



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

Report to:	<b>Executive</b>
Date:	<b>02 February 2021</b>
Subject:	<b>Council Budget 2021/22</b>
Decision Reference:	<b>I020523</b>
Key decision?	<b>Yes</b>

**Summary:**

This report asks the Executive to propose to the full Council the Council's budget and council tax in light of the provisional local government settlement and consultation comments on its initial proposals.

The Executive is also asked to consider prudential targets in relation to capital financing and other treasury management matters.

**Recommendation(s):**

That the Executive:

- (1) Consider the effect of the funding available and revenue expenditure position as noted in paragraphs 1.24, 1.25 and Table A of the report, supported by additional information in Appendix A;
- (2) Consider the Equality Impact Analysis at Appendix B and the consultation comments as shown in Appendix G and presented at the meeting;
- (3) Subject to recommendation 4 below approves for recommendation to full Council:
  - a) the revenue budget for 2021/22 proposed in Table A of the report;
  - b) the capital programme for 2021/22 proposed in Table B and Appendix C of the report;
  - c) the levels of council tax proposed in Table C and shown in Appendix D of the report including the increasing of council tax in 2021/22 by 1.99%;
  - d) the prudential indicators for 2021/22 shown in Appendix E of the report;
  - e) the Flexible Use of Capital Receipts Strategy for 2021/22 shown in Appendix F of the report;
  - f) the Medium Term Financial Strategy attached at Appendix H to this report; and

g) the Capital Strategy 2021/22 attached at Appendix I to this report.

- (4) Requests the Leader of the Council to review and amend the Executive's budget recommendations to the County Council, as appropriate, in light of the final Local Government Finance Settlement if received between the Executive meeting and the County Council on 19 February 2021.
- (5) Requests the Leader of the Council to review and amend the figures within the Medium Term Financial Strategy to be recommended to the County Council as appropriate, to ensure consistency with final budget recommendations made to the County Council meeting on 19 February 2021.

#### **Alternatives Considered:**

1. The proposals for the Revenue Budget, Capital Programme and Council Tax as described in this report.
2. Higher levels of spending and consequently a higher level of Council Tax next year.
3. Lower levels of spending and consequently a lower level of Council Tax next year.

#### **Reasons for Recommendation:**

- The recommended option is proposed because it results in a balanced budget for 2021/22:
  - the proposed increase in Council Tax of 1.99% will allow the Council to manage the cost pressures outlined in the Council Budget 2021/22 report at Appendix A;
  - efficiency savings on service expenditure are proposed to rebalance future spending with the funding which will be available to the Council; and
  - the relatively modest budget surplus referred to in paragraphs 1.24 and 1.25 is proposed to be transferred to the Financial Volatility earmarked reserve.

## **1. Background**

- 1.1 The Executive, at its meeting on 5 January 2021, proposed the Council's budget for 2021/22 for consultation. This budget included the implications of the Local Government Provisional Finance Settlement announcement on 17 December 2020 and this budget report and appendices are attached for information at Appendix A.

- 1.2 Outstanding information from the Lincolnshire District Councils relating to Council Tax and Business Rates was not available at the time of writing this report. The potential implications of the outstanding budgetary items are described below. If the relevant information is received before the date of the Executive meeting it will be presented at the meeting as an update to this report.

## **Council Tax**

### **Council Tax Base**

- 1.3 District Councils have until 31 January 2021 to confirm their Council Tax Base and surplus/deficit position on the Council Tax element of the Collection Fund. The report to the Executive on 5 January 2021 assumed an increase of 0.5% in the council tax base and a neutral collection fund position i.e. neither a surplus nor a deficit.
- 1.4 At the time of preparing this report the County Council has not yet received confirmed figures from each of the seven District Councils.
- 1.5 An update on these figures will be tabled at the Executive meeting on 2 February 2021, once all information has been confirmed by all of the Lincolnshire District Councils.

