



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

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>27 January 2022</b>
Subject:	<b>Service Revenue and Capital Budget Proposals 2022/23</b>

**Summary:**

The report outlines the service budget proposals for the next financial year 2022/23.

The Provisional Local Government Finance Settlement for 2022/23 was issued on 16 December 2021. The Final Settlement, which is expected to be in line with the draft, is due to be published in February 2022. Further budgetary information is also awaited from the Lincolnshire District Councils, therefore the budget proposals for 2022/23 are estimated at this stage.

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

The Executive approved 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 2022.

Members of the Board have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 8 February 2022 when it will make its final budget proposals for 2022/23.

**Actions Required:**

The Overview and Scrutiny Management Board is asked to consider this report and provide comments on the budget proposals for consideration by the Executive at its meeting on 8 February 2022.

**1. Background**

- 1.1. On 27 October 2021, the Chancellor of the Exchequer announced the outcome of the 2021 comprehensive spending review (SR2021) alongside his Autumn Budget 2021. Although this was a spending review setting government departmental budgets up to 2024-25, continuing uncertainty about the fair funding review and

possible Business Rates retention reform resulted in it remaining unclear whether the Department for Levelling Up, Housing and Communities (DLUHC) would conduct a one-year or three-year settlement.

1.2. The Spending Review announcement included notification of additional funding for local authorities in 2022/23 to help councils deal with some of the pressures, including inflationary pressures, currently being experienced. Announcements included:

- Local government in England will receive an additional £4.8bn in grant funding over the next three years (£1.6bn in each year), which was described as “for social care and other services”.
- There will be additional funding of £3.6bn over three years for adult social care reform, to implement the cap on personal care costs and changes to the means test. This will be weighted towards later years as the costs of the changes will grow over time.
- Councils providing Adult Social Care services can charge an adult social care precept of up to 1% in 2022/23 and the same again in 2023/24 and 2024/25 (this is in addition to any adult social care precept which may have been deferred from 2021/22 and which can be charged in 2022/23).
- The Business Rates multiplier, which is used to increase Business Rates charges, is to be frozen in 2022/23 and councils will be compensated for this loss of income, most likely by way of additional Section 31 grant.
- Following the previous year’s announcement of a public sector pay freeze, SR2021 confirmed a return to the usual process for setting pay awards.
- The National Living Wage will increase to £9.50 per hour from April 2022 (the impact of this increase has been included in the budget proposals).
- A number of other specific grants will be received, although the amounts per council are not yet known. These include grants for: Supporting Families £500m (formerly Troubled Families), cyber security £12m, roads £2.7bn over the next three years, Special Educational Needs and Disabilities school places £2.6bn.

1.3. The Provisional Local Government Finance Settlement for 2022/23 was issued on 16 December 2021 and confirmed funding for one year only (2022/23) and has aimed to offer some stability in funding with primarily a roll-over of existing funding ahead of an assessment of needs and existing resources.

1.4. The provisional settlement confirmed the following funding arrangements for the Council in 2022/23:

- A new tranche of Social Care Support grant of £9.342m; it is assumed that this grant will continue at the same level into future years.

- The Lincolnshire County Council (LCC) share of the new funding to deal with local authority pressures (to be called “Services Grant”) was confirmed at £7.684m and for the 2022/23 year only.
  - Rural Services Delivery Grant – LCC allocation was confirmed at £7.277m, which is the same as in 2021/22.
  - New Homes Bonus grant – LCC allocation is £1.659m, which is an increase of £0.190m compared to 2021/22.
  - Revenue Support grant – LCC allocation is £21.220m, which is an increase of £0.640m compared to 2021/22.
  - Business Rates Top-Up grant – LCC allocation is £91.302m, which is the same as in 2021/22. This stagnation of the grant level is due to the business rates multiplier freeze announced as part of the Spending Review. It is assumed that the total of the different elements of business rates will be in line with the total amount received in the current year, but this will not be known until the end of January when we receive budgetary information from the Lincolnshire District Councils.
  - The council tax referendum limit will be 2% for general council tax increases and social care authorities can raise up to 1% for a further Adult Social Care precept. Social Care authorities can also raise an Adult Social Care precept in 2022/23 for any element of the 3% precept for 2021/22 which was deferred but this cannot be carried-forward again.
  - Improved Better Care Fund (iBCF) was confirmed at £34.255m, which is £1.006m higher than the current level of grant. It is assumed that this is to fund new activities and therefore a corresponding cost pressure of £1.006m has been added.
  - A new grant called Market Sustainability and Fair Cost of Care Fund was confirmed at £2.273m. This relates to the reforms to Adult Social Care funding announced in the autumn and it is again assumed that there will be new burdens arising from compliance with the grant conditions, resulting in a corresponding cost pressure.
- 1.5. Members will be aware that central Government planned to implement significant funding reforms for the local government sector. There are two aspects to these reforms: the Review of Relative Needs and Resources (known as the Fair Funding Review), and 75% Business Rates Retention. These reforms were originally due to be implemented from April 2020 but were later deferred to April 2021 and then again to April 2022. The provisional settlement announcement indicates that work will start in the coming months to look at updating how local government funding is distributed. It is therefore possible that these long-awaited reforms could be implemented from 2023/24, however at this point no definite implementation date has been announced.
- 1.6. The coronavirus pandemic continued to impact on both Council services and the local economy in the 2021/22 financial year with the Council's costs and losses

