



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

Report to:	Overview and Scrutiny Management Board
Date:	28 January 2021
Subject:	Service Revenue and Capital Budget Proposals 2021/22

Summary:

The report outlines the budget proposals for the next financial year 2021/22.

The Final Local Government Finance Settlement for 2021/22 has not been issued at the time of writing this report; however it is expected to be in line with the Provisional Settlement issued on 17 December 2020. Further budgetary information is also awaited from the Lincolnshire District Councils so the budget proposals for 2021/22 are therefore estimated at this stage.

This report specifically looks at the budget implications for the Council's Commercial, Resources and Corporate services.

The Executive approved the budget proposals, including those set out in this report, as its preferred option for the purposes of further consultation at its meeting on 5 January 2021.

Members of the Board have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 2 February 2021 when it will make its final budget proposals for 2021/22.

Actions Required:

Members of the Overview and Scrutiny Management Board are asked to consider this report and make comments on the budget proposals. These will be considered by the Executive at its meeting on 2 February 2021.

1. Background

- 1.1. The Spending Review (SR2020) results were announced by the Chancellor of the Exchequer on 25 November 2020. This was a spending review covering one year only to reflect the uncertainties caused by the coronavirus pandemic. The Office for Budget Responsibility published economic forecasts alongside the SR2020; these show that spending, public sector

debt and the budget deficit are all much higher than forecast in March 2020 and that the UK economy is set to contract significantly this year.

1.2. As expected, the SR2020 confirmed a "roll-over" settlement for local authorities. The Chancellor has ruled out returning to a programme of austerity to tackle the budget deficit, which is an indication that significant cuts in spending will not be required over the medium term. However the Chancellor announced a pay freeze for most public sector employees in 2021/22, the exceptions being National Health Service staff and public sector employees with a full time basic salary of up to £24,000. This latter group will receive a flat uplift of £250. Other announcements included:

- An overall real terms increase in core spending power in 2021/22 of 4.4% (but the sector is still worse off in real and cash terms compared to in 2010/11).
- The National Living Wage will increase to £8.91 per hour from April 2021 for people aged 23 years and over. This has been factored into our cost pressures.
- Councils providing Adult Social Care services can charge an adult social care precept of up to 3% in 2021/22, which can be deferred to 2022/23.
- The referendum limit will remain at 2% for general council tax. This means that a total council tax increase of up to 5% can be charged by Councils providing Adult Social Care services before requiring a referendum.
- Revenue Support Grant will be inflated by 0.55%.
- There will be a Tax Income Guarantee Scheme which will fund 75% of irrecoverable council tax and business rates losses in 2021/22. The details of how this will work are not yet known.

1.3. The coronavirus pandemic has impacted significantly in the 2020/21 financial year, on both Council services and the local economy, and central Government has provided grant funding to cover the Council's costs and losses arising directly from the pandemic. It is assumed that where direct impacts carry on into 2021/22 these will continue to be funded by Government grant. The SR2020 announcement confirmed that there would be funding in 2021/22 to cover continuing coronavirus costs and losses.

1.4. The Final Local Government Finance Settlement is expected to be published in February 2021.

1.5. Members will be aware that central Government planned to implement significant funding reforms for the sector. There are two aspects to these reforms: the Review of Relative Needs and Resources (formerly known as the Fair Funding Review), and 75% Business Rates Retention. These reforms were originally due to be implemented from April 2020 and were later deferred to April 2021. Earlier this year, the Government announced a further deferral until April 2022 so that the focus this year could be on supporting local government in the face of the coronavirus pandemic.

- 1.6. In view of the continuing uncertainties about future levels of funding, a one year budget is proposed for 2021/22.
- 1.7. Budgets have been reviewed in detail based on the latest available information to arrive at the proposals set out in this report. A number of new cost pressures have emerged in addition to the pressures identified for 2021/22 in the previous year's budget process. In some areas, savings which can be made through efficiencies with no or minimal impact on the level of service delivery have also been identified. In developing the proposed financial plan, budget holders have 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.
- 1.8. At its meeting on 5 January 2021 the Executive approved, for the purposes of further consultation, proposals for the Council's revenue and capital budgets including a proposed council tax increase for 2021/22 of 1.99%.

Revenue Budget

1.9. Table A shows the total proposed revenue budget for the Council's Commercial, Resources and Corporate services.

TABLE A

2021/22 Revenue Budget	2020/21 Budget £000	Pay Inflation £000	Cost Pressures £000	Savings £000	Proposed Budget 2021/22 £000
COMMERCIAL					
Information Management & Technology	14,224	13	477	0	14,714
Corporate Property (including County Farms)	9,915	11	713	-235	10,405
Commercial Services (including Customer Service Centre)	8,594	25	130	0	8,749
Transformation	3,176	35	46	0	3,257
Total - Commercial	35,909	84	1,366	-235	37,124
RESOURCES					
Information Assurance	759	4	0	0	763
Legal Services	-1,099	0	0	0	-1,099
Democratic Services	2,394	13	0	0	2,408
Business Support	10,744	81	0	-57	10,768
Human Resources	3,312	11	50	-91	3,282
Financial Strategy	5,648	26	548	-20	6,202
Audit and Risk	1,091	12	0	-15	1,088
Total - Resources	22,850	147	598	-183	23,412
CORPORATE					
Strategic Communications	2,109	10	77	0	2,195
Corporate Services & Chief Executive	756	4	0	0	760
Total - Corporate	2,865	14	77	0	2,956
GRAND TOTAL	61,624	245	2,041	-418	63,492

- 1.10. Given the expectation of public sector pay restraint, the budget proposals currently allow for pay inflation of 0.75% to adjust budgets for the higher than budgeted pay award in 2020; no further pay inflation has been provided for in 2021/22.
- 1.11. There are service specific cost pressures for 2021/22 totalling £2.041m related to unavoidable increases in service volumes and contract inflation that are described in more detail below.

