

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

Report to:	Executive
Date:	05 July 2022
Subject:	Review of Financial Performance 2021/22
Decision Reference:	I025544
Key decision?	Yes

Summary:

This report:

- describes the Council's financial performance in 2021/22 and reports on the underspends of £13.582m on Council budgets and £17.214m on Schools budgets;
- identifies and explains variances from the Council's revenue and capital budgets;
- makes proposals on the carry forward of over and under spends into the current financial year 2022/23; and
- reports Prudential and Financial Performance Indicators for 2021/22.

Recommendation(s):

That the Executive:

1. Notes the carry forwards set out in paragraphs 1.56 to 1.61 and the transfers to reserves set out in paragraphs 1.62 and 1.63 of this report, which are made in line with the Council's Financial Regulations,
2. Recommends to the County Council that the proposals in paragraphs 1.65 to 1.67 and Table E, relating to the treatment of the underspend remaining after the carry forwards referred to in recommendation 1, be approved,
3. Notes the transfers to and from reserves carried out in 2021/22 as set out in Table G,
4. Notes the financial performance in 2021/22 as set out in Table B (Key Financial Performance Measures), Table C (Revenue Budget Final Outturn), Table D (Net Capital Programme Summary Outturn) and Appendix M (Prudential Indicators).

Alternatives Considered:

1. This report describes the actual position for the 2021/22 financial year and is factual in content and follows current Council policy. No alternatives are being considered in relation to this aspect.
- In relation to the treatment of underspends as set out at the bottom of Table E, there are a number of different ways these could be used. Our financial resilience is already supported by General Reserves and by the Financial Volatility earmarked reserve, which together are considered to hold sufficient funds to help the Council withstand future financial shocks. It is proposed that the surplus underspend of £7.392m be:
- a. transferred to the Development Fund earmarked reserve for Local Highways works in the four Highways areas (£5.000m),
 - b. carried forward to the 2022/23 contingency budget to help deal with inflationary pressures (£2.392m).

Reasons for Recommendation:

Financial governance requires that the Executive reviews the financial performance of each year. This report facilitates this.

The treatment of underspends and overspends are considered appropriate and prudent for supporting the Council's future budgets.