### **Council Tax Collection Fund**

- 1.6 At the time of preparing this report, none of the District Councils had submitted their confirmed positions on the council tax elements of their Collection Funds.
- 1.7 An update on these figures will be tabled at the Executive meeting on 2 February 2021, once all information has been confirmed by all of the Lincolnshire District Councils.
- 1.8 The Local Government Provisional Finance Settlement confirmed that a deficit on the Council Tax Collection Fund for 2021/22 must be spread equally over 2021/22, 2022/23 and 2023/24 and new regulations to allow this to happen came into force in December 2020. This means that the impact of the deficit in 2021/22 is one third of this total, which will be repeated in each of the following two years in addition to any surpluses or deficits arising in those following two years.
- 1.9 The government announced a new Local Tax Guarantee Scheme in November 2020 as part of the Spending Review, to provide councils with a grant to compensate for 75% of irrecoverable 2020/21 council tax losses that have been incurred. The government has set out how this grant is to be assessed and the District Councils will apply this methodology to calculate the amount of this grant which is attributable to the County Council and inform us of this amount at the end of January. This will be paid as a Section 31 grant in 2021/22.

- 1.10 An update on all of the council tax elements of the District Councils' Council Tax Collection Fund positions will be tabled at the Executive meeting on 2 February 2021, once all information has been confirmed.

### Council Tax Increase

- 1.11 The Executive on 5 January 2021 proposed a general council tax increase for 2021/22 of 1.99%. This is within the referendum limit of 2.00% for general council tax announced in the Local Government Provisional Finance Settlement. The Provisional Local Government Finance Settlement also confirmed that councils with adult social care responsibilities would be able to charge an Adult Social Care precept of up to 3.00% for 2021/22, or defer all or part of this precept charge to 2022/23. The ability to charge an Adult Social Care precept is a continuation of the power to charge such a precept which came into force in 2016/17. The Executive on 5 January 2021 proposed not to charge an Adult Social Care precept in 2021/22.
- 1.12 An Impact Analysis has been completed for this increase and is attached at Appendix B. The equality impacts are addressed further below in part 2 of the report 'Legal Issues'.

### Business Rates

- 1.13 The District Councils have until 31 January 2021 to provide business rates returns showing:
- The position on the business rates element of the collection funds; and
  - The value of the section 31 compensation grant due to the County Council.
- 1.14 The report to the Executive on 5 January 2021 assumed a neutral collection fund position, i.e. neither a surplus nor a deficit.

### Business Rates Collection Fund

- 1.15 At the time of preparing this report, none of the seven District Councils had notified the Council of their confirmed Business Rates Collection Fund positions.
- 1.16 An update on these figures will be tabled at the Executive meeting on 2 February 2021, once all information has been confirmed by all of the Lincolnshire District Councils.
- 1.17 The Local Government Provisional Finance Settlement confirmed that a deficit on the Business Rates Collection Fund for 2021/22 must be spread equally over 2021/22, 2022/23 and 2023/24 and new regulations to allow this to happen came into force in December 2020. This means that the impact of the deficit in 2021/22 is one third of this total, which will be repeated in each of the following two years in addition to any surpluses or deficits arising in those following two years.

- 1.18 The government announced a new Local Tax Guarantee Scheme in November 2020 to provide councils with a grant to compensate for irrecoverable 2020/21 Business Rates losses that have been incurred. The government has set out how this grant is to be assessed and the District Councils will apply this methodology to calculate the amount of this grant which is attributable to the County Council and inform us of this amount at the end of January. This will be paid as a Section 31 grant in 2021/22.
- 1.19 An update on these figures will be tabled at the Executive meeting on 2 February 2021, once all information has been confirmed by all of the Lincolnshire District Councils.