arising directly from the pandemic being funded by additional government grants. It is assumed that no such funding will be available in 2022/23.

- 1.7. In view of the continuing uncertainties about future levels of funding, a one-year budget is proposed for 2022/23.
- 1.8. At its meeting on 5 January 2022, the Executive approved proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation including a proposed Council Tax increase in 2022/23 of 3.00%. This results from the proposed implementation of the Adult Social Care (ASC) Precept that was deferred in 2021/22. The charging of this 2021/22 ASC precept cannot be deferred again.

### Revenue Budget

- 1.9. 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 2022/23 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.
- 1.10. Table A shows the total proposed revenue budget for the Council's Commercial, Resources and Corporate services.

TABLE A

2022/23 Revenue Budget	2021/22 Budget £000	Cost Pressures £000	Savings £000	Proposed Budget 2022/23 £000
<b>COMMERCIAL</b>				
Information Management & Technology	14,757	1,079	-503	15,334
Corporate Property (including County Farms)	11,037	134	-153	11,018
Commercial Services (including Customer Services Centre)	8,716	82	-153	8,645
Transformation	4,653	-46	-10	4,598
<b>Total - Commercial</b>	<b>39,164</b>	<b>1,249</b>	<b>-819</b>	<b>39,595</b>
<b>RESOURCES</b>				
Legal & Governance Services	2,025	0	-27	1,998
Human Resources & Organisational Support	14,830	0	-892	13,938
Finance	7,322	46	-44	7,325
<i>Public Protection *</i>	4,656	10	-18	4,648
<b>Total - Resources</b>	<b>28,833</b>	<b>56</b>	<b>-981</b>	<b>27,909</b>
<b>CORPORATE</b>				
Strategic Communications	1,287	35	-3	1,318
Corporate Services & Chief Executive	790	0	-15	775
<b>Total - Corporate</b>	<b>2,077</b>	<b>35</b>	<b>-18</b>	<b>2,094</b>
<b>GRAND TOTAL</b>	<b>70,075</b>	<b>1,340</b>	<b>-1,817</b>	<b>69,598</b>
* Included for information only , Public Protection is scrutinised by the Public Protection and Communities Scrutiny Committee				

- 1.11. The overall budget proposals have allowed for pay inflation of 2% in 2022/23. This is however, currently being held centrally pending agreement of any pay settlement, following which service budgets will be updated and it is therefore not currently reflected in the table above.
- 1.12. There are unavoidable service specific cost pressures for 2022/23 totalling £1.330m which will support the delivery of Council services. These are more than

offset by savings and efficiencies of £1.799m which do not negatively impact the level of service delivery.

### Commercial

- 1.13. In Information Management and Technology, increased licencing and support costs to enable the utilisation of improved, cloud-based technologies in support of agile working, an increasing requirement for document storage, and additional staffing resource required to support increased demand, activity and pace of implementation, create a cost pressure of £0.836m. This will enable the service to continue to provide increased reliability and more effective remote support in the future. Migration of storage to the Azure cloud platform will result in savings of £0.500m which will be used to partially fund this pressure.
- 1.14. Telephony licencing costs, previously a perpetual licence funded from the capital programme, is now an annual licence giving rise to a further revenue pressure of £0.243m. Although this is an additional revenue cost, the capital programme can be reduced thereby achieving corresponding capital financing savings over the duration of the medium-term financial plan.
- 1.15. Increases in utility costs, rates and insurance premiums in Corporate Property result in cost pressures totalling £0.134m. This is offset by savings of £0.153m resulting from a reduction in the rent payable to the Crown Estate, improved contractual arrangements for the commissionaires service and savings arising from revised, agile working practices.
- 1.16. A cost pressure of £0.082m due to the creation of a Commissioning Hub to support more efficient and collaborative procurement is offset by savings of £0.153m from the Customer Service Centre and agile working practices.
- 1.17. In Transformation, the reversal of a previous short-term pressure due to additional software licencing no longer being required and agile working generates a reduction of £0.056m in the budget requirement.

