

**Open Report on behalf of James Drury, Executive Director – Commercial and Andrew Crookham, Executive Director - Resources**

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>30 January 2020</b>
Subject:	<b>Service Revenue and Capital Budget Proposals 2020/21</b>

**Summary:**

The report outlines the budget proposals for the next financial year 2020/21 based on the 2020/21 Provisional Local Government Finance Settlement.

This report specifically looks at the budget implications for the Council's Commercial, Support, Corporate and enabling services within the remit of the Overview and Scrutiny Management Board.

The Executive approved budget proposals for further consultation at its meeting on 7 January 2020.

Members of the Overview and Scrutiny Management Board have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 4 February 2020 when it will make its final budget proposals for 2020/21.

**Actions Required:**

The Overview and Scrutiny Management Board is asked to consider this report and members of the Board are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 4 February 2020.

**1. Background**

- 1.1. The Executive is currently consulting on a single year revenue budget for 2020/21 following the government delaying the full spending review until later in 2020.
- 1.2. The Council continues to face the effects of the significant reductions in government funding over recent years, growing cost pressures from demand led services such as adult and children's social care and inflationary pressures on contracted services. Uncertainty around government funding beyond that announced in the Provisional Local Government Finance Settlement 2020/21 published on 20 December 2019, means that it is not

considered practicable for the Council to develop detailed long-term financial plans. However, a review of the Medium Term Financial Plan (MTFP), which sets out expectations for what the Council's budget will look like over the next three years, was included in the budget proposals approved for further consultation by the Executive on 7 January 2020.

- 1.3. A Government Spending Review is due to take place in 2020 to determine the amounts to be allocated to each Government spending department. It is not yet known what period of time the Spending Review outcomes will cover. The impact of the Government's Fair Funding Review and Business Rates Retention reforms is expected to be known in the autumn of 2020 and the MTFP will then be updated.
- 1.4. For 2020/21 budgets have been reviewed in detail based on the latest available information to arrive at the proposals set out in this report. In developing its financial plan the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding (including use of reserves and capital receipts) to set a balanced budget.
- 1.5. All areas of service expenditure have been reviewed to identify cost pressures which must be funded and savings which can be made through efficiencies with no or minimal impact on the level of service provided.
- 1.6. On an annual basis the Council has the opportunity to review the level of Council Tax. Central government sets thresholds above which a local authority would be required to hold a referendum for Council Tax increases. In the Provisional Local Government Finance Settlement it was announced that the referendum threshold for general Council Tax would be 2% for 2020/21. This means that, together with the 2% Council Tax increase for Adult Social Care allowable in 2020/21, Lincolnshire County Council may increase council tax in 2020/21 by up to 4% before requiring a referendum.
- 1.7. At its meeting on 7 January 2020 the Executive approved proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation and made the decision to consult on a proposed Council Tax increase of 3.5% for 2020/21, comprising a 1.5% increase for general Council Tax and a 2% increase for Adult Social Care.
- 1.8. The full budget proposals considered by the Executive on 7 January 2020 are the subject of a separate report to this meeting.
- 1.9. Table A shows the total proposed revenue budget for the Council's Commercial, Support, Corporate and enabling services that are within the remit of the Overview and Scrutiny Management Board.

TABLE A

2020/21 Revenue Budget	Original Budget £000	Pay Inflation £000	Cost Pressures £000	Savings £000	Proposed Budget 2020/21 £000
Information Management & Technology	14,863	31	0	-567	14,327
Corporate Property (including County Farms)	9,434	23	628	-279	9,807
Commercial Services (including Customer Services Centre)	7,466	88	1,952	-104	9,403
Transformation	304	6	292	0	602
Information Assurance	754	11	0	-17	747
Human Resources	3,421	1	359	-440	3,341
Legal Services	-652	0	0	-450	-1,102
Business Support	9,994	281	321	-16	10,580
Financial Strategy	3,821	78	1,659	-43	5,515
Audit and Risk	1,065	32	0	-22	1,075
Strategic Communications	1,591	23	0	0	1,614
Democratic Services	2,056	50	300	-15	2,390
Corporate Services & Chief Executive	585	5	285	0	875
<b>Total</b>	<b>54,703</b>	<b>629</b>	<b>5,796</b>	<b>-1,954</b>	<b>59,174</b>

1.10. The budget proposals for these services have allowed for pay inflation of 2% for 2020/21.

1.11. There are also the following service specific cost pressures for 2020/21. In Corporate Property, £0.628m related to increases in utility charges and business rates for centrally managed properties and an increase to the National Living wage in the property management contract.

1.12. For Commercial Services, a cost pressure of £1.952m in 2020/21 relates to inflationary and volume related increases for the Customer Services Centre contract.

1.13. In Transformation, the transfer of staff formerly engaged under the Corporate Support Service contract provision to the Council creates a pressure of £0.292m for 2020/21.

1.14. Human Resources have a cost pressure of £0.359m in 2020/21 related to the Corporate Support Service contract for HR and payroll services.

1.15. For Business Support, contractual cost increases for the processing of Freedom of Information and Service Action Requests result in a cost pressure of £0.321m for 2020/21.