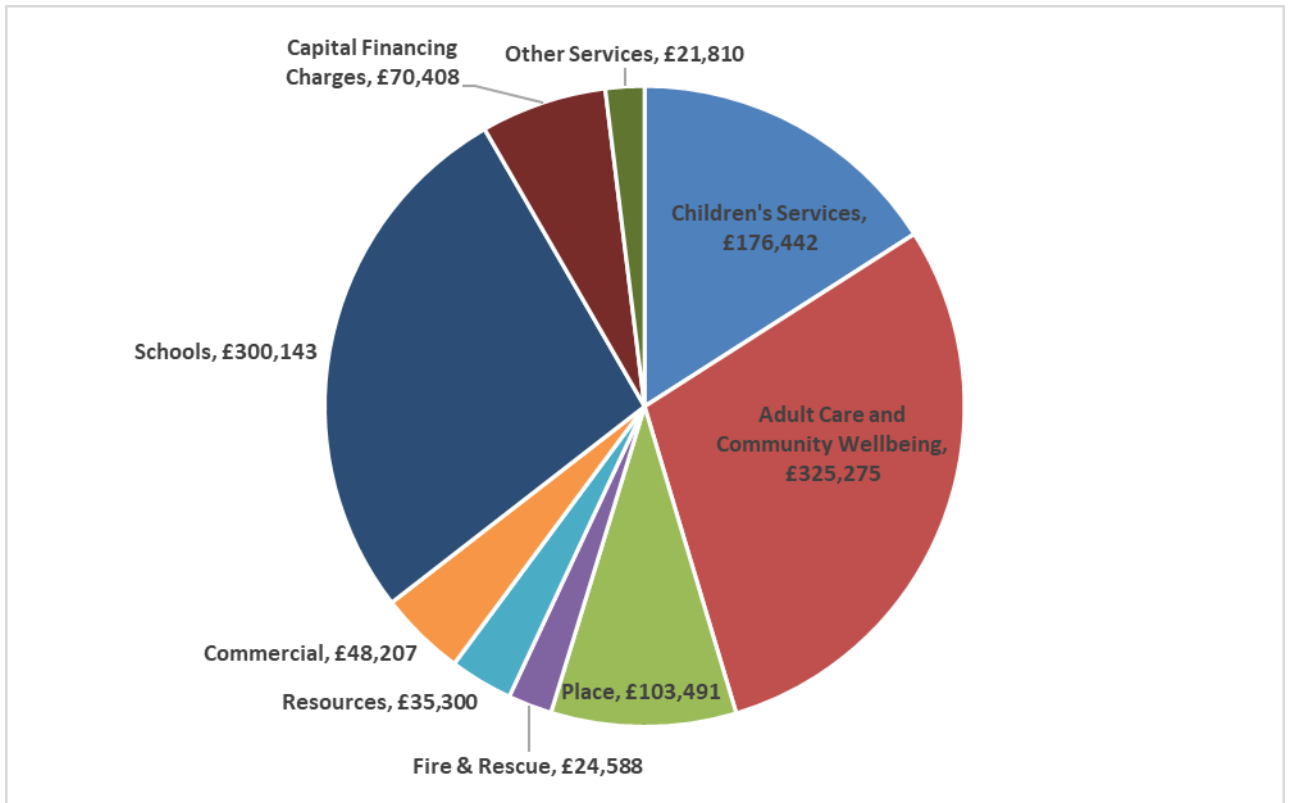
1. Background

- 1.1 We set our spending plans for 2021/22 in the context of continuing uncertainty about longer term government funding, growing cost pressures from demand led services such as adult and children's social care, and the Council's responsibility to pay the National Living Wage. In developing our financial plan for the year we considered all areas of current spending, levels of income and council tax to set a balanced budget. The budget proposals included an increase in council tax level of 1.99% for general council tax.
- 1.2 The year 2021/22 was the second year of the coronavirus pandemic, which continued to have a material impact on our activities over the year. Significant sums of money were paid to us by the government in the form of various coronavirus grants, and significant amounts have consequently been paid out. We have been able to fund all expenditure on Covid-19 by using the grants allocated to us or from within our existing budgets.