### Resources

- 1.18. The ongoing cost of maintaining Payment Card Industry Data Security Standard (PCI DSS) compliance creates a £0.046m cost pressure in Finance which is offset by savings of £0.044m from increased income generated from audit clients, services to support schools and agile working.
- 1.19. In Organisational Support the review of Executive and Management Support arrangements and the continued implementation of the revised printing strategy is forecast to yield efficiency savings of £0.874m in 2022/23.
- 1.20. Further increases in the income generated from external clients and schools in Human Resources combined with agile working, provides savings of £0.018m.

- 1.21. Savings of £0.027m are anticipated in 2022/23 from revised, agile working practices in Legal and Governance Services.

### Corporate

- 1.22. In Strategic Communications, a pressure of £0.035m is due to creation of a Web Officer post as part of the implementation of the Digital Engagement Strategy. This is offset by savings from agile working practices of £0.018m.

### Capital Programme

- 1.23. The ten-year Capital Programme previously approved has been reviewed in line with the principles set out in the Council's Capital Strategy, including the principle of affordability. The full Gross Programme totals £113.730m for 2022/23 plus a further £268.569m in future years. After grants and contributions are taken into account, the Net Programme is £87.734m for 2022/23 plus a further £261.075m for future years.
- 1.24. Due to the uncertainty of future funding, no new projects have been added to the Capital Programme in this budget process. Instead, the block budgets for rolling maintenance programmes have been continued forward for the full ten years, and the capital budgets for some existing schemes have been increased due to rising costs. The capital programme net budget has therefore increased since last year's budget process by a net amount of £7.741m.
- 1.25. Table B shows the proposed gross capital programme for the Council's Commercial, Resources and Corporate services.

TABLE B

Capital Programme (2021/22 plus Future Years)		Revised Gross Programme 2021/22 £m	Revised Gross Programme 2022/23 £m	Gross Programme Future Years £m
<b>COMMERCIAL</b>				
<b>PROPERTY</b>				
Property	Maintenance and improvement programme for council properties, asbestos works and improvements to the County Farm estates.	0.325	0.929	0.000
Property maintenance	To fund the maintenance and improvement programme for council properties	3.331	3.500	31.500
Orchard House Repairs	To complete essential repair work to the Lincoln County offices / Orchard House campus	0.072	0.000	0.000
Bluelight - wider estates (other funding will support this)	Programme of works to support dual and tri service occupation throughout Lincolnshire.	0.208	0.000	0.000
Lexicon House	Refurbishment of Lexicon House for office accommodation.	0.000	0.950	0.000
Property Area Reviews	Programme of works for leased properties.	0.100	0.343	0.000
County Farms Private Roads	The improvement of private roads on the County Farms Estates.	0.000	0.020	0.000
County Farms Grain Stores	The improvement to County Farms grain stores.	0.000	0.145	0.098
County Farms Block	Improvements to the County Farm estate.	0.165	0.000	0.000
School Mobile Classroom Replacement	The replacement of school mobile classrooms.	0.416	0.300	2.700
Castle Motte	Contribution towards the programme of works to remove Lincoln Castle from the Heritage at Risk Register.	0.510	0.000	0.000
<b>Total - Property</b>		<b>5.127</b>	<b>6.187</b>	<b>34.298</b>
<b>IMT</b>				
Broadband	Provision of superfast broadband across the county.	1.223	4.287	3.751
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	1.303	6.292	0.000
Improvement Transformation	To support the Transformation Programme by delivering enabling strategies in line with the Council's IMT strategy	0.000	4.000	0.000
Replacement ERP Finance System	Improvements to the ERP Finance system.	0.284	0.000	0.000
Care Management System (CMPP)	Installation of the Mosaic system.	0.014	0.000	0.000
ICT Development Fund	Improvements to ICT infrastructure and network.	0.145	0.181	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.	0.035	0.066	8.000
Azure Data Migration	Migration of data from a physical to a cloud platform.	0.811	0.024	0.000
<b>Total - IMT</b>		<b>3.815</b>	<b>14.851</b>	<b>11.751</b>

1.26. 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

- 1.27. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place on 28 January 2022.
- 1.28. The proposals will be publicised on the Council's website together with the opportunity for the public to comment.
- 1.29. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 8 February 2022.

## **2. Conclusion**

- 2.1. These budget proposals reflect the level of government funding expected to be available to the Council and an assumed increase in Council Tax in 2022/23 of 3.00%.
- 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 8 February 2022.

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 2022/23 Executive Report 5 January 2022	<a href="https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=6153">https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&amp;MId=6153</a>

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