#### **Business Rates Section 31 Grant**

- 1.20 The Government confirmed that it will continue to compensate councils in full for the continuation of the business rates cap, small business rates relief and rural rate relief by way of a section 31 grant, as in previous years. In addition, there will be a new section 31 grant to compensate councils for the impact of the government's decision to freeze the business rates multiplier in 2021/22.
- 1.21 At the time of preparing this report the Council had not received notifications from each of the District Councils in respect of section 31 grants.
- 1.22 An update on these figures will be tabled at the Executive meeting on 2 February 2021, once all information has been confirmed by all of the Lincolnshire District Councils.

#### **Business Rates Pooling**

- 1.23 The Council has confirmed that it wishes to remain in a business rates pool with six of the seven Lincolnshire District Councils (one council is withdrawing from the pool). Given the impact of Covid-19 on business rates in 2020/21, a prudent assumption has been made that there will be no pooling gain in 2021/22.

#### **Implications of the Latest Information on Council Tax and Business Rates**

- 1.24 The report on the budget considered by the Executive at its meeting on 5 January 2021 set out a budget surplus of £1.921m prior to receiving Council Tax and Business Rates information from the District Councils. A minor amendment has been made to this position and the budget surplus is now £1.912m. The update on these figures will be tabled at the Executive meeting on 2 February 2021, once all information has been confirmed by all of the Lincolnshire District Councils, and this will include the implications of the latest information on the Council's overall budgetary position.

## Revenue Budget

1.25 Since the report to the Executive on 5 January 2021, a minor amendment has been made to the budget and this has resulted in a Budget Requirement of £504.895m and a resulting budget surplus of £1.912m. Table A shows the current proposed revenue budget.

**TABLE A – Revenue Budget 2020/21 and 2021/22**

REVENUE EXPENDITURE			
2020/21 BUDGET	REVENUE BUDGETS	2021/22 BUDGET CHANGES	2021/22 PROPOSED BUDGET
£		£	£
<b>COMMITTEE AREA</b>			
40,123,628	Children's Education	5,265,385	45,389,013
73,869,447	Children's Social Care	2,926,044	76,795,491
118,876,574	Adult Frailty & Long Term Conditions	1,148,971	120,025,545
81,006,840	Adult Specialities	5,328,051	86,334,891
28,468,066	Public Health & Community Wellbeing	153,565	28,621,631
46,174,210	Communities	1,707,655	47,881,865
340,689	Lincolnshire Local Enterprise Partnership	3,416	344,105
2,164,951	Growth	27,801	2,192,752
24,072,119	Highways	191,931	24,264,050
21,821,169	Fire and Rescue & Emergency Planning	490,811	22,311,980
	Public Protection		4,488,720
26,394,613	Finance	1,506,253	7,289,995
	Org Support		14,050,335
	Governance		2,071,816
	Property		10,404,607
37,382,605	Commercial Transformation	1,214,712	8,748,920
	IMT		4,730,021
			14,713,769
2,865,384	Corporate Services	90,603	2,955,987
-32,340,600	Public Health Grant Income	-1,205,537	-33,546,137
-47,022,878	Better Care Funding	-5,210,463	-52,233,341
<b>424,196,817</b>	<b>Total Delivery Hierarchy</b>	<b>13,639,198</b>	<b>437,836,015</b>
<b>SCHOOLS BUDGETS</b>			
454,763,789	Schools Block	41,741,056	496,504,845
91,982,435	High Needs Block	9,637,214	101,619,649
3,728,205	Central School Services Block	17,196	3,745,401
42,131,646	Early Years Block	222,003	42,353,649
-595,281,990	Dedicated Schools Grant	-51,617,470	-646,899,460
<b>-2,675,915</b>	<b>TOTAL SCHOOLS BUDGETS</b>	<b>-1</b>	<b>-2,675,916</b>
<b>OTHER BUDGETS</b>			
3,000,000	Contingency	0	3,000,000
45,694,177	Capital Financing Charges	-4,032,231	41,661,946
19,679,208	Other	3,282,324	22,961,532
<b>68,373,385</b>	<b>TOTAL OTHER BUDGETS</b>	<b>-749,907</b>	<b>67,623,478</b>
<b>489,894,287</b>	<b>TOTAL NET EXPENDITURE</b>	<b>12,889,290</b>	<b>502,783,577</b>
2,572,245	Transfer to/from Earmarked Reserves	-660,733	1,911,512
150,000	Transfer to/from General Reserves	50,000	200,000
<b>492,616,532</b>	<b>BUDGET REQUIREMENT</b>	<b>12,278,557</b>	<b>504,895,089</b>
<b>INCOME:</b>			
123,271,058	Business Rates Local Retention	-2,917,323	120,353,735
20,466,718	Revenue Support Grant	113,180	20,579,898
34,016,803	Other Non Specific Grants	10,399,314	44,416,117
314,861,953	County Precept	4,683,387	319,545,340
<b>492,616,532</b>	<b>TOTAL INCOME</b>	<b>12,278,558</b>	<b>504,895,090</b>

