

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

Report to:	Executive
Date:	04 February 2020
Subject:	Revenue Budget Monitoring Report 2019/20
Decision Reference:	I018352
Key decision?	No

Summary:

This report provides an update on revenue spending compared with budgets for the financial year which started on 1 April 2019.

The tables in this report show the actual income and expenditure for the first eight months of this financial year to 30 November 2019, along with the forecasts for spending and a comparison of the forecasts against the approved budgets.

Recommendation(s):

That the Executive notes the current position on the revenue budget.

Alternatives Considered:

1. This report shows the actual revenue expenditure to 30 November 2019, and projected outturns for 2019/20, therefore no alternatives have been considered.

Reasons for Recommendation:

To consider the Council's revenue budget monitoring position and decide on any corrective action necessary.

1. Background

1.1 In summary:

- Our total revenue spending is forecast to be £6.481m less than the total budget (excluding schools).

- We forecast that general reserves at the year-end will be within the 2.5% to 3.5% range, but this assumes that some of the forecast underspend will be moved to earmarked reserves to avoid general reserves being above 3.5% of the total budget. We therefore estimate that general reserves will be 3.5% of the total budget based on current spending.
- The savings built into the 2019/20 revenue budget are forecast to be delivered with the exception of one item of £0.100m relating to the Coroners Service. This overspend can be contained this year using temporary mitigating measures and will be addressed as part of the budget setting and service review process for next year. In addition, we planned for increased investment income of £1.000m and are forecasting to achieve £1.500m.
- The impact of this revenue budget forecast on the Council's resilience has been assessed and the conclusion is that our financial resilience remains strong.

DISCUSSION

Revenue Budget Monitoring

Table A (Position as at 30 November 2019)

	Revised Net Revenue Budget £'000	Net Expenditure £'000	Year End Forecast £'000	Forecast Variance £'000	Forecast Variance %
COMMISSIONING STRATEGIES					
Readiness for School	5,007	2,447	5,141	134	2.7
Learn & Achieve	35,550	20,013	35,599	50	0.1
Readiness for Adult Life	7,432	4,925	6,335	-1,097	-14.8
Children are Safe and Healthy	66,016	49,948	66,564	548	0.8
Children's Services	114,004	77,334	113,639	-365	-0.3
Adult Safeguarding	4,486	3,176	4,486	0	0.0
Adult Frailty & Long Term Conditions	120,687	41,445	120,120	-567	-0.5
Carers	2,383	1,357	2,093	-290	-12.2
Adult Specialities	72,479	56,415	72,470	-9	0.0
Wellbeing	27,510	19,002	27,654	144	0.5
Public Health Grant Income	-31,800	-23,850	-31,800	0	0.0
Better Care Funding Income	-46,343	-22,165	-46,343	0	0.0
Adult Care and Community Wellbeing	149,403	75,380	148,681	-722	-0.5
Community Resilience & Assets	10,931	6,090	10,931	0	0.0
Sustaining & Developing Prosperity Through Infrastructure				-13	0.0
	42,160	24,048	42,147		
Protecting & Sustaining the Environment	25,185	14,022	25,656	471	1.9
Sustaining & Growing Business & the Economy	1,178	3,563	1,328	151	12.8
Place	79,453	47,723	80,062	609	0.8
Protecting The Public	24,262	16,031	24,262	0	0.0
How We Do Our Business	8,437	5,289	8,437	0	0.0
Enablers & Support To Council's Outcomes	43,165	32,738	40,898	-2,267	-5.3
Enablers & Support To Key Relationships	30	-183	30	0	0.0
Finance and Public Protection	75,894	53,875	73,628	-2,266	-3.0
TOTAL COMMISSIONING STRATEGIES	418,753	254,312	416,010	-2,744	-0.7
SCHOOL BUDGETS					
Central School Services Block (DSB Funded)	4,007	1,624	3,343	-664	-16.6
Early Years Block (DSB Funded)	41,738	26,201	41,374	-363	-0.9
High Needs Block (DSB Funded)	70,789	47,740	71,676	887	1.3
Schools Block (DSB Funded)	147,456	89,187	147,427	-29	0.0
Dedicated Schools Grant	-252,629	-170,303	-253,031	-402	0.2
Schools Budget (Other Funding)	5,962	-567	5,962	0	0.0
TOTAL SCHOOL BUDGETS	17,323	-6,119	16,752	-571	-3.3
OTHER BUDGETS					
Capital Financing Charges	39,958	-808	35,435	-4,523	-11.3
Contingency	2,787	0	787	-2,000	-71.8
Other Budgets	7,893	11,674	11,526	3,632	46.0
TOTAL OTHER BUDGETS	50,639	10,866	47,748	-2,891	-5.7
TOTAL EXPENDITURE	486,715	259,059	480,509	-6,205	-1.3
INCOME					
Revenue Support Grant	-20,139	-13,694	-20,139	0	0.0
Business Rates	-119,610	-84,370	-119,610	0	0.0
Council Tax	-299,388	-209,572	-299,388	0	0.0
Other Non Specific Grants	-17,676	-11,630	-18,522	-846	4.8
TOTAL INCOME	-456,813	-319,266	-457,659	-846	0.2
USE OF BALANCES					
Use of Balances - Earmarked Reserves	-30,102	-30,102	-30,102	0	0.0
Use of Balances - General Reserves	200	0	200	0	0.0
TOTAL USE OF RESERVES	-29,902	-30,102	-29,902	0	0.0
TOTAL	0	-90,309	-7,051	-7,051	

