.710m) and Refurbishment for Care Leavers Provision (£0.130m)
- Going to Schools Project - (£0.226m);
- Coroners Service - Replacement IT system for case management (£0.100m); and
- County Farms – Minimum Energy Efficiency Standards (MEES) (£0.056m) and Road Improvement Schemes (£0.076m).

1.93 The £9.299m remaining at the end of 2017/18 will be transferred forward into 2018/19 to fund schemes in the new financial year. There are a number of commitments which already exist for use of this funding in 2018/19 and future years. These schemes include:

- A contribution to the Blue Light Collaboration with Lincolnshire Police and East Midlands Ambulance Service; and

- Contribution towards Peppermint Park for the creation of a Food Enterprise Zone that will meet the demand from food technology businesses to take up space close to existing food producers in South Holland.

### **Prudential indicators**

1.94 The Local Government Act 2003 gave authorities freedoms 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.

1.95 In complying with the Code the indicators for 2017/18 were approved by County Council on 24 February 2017 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 County Council should also be informed of the actual position compared with that estimated for any given year after the year end. **APPENDIX A** provides details of this comparison for 2017/18. 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**

1.96 The Council had planned to use £8.000m of flexible capital receipts in 2017/18 to fund transformation projects which will generate ongoing revenue savings to the authority. However, the Council generated £3.970m less receipts than expected. This is mainly due to the challenges faced when marketing the properties. Included in the capital receipt total is £0.584m relating to specific Schools capital projects in accordance with the Section 77 of the Schools Standards and Framework Act 1998. It is therefore requested that £0.584m go to an earmarked reserve for this purpose. This will fulfil the requirement to re-invest capital receipts relating to sale of playing fields as part of the consent given by the Department of Education. A shortfall in the capital receipts target needs to be funded from the revenue budget under current legislation regarding the flexible use of capital receipts.

1.97 The Strategy identified the following schemes which would be funded this way in 2017/18:

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

1.98 During the year the Council spent £5.440m on these transformation projects. Details of the Council's original plans and actual activity is set out at **APPENDIX B**.

## Carry forward of over and under spendings

1.99 The Council's policy as set out in its Financial Strategy is:

1.100 All under and overspendings on service revenue budgets of up to 1% will be carried forward without exception (£3.576m). In line with previous years Executive Directors have provided details of how they plan to use the up to 1% carry forward. Executive Directors have delegated authority to approve the use of any 1% underspend in conjunction with relevant Portfolio Holders. A summary of the 1% amounts is shown in the table below with a more detailed breakdown set out at **APPENDIX C**.

Directorate	Final Proposal £'000
Executive Director - Children's Services	994
Executive Director - Adult Care	1,205
Executive Director - Environment and Economy	896
Executive Director - Finance and Public Protection	481
<b>TOTAL</b>	<b>3,576</b>

1.101 All under and overspendings on the dedicated schools budget (£17.058m) and shared services (£0.787m) will be carried forward.

1.102 Transfers to and from earmarked reserves linked to revenue budgets where the spend is of an uneven nature is a net drawdown from reserves of £0.354m made up of:

- Insurance Fund (£0.230m underspend). The insurance budgets had a surplus of £0.230m at the end of the financial year. It is proposed to transfer this surplus to the insurance reserve to use in future years. This will give a balance of £4.717m in the reserve to carry forward into 2018/19.
- Schools Sickness Insurance Reserve (£0.584m over spend). The schools sickness insurance budget over spent by £0.584m. This overspend has occurred due to the processing of backlog claims from 2016/17 and the additional sickness claims made by schools in 2017/18 (£0.332m). Maternity reimbursements for those having returned to work are now up to date, including accruing for planned payments, therefore a higher charge has taken place in 2017/18 due to this treatment, but costs are planned to be more comparable to prior years in 2018/19. It is proposed that this overspend is met from the earmarked sickness insurance reserve. The current balance of the reserve is £1.103m therefore utilising this funding would give a balance of £0.519m to carry forward into 2018/19.

1.103 As discussed earlier in this report it is proposed to create three new reserves for the following:

- Highways Permitting scheme - Income is of an uneven nature, however, the fee charges are required to be reviewed over a three year period to adopt a cost neutral stance (£0.477m).
- The Purchase of Employee Leave which is proposed to be used to support the online employee benefit portal and long service awards (£0.127m).
- Future funding of specific schools capital projects in accordance with Section 77 of the Schools Standards and Framework Act 1998 (£0.584m).