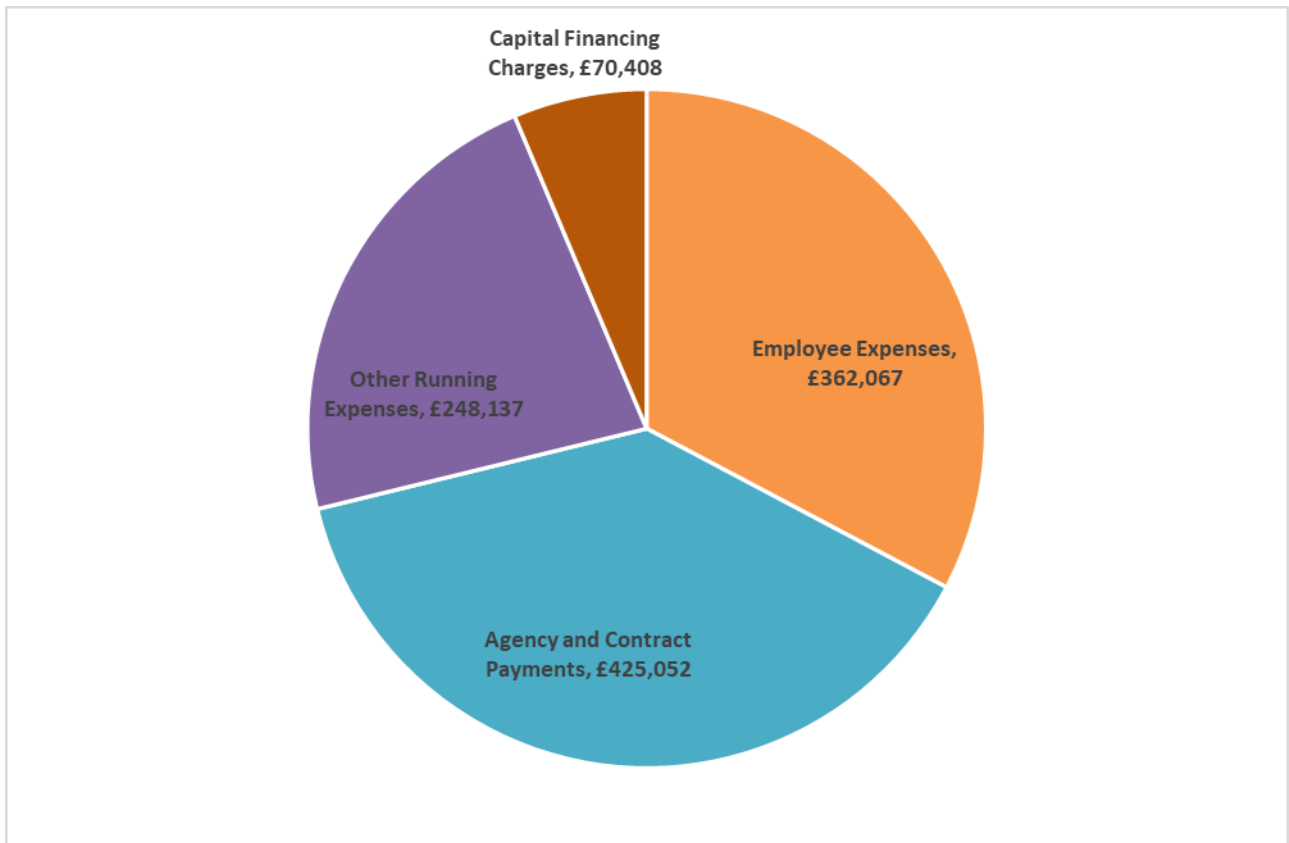
Annual Revenue Spending and Funding

- 1.3 We spent £1,105,663k in 2021/22 on providing public services. This equated to £1,443 for every person in Lincolnshire.
- 1.4 We have had to deal with a number of cost pressures, amounting to £31.197m in budgetary terms. These included: pay inflation; growth in the number of children in care; demographic growth and inflation affecting adult social care services (homecare, direct payments, community-based services, residential placements etc.); increased cost of mixed dry recycling; increase in the local government pension scheme deficit; insurance premium increases. To help counteract these cost pressures a range of efficiency savings were implemented and additional income from service user contributions was budgeted for including: increased service user contributions for adult social care; savings from contract re-procurements; savings in capital financing charges and a range of efficiency savings across all service areas. These reductions in the budget totalled £11.867m.
- 1.5 When we set our budget for 2021/22 it was for one year only, as we were expecting the government to implement two funding reforms which together are expected to change the way funding is distributed to all types of local authorities across the country. At that time we expected the reforms to be implemented with effect from April 2021 but this has since been deferred until at least April 2023.
- 1.6 The level of expenditure in 2021/22 indicates that during the year we have been able to deliver an underspend against the revenue budget of £13.581m (as well as an underspend on Schools of £17.214m, which includes £13.878m of maintained schools brought forward balances from prior years and the 2021/22 financial performance. These amounts will be carried forward automatically for schools to use in 2022/23).
- 1.7 The Council's annual spending on providing public services is set out in the charts below and analyses expenditure both by type of service provided and by type of expenditure.

Gross Expenditure Service Analysis 2021/22 £1,105,663 (£000's)

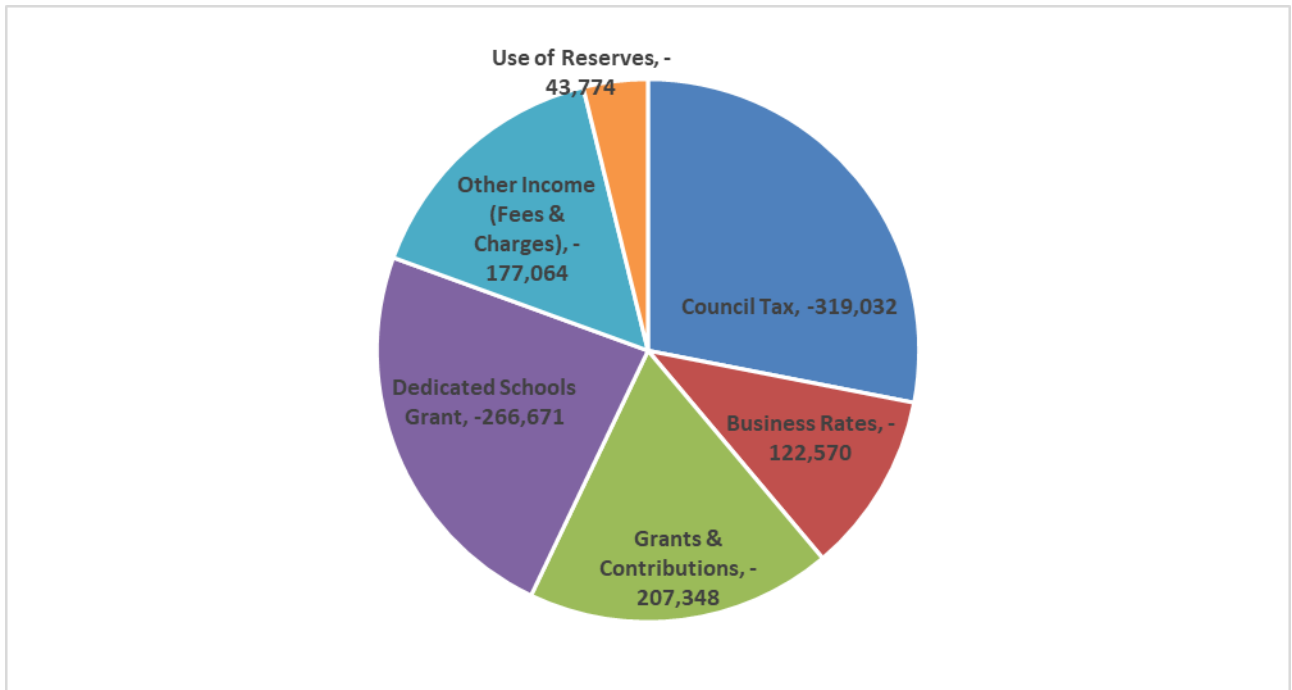


Gross Expenditure Subjective Analysis 2021/22 £1,105,663 (£000's)