Children's Services

Readiness for School (Revised Budget £5.007m; Forecast Variance +£0.134m)

1.2 The majority of this overspend relates to an increase in demands in Children's Centres, such as the implementation of maternity hubs, which has had an impact on staffing requirements. This area is subject to a detailed review.

Learn and Achieve (Revised Budget £35.550m; Forecast Variance +£0.050m)

1.3 Although this commissioning strategy overall is broadly on target, there are two significant areas of variance (one overspent and one underspent). Home to School/College transport is currently showing £0.402m overspending, the same overspend presented to the Executive in October 2019. It is always difficult to predict the final position of the Home to School/College budget at this stage in the financial year and work is currently being undertaken using pupil numbers and contract information for the new academic year to ascertain a more accurate forecast. Officers are meeting monthly to review both the expenditure and the forecast but it is recognised that this particular budget is volatile with many external factors that will influence the final year end position.

1.4 Children with Disabilities is currently showing an underspend which relates mainly to the ending of a high cost placement (£0.200m) and a forecast reduction in the number of children requiring specialist equipment and the utilisation of grant funding (£0.153m).

Readiness for Adult Life (Revised Budget £7.432m; Forecast Variance - £1.097m)

1.5 The majority of the underspend (£0.810m) relates to the Council's legal duty for Supported Accommodation, which comes from the work undertaken through the transformation group in determining a suitable accommodation pathway policy for young people who require support or who are experiencing homelessness, and providing suitable more cost effective accommodation.

1.6 In addition the Youth Housing contract is currently forecasting a £0.104m underspend based on the current levels of accommodation. One-off funding from the 1% carry forward was earmarked to support temporary bed vacancies within the contract for young people placements requiring support due to the risk of homelessness. Occupancy levels have been between 95% to 100% and therefore the additional funding has not been required to the level expected for this demand-led budget.

Children are Safe and Healthy (Revised Budget £66.016m; Forecast Variance +£0.548m)

1.7 The majority of the overspending is due to an increase in Out of County Placements, which previously was expected to be on target. This has arisen due to an increase in numbers combined with the requirement for more specialist

placements. The higher cost placements reflect individuals' increasingly complex needs and the increase in numbers is due to there currently being no capacity in-house to accommodate them. This is a demand-led budget and the forecasts have been based on the current number of placements continuing until the end of the financial year. Officers will continue to monitor this budget on a monthly basis.