Commercial

- 1.12. In Information Management and Technology revised volume assumptions driven by increased demands in supporting agile working and contractual inflation in outsourced provision create a cost pressure of £0.477m.
- 1.13. Increases in utility costs, rates, insurance, contract inflation and increased regulatory and compliance costs in Corporate Property result in cost pressures totalling £0.713m. This is partially offset by expected savings of £0.235m from reduced rent payable for the County Farms Estate, reduced support to internal moves, and Occupeye technology.
- 1.14. A cost pressure of £0.130m for the Customer Service Centre arises from revised volume assumptions and contractual inflation.
- 1.15. A short-term pressure of £0.046m in Transformation due to additional software licensing requirements is expected to reverse in 2023/24.

Resources

- 1.16. In Business Support the review of printing strategy is forecast to yield savings of £0.057m.
- 1.17. For Human Resources a £0.050m pressure results from contractual inflation for the outsourced payroll service. This is more than offset by increased income of £0.091m that is forecast from new services for schools and the Leadership and Management Apprenticeship Centre.
- 1.18. Revised volumes and contractual inflation in outsourced Finance Services create a cost pressure of £0.275m, with a further pressure of £0.273m arising from new requirements in the processing of social care payments.
- 1.19. Savings provided by further increases in income are also expected from Finance services to schools (£0.020m) and from external Audit and Risk clients (£0.015m).

Corporate

- 1.20. In Strategic Communications, a pressure of £0.077m is due to re-alignment of pay budgets for posts added in the previous year and creation of a corporate marketing and communications budget.

Capital Programme

- 1.21. The ten year Capital Programme approved as part of budget setting last year has been reviewed 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, gritter fleet and vehicles at the Waste Transfer Stations, improvements and review of the property portfolio, Information Technology developments and re-phasing of existing schemes.
- 1.22. The full gross programme totals £204.302m for 2021/22 plus a further £322.097m for future years. After grants and contributions are taken into consideration, the net programme to be funded by the County Council is £111.283m for 2021/22 plus a further £282.808m for future years.
- 1.23. The capital programme net budget has increased since last year's budget process with the most significant increases in the gross programme covered by additional funding or by re-phasing budgets on other schemes into later years.
- 1.24. Table B below shows the proposed gross capital programme for the Council's Commercial, Resources and Corporate services.

TABLE B

Capital Programme (2020/21 plus Future Years)		Revised Gross Programme 2020/21 £m	Revised Gross Programme 2021/22 £m	Gross Programme Future Years £m
COMMERCIAL				
PROPERTY				
Property	Maintenance and improvement programme for council properties, asbestos works and improvements to the County Farm estates.	2.983	2.736	0.000
Property maintenance	To fund the maintenance and improvement programme for council properties	0.000	3.500	24.500
Orchard House Repairs	To complete essential repair work to the Lincoln County offices / Orchard House campus	1.400	0.000	0.000
Bluelight - wider estates (other funding will support this)	Programme of works to support dual and tri service occupation throughout Lincolnshire.	0.284	0.000	0.000
Lexicon House	Refurbishment of Lexicon House for office accommodation.	0.050	0.950	0.000
County Emergency Centre	Modernisation of the County Emergency Centre.	0.087	0.000	0.000
Property Area Reviews	Programme of works for leased properties.	0.225	0.202	0.000
Property Improvement Programme	The improvement to council properties	0.306	0.000	0.000
County Farms Private Roads	The improvement private roads on the County Farms Estates	0.017	0.020	0.020
County Farms Grain Stores	The improvement to county farms grain stores	0.000	0.145	0.242
School Mobile Classroom Replacement	The replacement of school mobile classrooms	0.300	0.390	1.500
Castle Motte	Contribution towards the programme of works to remove Lincoln Castle from the Heritage at Risk Register.	0.370	0.000	0.000
Homcastle Estate & Land Purchase	Purchase of land from East Lindsey District Council to enable development that will generate future capital receipts.	0.113	0.000	0.000
Total - Property		6.136	7.943	26.262
IMT				
Broadband	Provision of superfast broadband across the county.	1.840	0.000	3.751
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	1.845	3.539	3.500
Improvement Transformation	To support the Transformation Programme by delivering enabling strategies in line with the Council's IMT strategy	0.000	2.000	2.000
Replacement ERP Finance System	Improvements to the ERP Finance system.	0.010	0.312	0.000
Care Management System (CMPP)	Installation of the Mosaic system.	0.009	0.005	0.000
ICT Development Fund	Improvements to ICT infrastructure and network.	0.300	0.121	0.000
IMT (Cloud Navigator/Windows 10)	Upgrade of hardware to Windows 10 system and development of Cloud Navigator to enable digital transformation of services to citizens.	0.136	0.000	8.000
Azure Data Migration	Migration of data from a physical to a cloud platform	0.604	0.460	0.000
Total - IMT		4.745	6.436	17.251

- 1.25. Other than some re-phasing of existing project expenditure, there have been no changes to the previously approved capital programme relating to Commercial, Resources and Corporate services.

Further consultation

- 1.26. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place on 28 January 2021.
- 1.27. The proposals will be publicised on the Council's website together with the opportunity for the public to comment.
- 1.28. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 2 February 2021.

2. Conclusion

- 2.1. These budget proposals reflect the level of government funding expected to be available to the Council and a proposal to increase general Council Tax in 2021/22 by 1.99%.
- 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) 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 2 February 2021.

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

4. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Council Budget 2021/22: Executive Report 5 January 2021	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=5750

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