## Capital Programme

1.26 The proposed capital programme is summarised in Table B below. It has not changed since the report to the Executive on 5 January 2021, but the table has been updated to show how the programme will be funded. Details of the Council's capital programme are set out at Appendix C.

**TABLE B – Gross Capital Programme 2020/21 to 2021/22 (plus future years)**

Capital Programme (2020/21 plus Future Years)	Revised Gross Programme 2020/21 £m	Gross Programme 2021/22 £m	Gross Programme Future Years £m
<b><u>ADULT CARE AND COMMUNITY WELLBEING</u></b>			
Adult Frailty & Long Term Conditions	3.390	0.000	0.000
<b><u>CHILDREN'S EDUCATION</u></b>			
<b><u>SCHOOLS</u></b>			
Schools	21.777	36.111	94.959
Children's Services	1.271	1.893	0.625
<b><u>COMMERCIAL</u></b>			
Property	6.136	7.943	26.262
ICT	4.745	6.436	17.251
<b><u>RESOURCES</u></b>			
Fire and Rescue & Emergency Planning	4.489	4.203	6.540
Public Protection	0.107	0.000	0.000
<b><u>PLACE</u></b>			
Communities	7.353	9.779	8.668
Growth	18.505	2.500	0.000
Highways	130.071	117.939	115.292
<b><u>OTHER BUDGETS</u></b>			
Other Budgets	5.659	17.500	52.500
<b>Total Budget</b>	<b>203.502</b>	<b>204.302</b>	<b>322.097</b>
<b>Gross Capital Programme</b>	<b>203.502</b>	<b>204.302</b>	<b>322.097</b>
<b><u>Funded by:</u></b>			
Grants and Contribution	101.105	93.019	39.289
Revenue Funding	1.316	0.071	1.035
Use of Reseve	20.172	0.000	0.000
Borrowing	80.909	111.213	281.773
<b>TOTAL FUNDING</b>	<b>203.502</b>	<b>204.302</b>	<b>322.097</b>

## **Council Tax Rates**

- 1.27 The impact on a Band D property of the proposed increase in council tax of 1.99% for 2021/22, as set out in paragraph 1.11 above, is shown in Table C.

**TABLE C – County Council Element of the Council Tax for Band D**

<b>County Council element of the council tax</b>	<b>2020/21</b>	<b>2021/22</b>
Band D council tax	£1,337.58	£1,364.16
Increase over previous year	3.50%	1.99%

- 1.28 The effect of this increase on all Council Tax property bands can be found at Appendix D.
- 1.29 Under section 52ZB of the Local Government Finance Act 1992 the Council, as a major precepting authority, must in setting its precept, determine whether its relevant basic amount of council tax for the financial year under consideration is excessive. That question must be determined by the Council in accordance with any principles determined by the Secretary of State and approved by a resolution of the House of Commons. Whilst those principles have not been approved at the date of preparing this report, notification has been given that for 2021/22 the principles will provide for a 3.00% increase in council tax for expenditure on adult social care and a 2.00% increase in council tax for other expenditure. Applying those principles the Executive can determine that the recommended general council tax increase of 1.99% is not excessive.