Adult Care and Community Wellbeing

Adult Safeguarding (Revised Budget £4.486m; Forecast Variance £0m)

1.8 Working in partnership with Lincolnshire Partnership NHS Foundation Trust (LPFT), 2019/20 provided a sum of money to reduce the number of assessments pending. This programme of work is well underway with the number pending reducing. The funds to support this programme are within the Adult Care and Community Wellbeing reserves and will be drawn down to reflect programme delivery. This will place Lincolnshire in a stronger position to transition to the Liberty Protection Safeguards currently proposed to come into being in October 2020.

Adult Frailty and Long Term Conditions (Revised Budget £120.687m; Forecast Variance -£0.567m)

1.9 Adult Frailty and Long Term Conditions budgets are indicating delivery within the allocated budget due to the following: -

- Current activity is forecast to be in line with the levels forecast when the budgets were set; and
- Better Care Fund expenditure is in accordance with the agreed template.

1.10 The projected underspend is as a result of an accelerated recovery of income predominantly from direct payment refunds and debtor income.

Carers (Revised Budget £2.383m; Forecast Variance -£0.290m)

1.11 Small underspends across the service and contracts in place are indicating a forecast underspend by the year end. These are not impacting on service delivery and with discussions with budget holders are being realigned in readiness for 2020/21.

Adult Specialities (Revised Budget £72.479m; Forecast Variance -£0.009m)

1.12 Adult Learning Disabilities is administered via a Section 75 agreement between the Council and NHS Commissioners across Lincolnshire. Current projections are indicating an increase in continuing healthcare services. The position assumes £1.289m additional income will be received from the Clinical Commissioning Group (CCG) for their share of responsibility of this increasing demand.

1.13 Mental Health Services are delivered by LPFT through a Section 75 agreement with the Council. The 2019/20 budget has been increased by £1.100m to reflect the projected increase in demand for mental health care. The projected outturn indicates that this will be fully utilised.

1.14 Executive will be asked on 3 March 2020 to approve the renewal of the Section 75 Agreement, which, if approved will commence on 1 April 2020. Projections are indicating a continued growth in need for mental health care and support. A service review will be completed to review the growth in service demand, analyse its financial impact and consider whether alternative service delivery approaches are available to minimise similar scale cost increases in future years.

Wellbeing (Revised Budget £27.510m; Forecast Variance +£0.144m)

1.15 Public Health and Wellbeing is reporting a £0.144m forecast overspend. This resulted from the likelihood that an expected grant would not be received however very recently the funding has now been released.

Public Health Grant Income (Revised Budget -£31.800m; Forecast Variance £0m)

1.16 The Public Health Grant receivable in 2019/20 is forecast to be within budget.

Better Care Funding Income (Revised Budget -£46.343m; Forecast Variance £0m)

1.17 The Better Care Funding Income receivable in 2019/20 is forecast to be within budget.

1.18 The Lincolnshire Better Care Fund (BCF) is an agreement between the Council and the Lincolnshire CCGs and is overseen by the Health and Wellbeing Board. The BCF pools funds from the organisations to aid the objective of integrated service provision.

1.19 The total pooled amount in 2019/20 is £254.282m which includes £58.682m allocated to the Lincolnshire BCF from the Department of Health and Social Care.

1.20 The pooled budget is made up of the minimum CCG contribution, Council base budgets and additional BCF monies received directly from the government. All the required regional partners have agreed the 2019/20 BCF and the budgets have been allocated accordingly.

1.21 For 2019/20 Winter Pressures monies are also being fed into the Council through this route and the October Adults and Community Wellbeing Scrutiny Committee received a report detailing how this would be spent in 2019/20.

Place

Community Resilience & Assets (Revised Budget £10.931m; Forecast Variance £0m)

1.22 Community Resilience & Assets, which relates to the Customer Service Centre, Libraries, Heritage and Community Services is forecast to be within budget for 2019/20.

Sustaining and Developing Prosperity through Infrastructure (Revised Budget £42.160m; Forecast Variance -£0.013m)

1.23 Although showing almost on target at this stage, there is a forecast overspend of £0.300m on street lighting due to increased energy costs. This is currently partially offset by savings on staffing within Highway Services/Asset Management and additional income within Traffic Management.