The Council's revenue spending was funded by:

Sources of Income Analysis 2021/22 £1,136,459 (£000's)



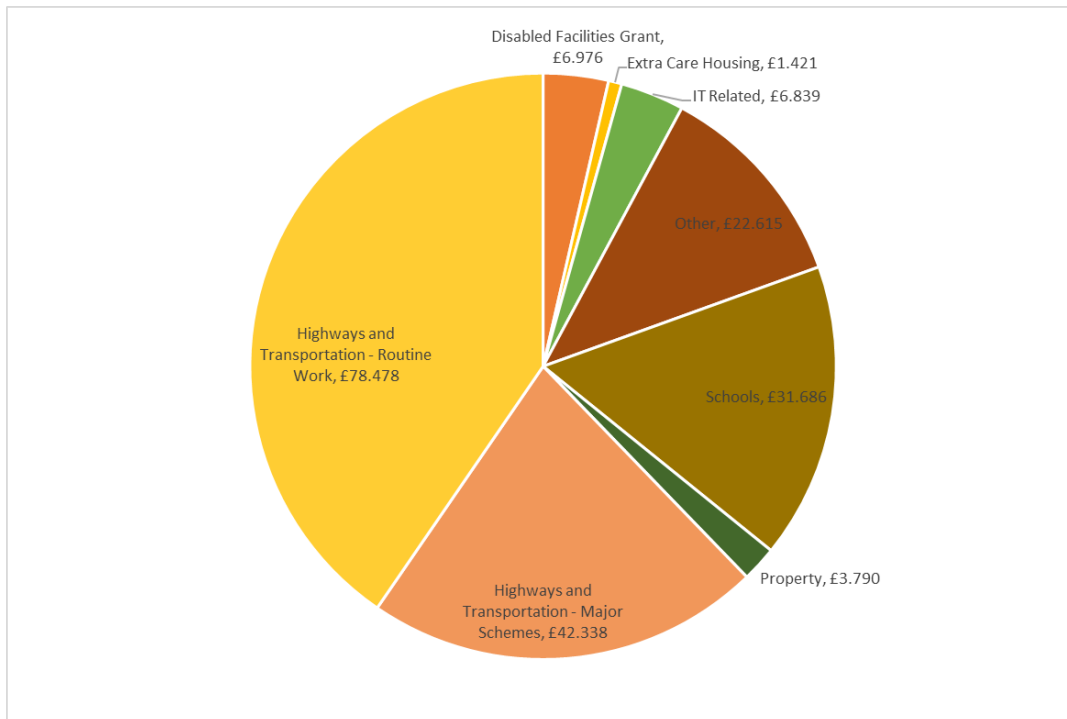
- 1.8 In 2021/22 we increased Council Tax by 1.99% and also saw growth of 0.3% on the number of band D equivalent properties in Lincolnshire. This in total generated additional income for the Council of £7.279m. The Council Tax collection funds in Lincolnshire also generated an overall surplus in 2021/22, a further £0.678m for the County Council.
- 1.9 Business Rates generated £122.570m. This was made up of a number of elements: £11.212m collected from businesses in Lincolnshire; £91.302m received as a top up from central government and £18.774m Section 31 grants from central government. The Council, along with its District Council partners, was in a Business Rates Pool in 2021/22 and the Pool generated an estimated surplus for us of £1.282m in the year.
- 1.10 The Council received a Revenue Support Grant (RSG) of £20.580m in 2021/22. In addition, a number of specific government grants were received in the year, the most significant of these being £266.671m Dedicated Schools Grant, which is used for funding education, £51.424m Better Care Fund Grant which is used for adult social care, and £33.895m Public Health Grant.

Capital Spending and Funding

- 1.11 The Council spent £194.144m on the County's major assets, in particular on road schemes and schools. The net capital spend was £100.400m, which was £50.049m less than planned. The main reasons for this position are shown in the section below

on Capital Programme Outturn. The following pie chart sets out the spending on major investment projects by service area:

Gross Expenditure on Major Investment Projects 2021/22 £194,144 (£000's)



Other includes: Children's services non-school schemes, waste, flood defences, fire and rescue vehicles and equipment.