## **Prudential Indicators**

- 1.30 The Council is required to agree targets for specified prudential indicators in relation to capital financing and other treasury management matters. The Council also sets its own targets in addition to the statutory ones. The main purpose of these targets is to ensure that the Council's capital financing, in particular its long term borrowing, is prudent, affordable and sustainable. The proposed targets are set out in Appendix E.
- 1.31 One of the Council's voluntary Prudential Indicators, is that the repayment of external debt including interest will be less than 10% of annual income from general government grants, Dedicated Schools Grant and council tax. This is projected to increase to 6.3% by 2023/24 from 5.1% in 2020/21.

## **Final Local Government Finance Settlement**

- 1.32 The government grant allocations assumed in the budget proposals are those announced in the Provisional Local Government Finance Settlement. These allocations may be altered in the Final Settlement, although major changes are not expected. At the time of preparing this report, the date of the Final Settlement is not known but expected to be in early to

mid-February. An update will be tabled at the Executive meeting on 2 February, if there are any amendments required arising from the final Local Government Finance Settlement. The recommendations in this report allow for the Leader of the Council to review and amend the Executive's budget recommendations to the County Council, as appropriate, in light of the final Local Government Finance Settlement if this is received after the meeting on 2 February 2021.

### **Flexible Use of Capital Receipts**

- 1.33 The Council has approved the strategy of using Capital Receipts flexibly to fund revenue transformation projects between 2016/17 and 2019/20, in line with the Government's amended policy. This flexibility is due to end in March 2022. It is proposed that in 2021/22 the strategy of using Capital Receipts only to repay loans or fund new capital expenditure will continue on from 2020/21. Transformation projects will instead be funded by using existing revenue budgets or earmarked reserves.
- 1.34 The statutory guidance relating to the flexible use of capital receipts requires councils to approve annually a Flexible Use of Capital Receipts Strategy. The proposed strategy for 2021/22 is set out in Appendix F and confirms that the Council has not identified any transformation projects in 2021/22 to be funded using this flexibility.

### **Budget Consultation**

- 1.35 Consultation comments made so far on the budget proposals and the ways in which these are reflected in the final proposals, are detailed in Appendix G. The Executive must consider these comments in arriving at its recommendations in relation to the final budget.
- 1.36 At the time of writing this report, a number of consultation events were still to be held. Therefore, an expanded Appendix G to this report will be tabled and presented to the Executive at the meeting on 2 February to allow any comments from these events, and any other comments received, to be considered with those already made.

### **Financial Risk Relating to Coronavirus Pandemic**

- 1.37 Although budgetary figures will soon be finalised, there remains the risk that the pandemic, which at the time of writing this report is still causing significant issues, will impact on the budget in 2021/22.
- 1.38 We expect that some cost pressures related to Covid-19 will continue into 2021/22 and our assumption is that these will be fully covered by government grant (a further tranche of non-ringfenced Covid-19 grant was announced in the Local Government Provisional Settlement). At this point in time we can only estimate what these costs might be, but an indication of this is provided below.

## Adult Care and Community Wellbeing

1.39 Adult Care and Community Wellbeing is currently forecasting additional costs relating to Covid-19 in 2021/22. This comprises both costs which can be offset against the general Covid-19 grant and costs for the NHS Recharge Schemes 1 & 2.

1.40 The reasons for this include:

- A delay in transferring all service users in receipt of non-residential care across to the minimum income guarantee. This will result in a delay in receipt of income in 2021/22.
- The forecast assumes that adult social care providers will continue to need support for the first quarter of 2021/22, based on the current claims from providers to support additional staffing costs.
- It had been planned to refine the sexual health service specification during 2020/21 however the continued Covid-19 environment has meant this has not been possible. The contract contains the option to run for a further 2 years and it is planned to extend for at least a further year.
- A number of service users are in receipt of one to one care as a result of the closure / reduced capacity within their usual social care provider, especially day care providers, and this is more costly. It is likely, especially given the current national lock down, that this will continue for the remainder of the 2020/21 financial year. It is currently assumed that this will gradually unwind over the first few months of 2021/22.