1.24 In addition, a forecast underspend within the Transport Service (-£0.109m) from savings in concessionary travel costs due to the reduced volume of journeys, offset by increased spend in progressing accessibility projects, helps to reduce these budget pressures.

Protecting and Sustaining the Environment (Revised Budget £25.185m; Forecast Variance +£0.471m)

1.25 The forecast in this area is for a £0.471m overspend. The areas to report are:

- Waste Services (+£0.279m) – this is mainly due to the anticipated increase in costs for the mixed dry recycling contract;
- Planning (+£0.182m) – this is due to increased costs for consultancy work arising from a planning application relating to a waste rendering plant and pressure to meet the budgeted level of planning fee income.

Sustaining and Growing Business and the Economy (Revised Budget £1.178m; Forecast Variance +£0.151m)

1.26 The forecast overspend of £0.151m within this area is mainly due to an increase in operational costs and reduced rental income from regeneration properties. Savings in other areas of Growth are being examined in order to offset this forecast overspend.

Finance and Public Protection

Protecting the Public (Revised Budget £24.262m; Forecast Variance £0m)

1.27 Protecting the Public which includes Lincolnshire Fire and Rescue Service, Trading Standards, Registration Services, the Coroners Service and Safer Communities is forecast to be within budget for 2019/20.

How We Do Our Business (Revised Budget £8.437m; Forecast Variance £0m)

1.28 How We Do Our Business, including Finance, Audit and Risk and Democratic Services, for 2019/20 is forecast to be within budget.

Enablers and Support to Council Outcomes (Revised Budget £43.165m; Forecast Variance -£2.267m)

1.29 There are four areas within this strategy contributing to the £2.267m underspend forecast. These are the following and will be further explained in paragraphs 1.30 to 1.35.

Service Area	Forecast Variance £'m
IMT	-1.260
Legal Services	-0.738
Human Resources	-0.269
Commercial Team	-0.234
Total	-2.501

1.30 Although reduced by some £0.293m from the September position, almost half of the forecast underspend is from IMT, which is made up of a number of areas. The key variances are summarised below-

- Staffing budgets (-£0.222m) – Vacancies in IMT some of which will shortly undergo job evaluation as the role requirements have changed. This will be re-balanced with the temporary staff/contractors budget as IMT will use more specialist contractors to undertake specialist projects to minimise the permanent staffing levels going forward;
- Microsoft Enterprise Agreement (-£0.104m) – The requirement to purchase the remaining licenses required was delayed and so current projection is for part year costs.
- The "fixing the basics" programme is addressing large numbers of complex technology infrastructure issues whilst also modernising our service; therefore improving performance and increasing stability.

The complexities of the work programme meant that accurate scheduling of the work was not possible at the time of budgeting. Significant work is still on-going and some activity, including Azure implementation (-£0.474m), is now expected to be fully completed in the next financial year.

1.31 Secondly, a surplus in excess of target of -£0.738m in Legal is predicted. This represents a change of +£0.065m on the previously reported position of -£0.803m underspend.

1.32 This is due to projected income generation continuing to be higher than the target for 2019/20. The Legal Management Board will decide on the use of any surplus at year end. In recent years, it has taken a decision to re-distribute the surplus in full to partner authorities in proportion to their use of the service.

1.33 Thirdly, Human Resources (HR) is currently forecasting an overall underspend of -£0.269m and is explained by the following-

- Some staff have been appointed at a later date than originally anticipated and the service is still holding vacancies (-£0.116m);
- Income for the HR Advisory Services had been set prudently. Income received from schools is forecast to exceed expectations (-£0.050m);
- Additional income has been received for both the Disclosure and Barring Service and the psychometric testing (-£0.056m); and
- An anticipated underspend forecast on the Serco contracts based on the current levels of demand (-£0.054m).

1.34 The forecast assumes that the -£0.065m surplus income from the purchase of employee leave will be transferred to reserves at year end.

1.35 Finally, the Commercial team is projected to underspend by -£0.234m. This is due to a number of staffing vacancies (-£0.210m), income of £0.014m from Serco for business analysis work completed by the team and £0.011m not required from non-pay budgets.