1.12 In 2021/22 expenditure was incurred on the following major schemes:

- Completion of the De Wint Extra Care Housing scheme.
- Completion of the Boston Endeavour Academy School through the Building Communities of Specialist Provision Strategy.
- Expansion and remodelling work in other Lincolnshire special schools through the Building Communities of Specialist Provision Strategy delivering an increase in places and access to all-needs provision.
- Continuing construction of the Grantham Southern Relief Road scheme.
- Continuing construction of the Spalding Western Relief Road (section 5) scheme.
- Expansion works to some schools to provide additional places for pupils, as well as a programme of addressing condition issues of school buildings.

1.13 The Council has received grants from central government and other bodies of £93.744m in the year to fund: road maintenance and building work, the provision of additional school places, addressing the condition of school buildings, the provision of broadband in the community and the provision of grants for adaptations in the homes of disabled people. The amount of capital grants and contributions actually

used to fund the capital programme this year includes grants and contributions from previous years and is shown in the table below, which summarises how the capital programme has been financed in 2021/22:

TABLE A - Capital Financing 2021/22

	£'000
Revenue Contributions	9,519
Use of Reserves	4,399
Grants and Contributions	108,682
Capital Receipts	11,206
Borrowing	60,339
Total	194,144

- 1.14 The Council sets a voluntary limit on its total borrowing to ensure that it remains prudent and affordable over the longer term. This target is to ensure that the annual minimum revenue provision (MRP) charge plus interest on loans amount to no more than 10% of the Council's annual income. The MRP charge is the amount set aside by the Council each year as a provision to repay debt over the period when the assets purchased and built provide a benefit to the communities of Lincolnshire. The total cost of these capital financing charges for 2021/22 amounted to 3.85% of total income, however when the voluntary revenue provision (VRP) charge is included this total charge was 7.17% of total income.

The Council's financial standing

Key Financial Performance Measures: Financial Health and Performance

- 1.15 The County Council has identified a number of key indicators to monitor its Financial Health and Performance. The Council's actual performance against these key indicators for 2021/22 is shown in **TABLE B**.

TABLE B – Key Financial Performance Measures: Financial Health and Performance

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2021/22 Estimate	2021/22 Actual
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 26 county councils)	Yes	Yes
2	Government grants	Lobby for annual increases in general government grants to be above the county average	Yes	Yes
3	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	5.33%	7.17%
4	Accounting	Unqualified external audit opinion	Yes	Yes
5	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requirement net of Dedicated Schools Grant	Within range 3.5%	Within range 3.5%
6	Internal control	None of the processes audited receive a "no assurance" opinion from internal audit	Yes	Yes
7	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	90%	97%
8	Treasury management	Risk adjusted return comparison	Weighted Benchmark 0.131%	Weighted Benchmark 0.286%

Revenue Budget Outturn

1.16 The revenue budget outturn for 2021/22 is summarised below:

- a) Total service revenue spending, excluding schools, was underspent by £5.835m or 1.3%.
- b) There was an underspend of £6.387m on other budgets or 6.9%.
- c) The Council received £1.360m (less than 0.5%) more general funding income than originally budgeted for.

This gives the Council (excluding schools) an overall underspend of £13.582m.

1.17 In addition, there was an underspend of £17.214m relating to the Dedicated Schools Grant. Of this underspend, £13.878m relates to maintained schools' balances from the prior year, and the remainder relates to the 2021/22 financial performance. The Dedicated Schools Grant is a ring-fenced amount and will be automatically carried forward to use in 2022/23.

The revenue outturn position for 2021/22 is shown in **TABLE C**.