## Children's Services

1.41 Children's Services is forecasting additional spending for Children in Care in 2021/22. This area in particular has seen a material increase in costs caused by the pandemic, which in the current year is being met by the temporary Covid-19 grant. Lincolnshire has experienced an increase in looked after children numbers (predominately in the 10 -15 year age group) due to escalating needs during this pandemic and less children are exiting care due to the available options of more suitable placements. More children are being placed in specialist placements (external residential placements, independent fostering agencies) due to the availability of internal foster carers accepting new placements, reasons include self-isolating due to vulnerability, and concerns with increased exposure to the virus. It is important to acknowledge that the average age of a Lincolnshire foster carer is 53 years old. In-house residential homes have remained fully operational throughout the pandemic and delivering services at full capacity, despite all of the homes experiencing Covid-19 outbreaks. This has enabled vulnerable young people to remain and be cared for in Lincolnshire. Children's Services continue to review this position and its impact for 2021/22, but a continuation of additional costs is expected in 2021/22.

- 1.42 It is anticipated that the impact of the pandemic on vulnerable children and families will continue to be felt for some time ahead. School closures, social distancing and lockdown measures have all impacted on services when supporting children and families at the very time when they are facing even greater challenges. There is a continuing trend of self-referrals for help and support, and the impact of national measures on children's mental health, levels of family conflict, academic progress and the effects of social isolation are inevitably going to result in an increase in families requiring support from our early help teams. Ensuring that we have sufficient service capacity to enable proactive action to be taken to meet these anticipated increases in demand for both social care and early help services will be a crucial as we move towards the recovery phase. Our ability to continue to be able to respond to demand and provide the right support by the right service at the right time will ensure that needs are supported before they escalate. This approach will also be considered for the special educational needs services in supporting young people in schools to reach their potential.
- 1.43 Other areas impacted by the pandemic and likely to continue into 2021/22 include home to schools transport (through reductions in post 16 transport income, increase in contract re-tendering costs during this period of uncertainty, grants to providers for extra cleaning and PPE costs), and the music service (reduction in instrumental income). Although the music service has resumed with a blend of virtual and face to face music sessions, there is still a moderate level of financial uncertainty. Social distancing measures and the availability and price of materials are expected to continue to affect the Children's Services capital programme requirements in 2021/22.

#### Place

- 1.44 Covid restrictions and changed working practices are expected to continue to impact on both revenue and capital budgets in 2021/22.
- 1.45 The Waste Management service is particularly affected due to the increase in the volume of household waste being processed as a result of the increased level of working at home. There is also expected to be a shortfall in the income generated from the Energy from Waste plant due to oversupply and price uncertainty in the power market caused by the downturn in demand from businesses and industry.
- 1.46 The additional demands on the public rights of way network including increased numbers of general reports concerning the network, conflict resolution between the newly accessing users and the landowners who see this as a threat and enforcement work against those seeing an opportunity to close routes under the guise of pandemic safety are also expected to continue into 2021/22.
- 1.47 Social distancing measures, and the availability and price of materials is expected to continue to affect the capital programme both for major schemes but also more routine asset protection works.

## Commercial

- 1.48 The running costs of the temporary mortuary facilities will continue to affect Corporate Property revenue costs into 2021/22.
- 1.49 Further development of Smarter Working capability, increased support costs for a remote workforce, and extending software licences are also expected to impact on IMT costs.

## **The Medium Term Financial Strategy**

- 1.50 The Medium Term Financial Strategy has been refreshed this year and is attached as Appendix H (to follow).