Enablers and Support to Key Relationships (Revised Budget £0.030m; Forecast Variance £0m)

1.36 Enablers and Support to Key Relationships for 2019/20 is forecast to be within budget.

Schools Budgets

1.37 In line with the DfE regulations any under or overspends on budgets held centrally within the ring-fenced 2019/20 Schools block, Central Schools Services block, Early Years block and High Needs block of the Dedicated School Grant (DSG) will automatically be carried forward to the next financial year and the Council will consult the Schools Forum on its use.

Central School Services Block (DSB Funded) (Revised Budget £4.007m; Forecast Variance -£0.664m)

1.38 This block covers funding allocated to the Council to carry out central functions on behalf of pupils in maintained schools and academies. The majority of the underspend relates to funding for historic commitments which has been funded

nationally at the same levels as 2018/19 where these commitments continue to exist. Budgets for these areas (which include schools centralised broadband and the PFI scheme funding affordability gap) have been set prudently. Provisional allocations for 2020/21 show that there will be a 20% reduction in historic funding (£0.556m).

Early Years Block (DSB Funded) (Revised Budget £41.738m; Forecast Variance -£0.363m)

1.39 This block covers funding for the universal 15 hour entitlement for all three and four year olds, the additional 15 hours for three and four year old children of eligible working parents, the 15 hour entitlement for disadvantaged two year olds and funding for maintained nursery schools. Overall funding for the Early Years block in 2019/20 is determined from the January 2019 schools census (5/12th) and the January 2020 schools census (7/12th), therefore funding is only provisional at this stage.

1.40 Funding allocated to providers is based on weekly participation levels submitted, therefore it is a demand-led and volatile budget. An underspend is forecast for the payment to private providers (£0.175m) based on expected levels of take up in the Spring term and for disadvantaged two year olds (£0.091m) considering the current level of take up. Further underspends are due to staffing vacancies within the central Early Years team.

High Needs Block (DSB Funded) (Revised Budget £70.789m; Forecast Variance +£0.887m)

1.41 This block covers funding for those pupils with Education, Health and Care plans occupying places in Lincolnshire schools (mainstream and special schools), other Local Authority schools and independent schools. An increasing number of Local Authorities across the country are incurring a deficit on their overall Dedicated Schools Grant (DSG), largely as a result of overspends on their High Needs block. Whilst Lincolnshire had previously not experienced such overspends, the current forecast has highlighted an increased level of spending. This can be explained by the following-

- An increase in the cost of placements made out of county to meet more complex pupil needs (£1.206m);
- A forecast overspend on mainstream school high needs top up funding (£1.021m), which reflects the rise in the number of Education, Health and Care plans in Lincolnshire;
- Exceptional pupil funding for special school placements that are at risk of breaking down (£0.312m); and
- Additional home tuition costs in response to the increasing numbers of pupils requiring specialist provision and the interim educational arrangements being put in place (£0.532m).

1.42 These have been partly offset by a share of the £125m made available nationally (£1.533m) in response to the growing high needs costs across the country, and one off underspends. Officers are continuing to review the position on a regular basis.

Schools Block Block (DSB Funded) (Revised Budget £147.456m; Forecast Variance -£0.029m)

1.43 The Schools block covers funding delegated through the Council agreed funding formula for mainstream maintained schools, and funding recouped by the Education and Skills Funding Agency (ESFA) for academy schools. Schools delegated funding is classified as spent for reporting purposes in line with grant conditions. Schools are required to comply with the Local Authority's school carry forward policy for surplus and deficit balances. A minor underspend is reported on the school growth fund for the Council planned school reorganisations to meet its statutory duty to provide sufficient school places for the children of Lincolnshire.

Dedicated Schools Grant (Revised Budget -£252.629m; Forecast Variance - £0.402m)

1.44 This underspend relates to the prior year adjustment for the Early Years block.

Schools Budget (Other Funding) (Revised Budget £5.962m; Forecast Variance £0m)

This funding relates to government grants for maintained schools allocated throughout the year, such as pupil premium, universal infant free school meals, for example. The Council's responsibility is to passport the grant funding to schools which, in line with the regulations, is classified as spent from a Council perspective. The current spending levels represent the advance grant funding received, and sickness insurance premiums received for the year from schools for the Council led scheme before reimbursements are paid. All underspends in government grants at the year-end for schools and the sickness insurance scheme are moved to earmarked reserves for the following financial year.