1.104 There are a number of other bids totalling £3.880m that funding falls outside of the 1% carry forward, these are:

- Following a report from the Insurance Actuary there is a predicted shortfall on the Council's balance sheet of £0.750m to meet expected liabilities. £0.230m is proposed to transfer into the reserve from the 2017/18 Insurance surplus (see above), therefore, it is proposed to use a further £0.520m of carry forward to bring the Insurance fund reserve up to the level advised by the Actuary.
- To support the property investigations and programme management of the options assessment and implementation of the future operating model of the Council's Heritage Services (£0.130m).
- Provide additional funding to the contract development reserve to support work on the Corporate Support Services Contract as this progresses to a conclusion over the next two years (£2.500m).
- Adverse Weather (£1.511m overspend). Winter Maintenance – Due to the severe weather conditions during the year the Service completed 125 gritting runs which is more than is provided for in this budget, causing an overspend of £1.511m . To offset this the full £0.500m in the adverse weather reserve has been utilised leaving an overspend of £1.011m on this budget. This over spend has been offset by a number of under spends in the Sustaining and Developing Prosperity through Infrastructure commissioning strategy. It is proposed that £0.500m is transferred from the overall carry forward to reinstate the Adverse Weather reserve.

1.105 There are a number of Business as Usual transfers to reserves which are proposed totalling £0.157m, these are;

- Fixed Penalty Notices income should be ring fenced for use on specific works defined by legislation (£0.020m).
- Floods and water risk management (£0.137m).

1.106 A summary of the proposals outlined above can be found at **APPENDIX D**



1.107 After the above allocations, which are in line with the Council's Financial Strategy, there is £18.665m still to be allocated.

- It is proposed to add the remaining underspend of £18.665m to the Financial Volatility Reserve. The Council's budget strategy envisaged adding an approximate £20m as part of the 2017/18 outturn finalisation.

1.108 The current balance in the Financial Volatility Reserve is £32.340m, allocated as follows:

- £5.076m to fund the 2018/19 Budget Shortfall; and
- £27.264m currently available for 2019/20 and beyond, before any further year end contributions.

1.109 Acceptance of the recommendations increases the value of the Volatility Reserves to £51.005m.

1.110 A variety of other transfers to or from other earmarked reserves reflecting actual expenditure and income in 2017/18 are shown in **TABLE E** over the page.

### General Reserve

1.111 The Council's policy on general reserves is that they will be maintained within a range of 2.5% to 3.5% of its annual budget requirement. When setting its budget for 2017/18 the Council had planned to reduce the balance in the General Fund by £0.100m. After considering the impact of actual expenditure and income in 2017/18 and the proposals on the carry forward of over and underspendings it is not proposed to make a further reduction nor contribution to the general fund at the year end to fund other Council services. The general reserves at 31 March 2018 are £15.200m or 3.5% of annual budget requirement (**TABLE D**).

**TABLE D – General Reserves**

<b>GENERAL RESERVES</b>		<b>Balance at 31 March 2017 £'000</b>
Balance at 1 April 2017		-15,300
Planned contribution to / use in year		100
<b>Balance as at 31 March 2018</b>		<b>-15,200</b>
Balance as a percentage of total budget		3.50%