- 1.16. Increased contractual cost for the "back office" processing in Financial Strategy creates a pressure of £1.659m.
- 1.17. Providing for election costs over a four year period rather than at the time the election takes place results in a budget pressure in 2020/21 of £0.300m.
- 1.18. The funding of two new Assistant Directors (Transformation and Corporate Services), and a new head of service (Policy) results in a cost pressure of £0.285m for 2020/21.
- 1.19. The Services are proposing to make savings with minimal or no impact on the level of service provided, totalling £1.954m in 2020/21.
- 1.20. Greater efficiencies in meeting the service demand in IMT and Commercial contribute savings totalling £0.671m in 2020/21.
- 1.21. In Commercial Property, reductions in buildings costs and an increase in income from County Farms provide savings of £0.279m.
- 1.22. Within the Resources directorate budgets, savings of £1.004m have been identified for 2020/21, which comprise: a reduction in the cost of the contract for exchequer services and additional income in Strategic Finance from providing services to schools (£0.043m); increased expectation of the income from the delivery of Legal Services under the Legal Services Lincolnshire partnership (£0.450m); a £0.016m saving from reducing paper usage; HR savings resulting from bringing the HR service back in-house and the subsequent restructuring (£0.440m); in Information Assurance an increase of £0.017m in income generation from providing Data Protection advice; increased income from the Internal Audit Services provided to District Councils (£0.022m); and staffing efficiencies in Democratic Services (£0.015m).

### Capital Programme

- 1.23. A ten year Capital Programme has been compiled in line with the principles set out in the Council's Capital Strategy, including the principle of affordability. Schemes include a number of major highways projects, provision of school places, replacement of two Household Waste Recycling Centres, the rolling programme of renewal and replacement of fire fleet vehicles, gritters fleet and vehicles at the Waste Transfer Stations, improvements and review of the property portfolio, Information Technology developments and re-phasing of existing schemes.
- 1.24. The full Gross Programme totals £170.077m for 2020/21 plus a further £364.159m for future years, with grants and contributions of £127.864m giving a net programme of £406.372m to be funded by the County Council.
- 1.25. Table B shows the proposed gross capital programme for the Council's Commercial, Support, Corporate and enabling services.

TABLE B

Capital Programme (2019/20 plus Future Years)		Revised Gross Programme 2019/20 £000	Revised Gross Programme 2020/21 £000	Gross Programme Future Years £000
<b>COMMERCIAL - PROPERTY</b>				
Property	Maintenance and improvement programme for council properties, asbestos works and improvements to the County Farm estates.	5,105	4,700	0
Property Improvement Programme	Improvement to council properties including County Farms and upgrade of school mobiles.	605	570	2,227
Property Area Reviews	Programme of works for leased properties.	550	0	0
Lexicon House	Refurbishment of Lexicon House for office accommodation.	300	700	0
Bluelight - wider estates (other funding will support this)	Programme of works to support dual and tri service occupation throughout Lincolnshire.	2,695	0	0
County Emergency Centre	Modernisation of the County Emergency Centre.	500	0	0
Property maintenance		0	0	28,000
<b>Property Total</b>		<b>9,755</b>	<b>5,970</b>	<b>30,227</b>
<b>COMMERCIAL - IMT</b>				
Broadband	Provision of superfast broadband across the county.	3,500	2,500	1,951
Replacement ERP Finance System	Improvements to the ERP Finance system.	502	0	0
Care Management System (CMPP)	Installation of the Mosaic system.	11	0	0
Windows 10 Refresh 2018	Upgrade of hardware to Windows 10 system.	2,321	0	0
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	1,261	0	0
Cloud Navigator & ICT Innovation	Development of Cloud Navigator to enable digital transformation of services to citizens.	2,500	7,500	12,000
ICT Development Fund	Improvements to ICT infrastructure and network.	895	0	0
<b>IMT Total</b>		<b>10,990</b>	<b>10,000</b>	<b>13,951</b>
<b>Commercial Total</b>		<b>20,745</b>	<b>15,970</b>	<b>44,178</b>

1.26. The only new project that has been added to the capital programme as part of the budget setting process for 2020/21 related to Commercial, Support, Corporate and enabling services is a programme of property maintenance of £3.500m per annum from 2021/22 to 2028/29.

Further consultation

1.27. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place on 23 January 2020.

1.28. The proposals will be publicised on the Council's website together with the opportunity for the public to comment.

- 1.29. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 4 February 2020.

## 2. Conclusion

- 2.1. These budget proposals reflect the level of funding expected to be available to the Council from central government and a proposed increase in Council Tax in 2020/21 of 1.5% and an Adult Social Care "precept" assumed to increase by 2.0% in 2020/21 giving a total Council Tax increase of 3.5%.
- 2.2. A thorough review of the Council's services was carried out during the budget process which has identified unavoidable cost pressures, some savings with minimal or no impact on the level of service provided and the capital programme has been reviewed. The budget proposals therefore aim to reflect the Council's priorities whilst operating within the resources available to it.

## 3. Consultation

### a) Have Risks and Impact Analysis been carried out?

No

### b) Risks and Impact Analysis

An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 4 February 2020.

Further risk and impact assessments will need to be undertaken on a service by service basis.

## 4. Background Papers

Document title	Where the document can be viewed
Medium Term Financial Strategy and Council Budget 2020/21 - Executive Report 7 January 2020	<a href="https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;Mid=5514&amp;Ver=4">https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;Mid=5514&amp;Ver=4</a>

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