Other Budgets

Capital Financing (Revised Budget £39.958m; Forecast Variance -£4.523m)

1.45 An under spend of -£4.523m is forecast for the year on budgets that support the cost of the capital programme in 2019/20. This is due to adjustments to internal borrowing levels, re-phasing that has already taken place, and an allowance for further re-phasing totalling a reduction of £118.400m in the current year borrowing requirement. It also reflects a fall in the projected borrowing interest rates in line with current economic conditions.

1.46 It is assumed that the £0.893m revised budget for revenue contributions towards the capital programme will be fully utilised at the end of the year.

Contingency (Revised Budget £2.787m; Forecast Variance -£2.000m)

1.47 The revenue contingency budget has an original budget of £3.000m in 2019/20. Total allocation so far is £0.213m and detailed below:

- An allocation of £0.087m to Fire and Rescue Control staffing budget to address the risk that Control staffing numbers were too low to provide sufficient resilience; and
- To meet the revenue impact of the Library IT capital project an amount of £0.128m was allocated.

1.48 It now seems unlikely that the contingency will be fully spent by the year end, and a £2.000m underspend has been assumed. If new costs emerge during the remainder of this year which need to be funded by the revenue contingency, then this assumption will be updated.

Other Budgets (Revised Budget £7.893m; Forecast Variance +£3.632m)

1.49 The overspend is mainly due to the following:

- Capital receipts income (budgeted to be used to fund transformational work) is anticipated to be £2.139m less than the budget. This is due to: the challenges in getting planning permission before some properties are marketed which results in a delay to the sale process, and delays due to a current review of properties on the disposal list to see whether some could be used to meet the demands of the Council. From 2020/21 onwards capital receipts will be used to fund the capital programme or to repay borrowing so there will be no direct impact on the revenue budget due to shortfall in capital receipt.
- Insurance is anticipated to overspend and this is estimated to be by £1.303m. The 2019/20 budget was not increased in line with the 2018/19 overspend on premiums, as these became apparent too late in the budget process, and this gave an initial expected budget shortfall of £0.882m.

The 2019/20 premium further increased by £0.421m compared to last year. A proportion of the premium payment is calculated based on the history of the Council's claims. The increase in the number of liability claims alongside the increase in the total amount the Council had to pay to settle these claims in the previous year has contributed to the premium increase. This has been included as a cost pressure in the 2020/21 budget setting process.

Income

Revenue Support Grant (Revised Budget -£20.139m; Forecast Variance £0m)

1.50 The revenue support grant receivable for 2019/20 is forecast to be within budget.

Business Rates (Revised Budget -£119.610m; Forecast Variance £0m)

1.51 The business rates income receivable from the District Councils for 2019/20 is forecast to be within budget.

Council Tax (Revised Budget -£299.388m; Forecast Variance £0m)

1.52 The council tax income receivable from the District Councils for 2019/20 is forecast to be within budget.

Other Non-Specific Grant (Revised Budget -£17.676m; Forecast Variance - £0.846m)

1.53 When setting the budget for 2019/20 we estimated the values of some of the grants we were expecting to receive as information was not available at the time. Now we have received updated information and we are due to receive more than anticipated by £0.846m.

Grant Details	Budget £m	Amount Receivable £m	Difference £m
Extended Rights to Free Travel	0.639	0.758	-0.119
Key Stage 2 Modernisation & Phonics	0	0.028	-0.028
School Improvement, Monitoring & Brokering Grant	0	0.699	-0.699
Total	0.639	1.485	-0.846

Use of Reserves

1.54 We planned to use £3.087m from the Financial Volatility Reserve to balance the revenue budget in 2019/20 and to contribute £0.200m to General Reserves to maintain them at 3.5% of the total budget requirement.