**TABLE E – Transfers to and from reserves**

<b>EARMARKED RESERVES</b>	<b>Balance at 31 March 2017 £'000</b>	<b>Used in Year £'000</b>	<b>Additional in Year £'000</b>	<b>Balance at 31 March 2018 £'000</b>
Schools Carryforward	-24,888	15,703	-3,642	-12,827
Prime Account Loan Reserve Adjustment	493	0	-206	287
<b>Balances held by Schools under a scheme of delegation</b>	<b>-24,395</b>	<b>15,703</b>	<b>-3,848</b>	<b>-12,540</b>
Other Services	-3,144	3,144	0	0
Adverse Weather	-500	500	0	0
Insurances	-4,487	0	0	-4,487
Schools Sickness Insurance Scheme	-1,103	0	0	-1,103
Museum Exhibits	-133	0	0	-133
Development - Economic Development Reserve	-268	12	0	-256
Health and Wellbeing	-914	232	0	-682
Health and Wellbeing Operating Cost Reserve	0	0	-96	-96
Development - Lincs Coastal Country Park	-357	7	0	-350
Legal	-1,651	730	0	-921
Procurement	-959	0	0	-959
Salix Carbon Management	-233	261	-211	-183
Safer Communities Development Fund	-833	0	0	-833
Co-Responders Services	-150	0	0	-150
Financial Volatility Reserve - Budget Shortfall	-17,870	17,870	-5,076	-5,076
Financial Volatility Reserve	-32,339	5,076	-1	-27,264
Teal Park	-50	0	0	-50
Youth Service Positive Activities Development Fund	-20	0	0	-20
Corby Glen/South Lincolnshire Sports Fund	-171	171	0	0
Youth Offending Service	-512	0	0	-512
Domestic Homicide Reviews	-100	0	0	-100
Civil Parking Enforcement	-910	74	0	-836
Support Service Contract Reserve (FDSS)	-800	435	0	-365
Roads Maintenance Reserve	-2	0	0	-2
Adoption Reform Reserve	-35	0	0	-35
Community Advisors Reserve	-156	0	0	-156
Local Welfare Provision Reserve	-15	0	0	-15
Property Management	-130	0	0	-130
Energy from Waste Lifecycles	-3,669	555	-1,285	-4,399
Broadband Project	-135	0	0	-135
Broadband Clawback	-157	0	0	-157
Flood and Water Risk Management	-527	105	0	-422
Young People in Lincolnshire	-226	0	-26	-252
Lincoln Eastern Bypass (LEB)	-500	0	0	-500
Families Working Together	-599	0	0	-599
Enterprise Schemes	-108	0	0	-108
Asbestos Pressure	-50	0	0	-50
DAAT Pooled Budget	-248	0	0	-248
Street Lighting Earmarked Reserve	-100	0	0	-100
Heritage Services Earmarked Reserve	-880	0	0	-880
Horncastle Salt Barn	-495	495	0	0
Corporate Property Business Case	-100	0	0	-100
Agresso Milestone 6 Finance Staffing	-100	0	0	-100
Contract Development	-1,000	0	0	-1,000
Highways Advanced Design	-2,000	237	0	-1,763
Environmental Improvement and Sustainability	-5,000	5,000	0	0
Music Service Reserve (carry forward)	0	26	-234	-208
Environmental Improvements Sustainability (Environment)	0	0	-1,000	-1,000
Environmental Improvements Sustainability (Infrastructure)	0	0	-4,000	-4,000
<b>Earmarked Reserves</b>	<b>-83,736</b>	<b>34,930</b>	<b>-11,929</b>	<b>-60,735</b>
<b>Revenue Grants and Contributions</b>	<b>-50,698</b>	<b>15,336</b>	<b>-23,642</b>	<b>-59,004</b>
<b>TOTAL RESERVES</b>	<b>-158,829</b>	<b>65,969</b>	<b>-39,419</b>	<b>-132,279</b>

## 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 2017/18 in February 2017 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 & Well Being Strategy (JHWS) in coming to a decision

The Joint Strategic Needs Analysis and the Joint Health & Well Being Strategy have been considered and there is not considered to be any direct impact of the decisions called for by this Report on either of them. The Council set its budget for 2017/18 in February 2017 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 and the Joint Health & Well Being Strategy 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 have been considered and there is not considered to be any direct impact of the decisions called for by this Report on the Crime and Disorder Act 1998. The Council set its budget for 2017/18 in February 2017 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 Crime and Disorder Act 1998 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 2017/18. Net revenue spending amounted to £429.809m, excluding Schools Budgets. Net capital spending totalled £53.087m.

3.2 Existing policies allow all over and underspendings 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 £15.200m with a further £60.735m in earmarked reserves.

#### **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.

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 a difficult medium to longer term outlook for public sector finances.

#### **6. Consultation**

##### **a) Has Local Member Been Consulted?**

n/a

##### **b) Has Executive Councillor Been Consulted?**

Yes

##### **c) Scrutiny Comments**

The Overview and Scrutiny Management Board is due to consider this report at its meeting on 28 June 2018. Comments raised by the Board will be tabled at the meeting of the Executive.

##### **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	Flexible Use of Capital Receipts Outcomes 2017/18
Appendix B	Use of Service 1% Carry Forwards
Appendix C	Prudential Indicators 2017/18
Appendix D	Use of 2017/18 Carry Forward

## 8. Background Papers

Document title	Where the document can be viewed
Financial Strategy	<a href="https://www.lincolnshire.gov.uk/local-democracy/finances-and-budget/budgets-and-financial-strategy/lincolnshire-county-council-budget-2018/19/132217.article">https://www.lincolnshire.gov.uk/local-democracy/finances-and-budget/budgets-and-financial-strategy/lincolnshire-county-council-budget-2018/19/132217.article</a>

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