TABLE C – Revenue Budget Final Outturn 2021/22

	Revised Net Revenue Budget £m	Net Expenditure £m	Year End Variance £m	Actual Variance %
SERVICE DELIVERY				
Children's Social Care	83.609	81.863	(1.746)	(2.1)
Children's Education	48.921	49.445	0.524	1.1
Children's Services	132.530	131.308	(1.222)	(0.9)
Adult Frailty & Long Term Conditions	119.458	119.060	(0.397)	(0.3)
Adult Specialities	87.335	87.050	(0.284)	(0.3)
Public Health and Community Wellbeing	30.533	27.482	(3.051)	(10.0)
Public Health Grant Income	(33.895)	(33.895)	0.000	0.0
Better Care Funding	(52.660)	(51.304)	1.355	(2.6)
Adult Care and Community Wellbeing	150.770	148.392	(2.378)	(1.6)
Communities	47.116	46.836	(0.281)	(0.6)
Lincolnshire Local Enterprise Partnership	0.418	0.418	(0.000)	(0.0)
Growth	6.808	6.825	0.017	0.3
Highways	22.323	22.156	(0.167)	(0.7)
Place	76.665	76.235	(0.431)	(0.6)
Fire & Rescue	22.464	22.475	0.011	0.0
Fire and Rescue	22.464	22.475	0.011	0.0
Organisational Support	14.623	14.026	(0.597)	(4.1)
Finance	7.792	7.330	(0.461)	(5.9)
Governance Services	2.374	2.990	0.615	25.9
Public Protection	5.107	4.556	(0.551)	(10.8)
Resources	29.896	28.902	(0.994)	(3.3)
Property	11.180	10.686	(0.493)	(4.4)
Information Management Technology	14.646	14.278	(0.368)	(2.5)
Transformation	9.211	10.251	1.039	11.3
Commercial	8.751	8.136	(0.614)	(7.0)
Commercial	43.787	43.351	(0.436)	(1.0)
Corporate Services	3.002	2.617	(0.385)	(12.8)
Corporate Services	3.002	2.617	(0.385)	(12.8)
TOTAL SERVICE DELIVERY	459.115	453.280	(5.835)	(1.3)
OTHER BUDGETS				
Contingency	2.094	0.000	(2.094)	(100.0)
Capital Financing Charges	69.378	69.378	0.000	0.0
Other	21.204	16.910	(4.294)	(20.2)
TOTAL OTHER BUDGETS	92.675	86.288	(6.387)	(6.9)
TOTAL NET EXPENDITURE (EXC SCHOOLS)	551.790	539.568	(12.222)	(2.2)
MOVEMENT OF RESERVES				
Transfer to/from Earmarked Reserves	(26.150)	(26.150)	(0.000)	0.0
Contribution to/from School Reserves	(16.823)	(16.823)	(0.000)	0.0
Contribution to Development Fund	(1.001)	(1.001)	0.000	0.0
Transfer to/from General Reserves	0.200	0.200	0.000	0.0
TOTAL MOVEMENT OF RESERVES	(43.774)	(43.774)	(0.000)	0.0
MET FROM:				
Business Rates local Retention	(120.825)	(122.570)	(1.745)	1.4
Revenue Support Grant	(20.580)	(20.580)	0.000	0.0
Other Non Specific Grants	(60.673)	(60.882)	(0.209)	0.3
County Precept	(319.626)	(319.032)	0.594	(0.2)
TOTAL MET FROM	(521.705)	(523.065)	(1.360)	0.3
TOTAL (EXCLUDING SCHOOLS)	(13.688)	(27.270)	(13.582)	
SCHOOL BUDGETS				
Schools Block	150.539	137.877	(12.661)	(8.4)
High Needs Block	86.090	82.881	(3.209)	(3.7)
Central School Services Block	3.621	3.307	(0.314)	(8.7)
Early Years Block	40.200	39.170	(1.029)	(2.6)
Dedicated Schools Grant	(266.671)	(266.671)	0.000	(0.0)
Schools Budget (Other Funding)	(0.090)	(0.090)	0.000	(0.0)
TOTAL SCHOOLS BUDGETS	13.688	(3.525)	(17.214)	(125.8)
TOTAL (INCLUDING SCHOOLS)	0.000	(30.796)	(30.796)	

Children's Services – underspend of £1.222m

- 1.18 In the year, there were overspends due to the increase in the number of children in care reflecting the impact of the pandemic resulting in the need for external placements, and an increase in social care legal costs. Home to Schools Transport also overspent due to being impacted by a number of external factors contributing to a rise in delivery costs. These overspends were more than offset by underspends across Children's Services including the utilisation of one-off grant funding. More details on variances in this area are reported in Appendix B.

Adult Care and Community Wellbeing – underspend of £2.378m

- 1.19 2021/22 saw Adult Care and Community Wellbeing (ACCW) start to emerge from the Covid-19 pandemic and establish the new norm for service delivery. ACCW continued to receive Covid-19 funding specifically targeted at ACCW services, customers and providers. Costs directly related to the coronavirus recovery have been funded by the grants. This financial support, alongside volume-based services not seeing demand levels return to pre Covid-19 levels in some areas, resulted in the financial underspend.

Place – underspend of £0.431m

- 1.20 After the transfer of ring-fenced Highways Permitting income to reserves, Place is reporting an underspend of just £0.096m (0.1%) against a budget of £76.665m. There was a lower than forecast overspend on Winter Maintenance resulting from an improved price for salt, together with a reduced gritting requirement. Other Highways variances were managed by utilising underspends in Street Lighting and Traffic Regulation to fund additional maintenance costs and advance design work. There were also underspends in Transport services due to lower concessionary fares reimbursement, improving income levels in Heritage and savings from staffing vacancies. More details on variances in this area are reported in Appendix D.

Fire and Rescue – overspend of £0.011m

- 1.21 Fire and Rescue ended the year broadly on budget with savings in training costs being utilised to fund increased call volumes and the costs of long-term sickness. More details on variances in this area are reported in Appendix E.