1.55 Further earmarked reserves will be drawn down into service budgets during the financial year. The main drawdown of reserves so far this year is shown below:

- Legal Services Surplus - £0.769m – distribution of Legal Services trading surplus to various service areas; and

- Civil Parking Enforcement - £0.128m – to enable improvement schemes on highways or land/water adjacent to the highway.

Monitoring of Savings Achievement

1.56 A number of savings were identified when the 2019/20 revenue budget was prepared, and these were approved and built into the budget. The table at Appendix A shows these savings and whether or not it is forecast that they will be achieved. Where a saving may not be achieved commentary is provided to explain the reason for this and what mitigating actions may be taken.

1.57 Appendix A shows that there is one saving that will not be met namely-

- Coroners Service (£0.100m) – this is due to nationally agreed and significant increase to Coroners salaries and a decision to allow entry for the Assistant Coroners into the Local Government Pension Scheme; resourcing to clear the backlog of inquests; resourcing to support a higher degree of judicial decision making. The resulting overspend can be contained within existing budgets in the current year, but the shortfall in the base budget will be addressed as part of the ongoing service review and future budget setting.

1.58 There is one area where growth in income is expected to exceed the target.

- Additional interest receipts have generated £0.500m more due to timing of borrowing and investment return benchmark being exceeded by around 0.35%.

Impact on Financial Resilience

1.59 Our financial resilience, which is our ability to afford to continue providing services to our communities in the future, can be assessed using a number of different indicators. This section of the report focuses on those indicators which may be affected by our financial performance during the year and sets out whether our financial performance to date is likely to have either a positive or an adverse effect on our financial resilience.

1.60 Our Financial Strategy requires that our general reserves will be within the range of 2.5% to 3.5% of our total budget for the year. Our financial performance to date indicates that this will be achieved.

1.61 Our annual financial risk assessment, which was last carried out in October 2019, identified several financial risks with an estimated financial impact. The current status of these risks is set out below:

Inflation and interest rate risk. At this stage in the year we believe that our budget assumptions around inflation and interest rates are still reasonable. Short term interest rates have remained stable, whilst long term interest

rates have fallen during the year. The drop in long term interest rates has had a positive impact on our overall cost of borrowing.

Demand-led services. At this stage in the year we believe that our budget assumptions around demand-led services are still reasonable.

Savings built into 2019/20 budget. Appendix A shows how we expect to perform in terms of achieving savings this year. Paragraph 1.56 shows a summary of our performance and we are largely on track to deliver our previously agreed savings. There is one area where we are not achieving our planned savings and the impact is £0.100m – this is a relatively low figure compared to our whole budget and is unlikely to impact significantly on our financial resilience.

Costs of change. At this stage in the year we believe that our budget to cover redundancy costs will be sufficient.

Financial management. This revenue budget monitoring report shows that we are forecasting that expenditure this year will be contained within the overall approved budget. There is a forecast underspend of £6.481m which means that we are unlikely to need to use the planned contribution from the Financial Volatility Reserve to support the budget. The revenue contingency budget has been used this year, but at this stage there is still £2.787m remaining in it (see paragraph 1.47). No calls have been made on the Financial Volatility Reserve this year to date.

1.62 We conclude from this that our financial resilience remains relatively strong.

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.

As the Report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

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.

As the Report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

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.

As the Report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

3. Conclusion

3.1 The Council's current position on the revenue budget and capital programme are within the report for the Executive to note.

4. Legal Comments:

The Report sets out an update on spending as at 30 November 2019 compared with the revenue budget for the financial year starting on 1 April 2019 to assist the Executive in monitoring the financial performance of the Council.

5. Resource Comments:

The report indicates that the current year revenue budget is projected to be spending within the resources available and therefore no additional call on the reserves of the Council are expected to be required within the current financial year.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

The report is due to be considered by the Overview and Scrutiny Management Board at its meeting on 30 January 2020. Any comments of the Board will be presented to 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	Monitoring of Planned Savings 2019/20

8. Background Papers

Document title	Where the document can be viewed
Budget Book 2019/20	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=5273&Ver=4

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