## **The Capital Strategy**

- 1.51 The Capital Strategy has been updated for 2021/22 and is attached as Appendix I. The main changes to the strategy are that it includes a new appendix which sets out the terms of reference of the Capital Review Group; the annexes have been updated to reflect the latest Capital Programme and Prudential Indicators; the strategy now refers to the impact of the latest guidance on borrowing from the Public Works Loans Board; additional information is included to provide assurance about non-treasury investments and the existing Annex A is now expanded to show how the Capital Programme supports the Council's Corporate Plan.

## **2. Legal Issues:**

### **2.1 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 equality considerations do not preclude changes in services being made, but do require that these be fully appreciated. It is clear that the current and future financial challenges facing local authorities and the need for budget savings may result in changes to service provision and to some reduction in Council services. These may apply to services accessed by all people in Lincolnshire as well as services provided to specific groups. It is possible that there may be an adverse impact on some people and communities including those with a protected characteristic.

In order to meet its obligations, Equality Impact analyses will be carried out in relation to any proposed changes to services on an individual basis. The specific impacts on people with a protected characteristic will be investigated and the potential mitigation, if any, will be made clear, so that the implications of decisions are fully understood as they affect specific groups and communities. These have been and will continue to be regularly reported to the Executive as part of the decision making processes. Individual proposals will only be implemented after due regard to the legal matters that must be considered, including the public sector equality duty.

As part of its decision-making, the Executive will need to consider whether any alternative approaches could alleviate or at least mitigate the impact of the decision; such as making reductions in other areas which do not have

the same impacts, including, particularly, equality impacts. The result could be to require additional resources to be used in certain areas than has been budgeted for.

Consideration of the public sector equality duty and/or consultation may be necessary at the budget setting stage where a decision to reduce spending is significant, sufficiently focussed, and in financial terms, apparently rigid.

In the meantime consideration has been given as to whether there is any element of the current budget proposals that should be the subject of an equality impact analysis at this stage and as a result an assessment (attached at Appendix B) has been carried out on the proposal to increase Council Tax. That assessment identifies the potential for the proposal to impact on people with low income and therefore disproportionately on certain people with a protected characteristics including older and younger people, people with a disability and women with children. Overall, however, the increase is modest and each District Council operates a Council Tax Support Scheme which has been designed following consultation and individual impact analyses to mitigate the effects of Council Tax levels on vulnerable people and people with low incomes. The savings of £13.828m built into this budget are all considered to have minimal impacts on service users but, as stated above, equality impact analyses will be carried out in relation to any proposed changes to services on an individual basis.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the public sector equality duty.

As part of its decision-making the Executive will need to consider whether any alternative approaches could alleviate or at least mitigate the impact of the decision such as making reductions in other areas which do not have the same impacts, including particularly equality impacts. The result could be to require additional resources to be used in certain areas than has been budgeted for. In this event the usual budget management processes such as virement would be followed and approval sought at the appropriate levels in accordance with Financial Regulations including full Council where necessary. In particular a contingency has been built into the budget proposals in the form of the Financial Volatility Reserve (the balance is currently £52.683m) and the annual Contingency budget of £3.000m for 2021/22, for when additional funding cannot be found by way of virement from other service areas.

## 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 & Wellbeing Strategy (JHWS) in coming to a decision.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategy.

## 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.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. Individual proposals will only be implemented after due regard to the legal matters that must be considered including the duty under section 17 of the Crime and Disorder Act 1988.

### **3.**

#### **Conclusion**

- 3.1 These budget proposals reflect the level of Government funding available to the Council and a proposal to increase general Council Tax in 2021/22 by 1.99%.
- 3.2 The budget proposal from the Executive meeting on 5 January 2021, as developed to reflect the changes contained in this report and consideration of consultation feedback, is recommended as the budget to be put forward by the Executive for approval at the County Council on 19 February 2021, subject to any change by the Leader to reflect the Final Local Government Finance Settlement, and District Council business rates and final council tax information.

#### **4. Legal Comments:**

The Executive is responsible for publishing initial budget proposals for the budget in accordance with the Budget and Policy Framework Procedure Rules.