Resources – underspend of £0.994m

- 1.22 The majority of the underspend arises from the receipt of additional ring-fenced Domestic Abuse grant, which is proposed to be transferred to reserves to be used for future provision. Excluding this, the underlying underspend in Resources was £0.154m. A lower than target surplus in Legal Services Lincolnshire and the costs of the local elections were offset by savings in outsourced services contracts, increased income levels, savings from staff vacancies and slippage in planned project work. More details on variances in this area are reported in Appendix F.

Commercial – underspend of £0.436m

- 1.23 Underspends on utility costs and increased Property income, combined with savings from staffing vacancies and an underspend on the Customer Service Centre, where general demand continued to fall and coronavirus-related call handling was funded by government grant were utilised to fund Transformation costs. This enabled Covid grant to be re-allocated to funding Covid related Capital costs. More details on variances in this area are reported in Appendix G.

Corporate Services – underspend of £0.385m

- 1.24 This underspend was mainly due to staff vacancies. More details on variances in this area are reported in Appendix H.

Other Budgets – underspend of £6.387m

- 1.25 The capital financing charges budget underspent during the year due to slippage on the Capital Programme in both 2020/21 and in 2021/22. In line with our policy on Minimum Revenue provision, we have made a Voluntary Revenue Provision using the underspend, and this has resulted in no overall variance against the budget. The revenue contingency was not fully utilised this year resulting in an underspend of £2.094m, and there were underspends on insurance, the redundancy budget and pension enhancements. More details on variances in this area are reported in Appendix J.

Dedicated Schools Grant – underspend of £17.214m

- 1.26 This underspend mainly relates to the school's delegated budgets for maintained schools (£13.878m). This includes the brought forward balances from prior years and the 2021/22 financial performance. School delegated budget underspends are automatically transferred to the schools' reserves for use in 2022/23. The financial position on the Dedicated School Grant blocks (excluding school balances) are reported in Appendix I.

Council's General Funding – £1.360m income than budgeted

- 1.27 The Council's general funding was £1.360m more than the revenue budget approved at full Council in February 2021. The most significant reasons for this increase in funding were as follows:
- 1.28 Council Tax - £0.594m (less than was budgeted for). Council Tax income was expected to be compensated by the Government for 75% of irrecoverable losses in council tax and business rates income in respect of 2020-21 via the Tax Income Guarantee Grant. At the time of setting the budget, it was not known how this grant would be calculated so the budget was estimated. The actual grant amount received was less than what was originally budgeted for.

- 1.29 Business Rates – Pooling with Districts – £1.282m (more than was budgeted for). The 2021/22 budget did not include a budget for Business Rates Pooling income, because at the time of setting the budget there was uncertainty about the extent to which Covid-19 would impact on future Business Rates growth. The Council has received pooling income during 2021/22 totalling £1.282m.
- 1.30 Business Rates S31 Grant: - £0.463m (more than was budgeted for). Income for S31 Business Rates Grants was due to be compensated by the Government for 75% of irrecoverable losses in council tax and business rates income in respect of 2020-21 via the Tax Income Guarantee Grant. At the time of setting the budget, it was not known how this grant would be calculated so the budget was estimated. The actual grant amount received was more than what was originally budgeted for.

Coronavirus Pandemic Expenditure and Funding

- 1.31 During 2021/22, we received a fourth tranche of emergency Covid-19 grant which totalled £15.159m. As the emergency grant is un-ringfenced, we were free to use it to cover any aspect of the cost of the pandemic. Unspent grant from 2020/21 which was carried forward in to 2021/22 totalling £2.072m has also been fully utilised to support Covid-19 costs this year.
- 1.32 In addition to this we also received £0.053m of sales, fees and charges grant which was specifically to cover losses of income due to the pandemic. Following a reconciliation of the sales, fees and charges grant received in 2020/21, we are required to return £0.033m back to Central Government.
- 1.33 In addition to these general Covid-19 grants, several specific grants were received from the government and the Clinical Commissioning Groups (CCGs) reimbursed us for some of our Covid-19 costs. Specific grants received in the year totalled £45.504m, and £46.603m was spent during 2021/22. Unspent Specific grant carried forward from 2020/21 has also been used to support Covid-19 costs this year. The CCGs reimbursed £1.718m of Covid-19 costs in 2021/22.
- 1.34 In summary, our total Covid-19 related expenditure in 2021/22 was £65.571m. Of this sum, £17.250m was covered by the government's emergency grant and sales fees and charges grant, £46.603m was covered by government grants for specific aspects of the pandemic, and £1.718m was reimbursed by way of the contribution from the CCGs.