When publishing its budget proposals the Executive must be mindful of its obligation to have due regard to a number of matters including under the Equality Act 2010.

Case law has established that generally it is lawful for a Council first to decide its budget and then to consider the question of consultation and the specific impact of proposed policies and service changes at the time they are developed and decisions are taken on them. Consideration has been given to whether there are any specific proposals within the budget that would require such consideration prior to the budget being set and apart from the proposed Council Tax increase which is dealt with in the Report there are not considered to be any such proposals

The way in which it is proposed to deal with specific service proposals is set out in full in the body of the report.

The legal issues relating to the recommended level of council tax and prudential indicators and the requirement for a Flexible Use of Capital Receipts Strategy are set out in the Report.

The proposed Medium Term Financial Strategy and Capital Strategy 2021/22 form part of the Financial Strategy which is part of the Council's Policy Framework. Approval of documents forming part of the Policy Framework is reserved to the full Council on the recommendation of the Executive.

The recommendations are within the remit of the Executive and are lawful. The Executive has the power to accept recommendation 3 or to agree one of the alternative approaches referred to in the report.

#### **5. Resource Comments:**

These budget proposals incorporate the level of funding available to the Council from central Government plus an increase in Council Tax of 1.99% for general Council Tax.

The funding assumed is in line with the Provisional Local Government Finance Settlement received in December 2020, and we propose a surplus budget at this stage, which will be a balanced budget once all remaining budgetary information has been incorporated.

The Medium Term Financial Plan from 2022/23 onwards still shows an underlying deficit position. We expect to be able to resolve this once our future funding is known and further savings are built into the budget after a number of development initiatives, including transformational projects, are delivered.

## **6. Consultation**

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

Yes

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

Yes

### **c) Scrutiny Comments**

#### Councillor Budget Briefings

All Councillors were sent a briefing on the Government's Spending Review announcement and its impact on the Council. A further briefing is due to be sent to all Councillors in January 2021, to update them on the latest budgetary position.

#### Further Scrutiny and Consultation:

A consultation meeting with local business representatives, trade unions and other partners will take place on 28 January 2021. Comments from this meeting will be tabled at the meeting on 2 February 2021.

The Council's scrutiny committees scrutinised proposals in detail during January 2021 and their comments are included in Appendix G.

The Overview and Scrutiny Management Board scrutinised the budget proposals, as set out in the report to the Executive on 5 January 2021, and their comments will be tabled at the meeting on 2 February 2021.

The proposal to increase Council Tax by 1.99% has been publicised on the Council's website together with the opportunity for the public to comment. Consultation comments and responses are included in Appendix G for the Executive to consider alongside this report on 2 February 2021.

### **d) Risks and Impact Analysis**

Yes. An impact analysis relating to the proposal to increase Council Tax has been carried out and is attached at Appendix B. Proposed service changes to give effect to the budget will be subject to their own policy proofing considerations.

## 7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Executive Report "Council Budget 2021/22" 5 January 2021 (Available to view at: <a href="https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=5750&amp;Ver=4">https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=5750&amp;Ver=4</a> )
Appendix B	Impact Analysis relating to increasing the council tax by 1.99% in 2021/22
Appendix C	Capital Programme 2020/21 to 2021/22 and future years
Appendix D	Council Tax Increase per Band 2021/22
Appendix E	Prudential Indicators
Appendix F	Flexible Use of Capital Receipts Strategy 2021/22
Appendix G	Consultation Comments Received ( <i>updated version to be tabled at the meeting</i> )
Appendix H	Medium Term Financial Strategy
Appendix I	Capital Strategy 2021/22

## 8. 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
Provisional Local Government Finance Settlement	<a href="https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022">https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022</a>
Executive Report 5 January 2021 "Medium Term Financial Strategy and Council Budget 2021/22"	<a href="https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=5750&amp;Ver=4">https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=5750&amp;Ver=4</a>

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