Capital Programme Outturn

- 1.35 The capital outturn for 2021/22 is summarised below:
- Net capital expenditure was £100.400m; and
 - This was £50.049m or 33% less than planned.

1.36 **TABLE D** shows the summary of the year end position against the budget funded by the Council. Appendix A provides further detailed information on projects and schemes highlighted in this report.

The reasons for significant capital budget over or underspends are explained in the following paragraphs and in more detail in Appendix Aii.

TABLE D – Capital Programme Summary Outturn 2021/22

	Gross Programme			Net Programme		
	Actuals £'000	Revised Budget £000	Outturn Variance £000	Actuals £000	Revised Budget £000	Outturn Variance £000
Adult Care & Community Wellbeing	8,398	9,798	-1,400	1,161	1,161	0
Children's Services	32,630	32,753	-123	18,183	18,353	-170
Place	141,432	174,392	-32,960	73,923	111,426	-37,503
Fire and Rescue	1,055	1,253	-198	1,055	1,253	-198
Commercial	10,629	12,690	-2,061	7,881	9,942	-2,061
Resources	0	25	-25	0	25	-25
Other Budgets	0	11,661	-11,661	-1,803	8,289	-10,093
Total	194,144	242,572	-48,428	100,400	150,450	-50,049

1.37 The capital programme comprises a series of schemes/projects which often span a number of years. Hence over/underspends cannot be related to time periods such as this financial year. Where a scheme/project is known to be exhibiting a material variance to its spending profile this will be described in the narrative associated with that service area.

1.38 Schemes can receive funding from both the County Council and from external bodies (through grants and contributions). The timing of this external funding may also have an impact on the spending profile of schemes annually within the capital programme. All underspends and overspends on the capital programme are automatically carried forward to the next financial year.

Children's Services - £0.170m under net budget

1.39 Children's Services spent £32.630m on capital expenditure in 2021/22. Of this total, £24.015m was spent on the Building Communities of Specialist Provision Strategy supporting individual special school schemes; £3.582m was spent on replacing end of life building components in schools, and £1.811m was spent on the provision of school places. The programme is mostly funded by capital grants and contributions.

1.40 The Children's Services capital schemes were largely on target in the year. It is important to note the unprecedented supply chain issues effecting major construction schemes such as the Building Communities of Specialist Provision Strategy. There are significant cost pressures within the construction industry arising from a shortage of labour and materials within the supply chain. This is a local, regional, national and global issue which will impact on schemes remaining in the programme, and other schemes in the capital programme. Measures will be taken to try and mitigate the extent of these cost increases through robust challenge

and substantiating the impact of this is difficult, but the Council is acutely aware of the inflationary challenges facing capital schemes. The most significant project is the Building Communities of Specialist Provision Strategy in Children's Services, and a summary of the position on this is shown in Appendix A.

Adult Care and Community Wellbeing (AC&CW) - on target against net budget

- 1.41 Capital investment within Adult Care and Community Wellbeing is mostly funded by capital grants and contributions. AC&CW spent £8.469m on capital expenditure in 2021/22. Of this sum, £6.976m was disabled facility grants passed through to District Councils to enable essential housing adaptations to help disabled people live independently and safely in their own homes. In addition, work completed on the DeWint Extra Care Housing scheme which opened in April 2022.

Place - £37.503m under net budget

Communities - £8.380 under net budget

- 1.42 Total capital expenditure in 2021/22 within the Communities area of Place was £3.502m on drainage investigation and repair, separated waste-paper and card collections, the replacement Household Waste Recycling Centre at Tattershall and transport initiatives.
- 1.43 The main reason for the underspend in Communities was the project for the future development of the Heritage / Archives service. This project is approved in principle and currently in the planning stage resulting in only modest spend in the year and a £4.995m underspend against the profiled expenditure. Receipt of further grant funding for future transport and active travel schemes also created underspend in the year. Other smaller schemes make up the total and the whole life position for schemes within Communities is broadly on target.

Growth (including Greater Lincolnshire Local Enterprise Partnership (GLLEP) - £9.531m under net budget

- 1.44 Capital investment within the Growth area of Place was £10.813m in 2021/22. This included £7.972m accounted for on behalf of the Greater Lincolnshire Local Enterprise Partnership but which is governed by the GLLEP Board. LCC projects centred on further development of business units and the South Lincolnshire Food Enterprise Zone.

The net underspend was mainly due to slippage in GLLEP funded projects.

Highways - £19.592m under net budget

- 1.45 Capital expenditure on highways road maintenance and road building schemes was £120.780m in 2021/22, this leveraged grants and contributions of £61.171m resulting in net expenditure for the year of £59.609m.

1.46 The net underspend arose from a number of schemes, in the main these were the Lincoln Eastern Bypass, Spalding Western Relief Road, Grantham Southern Relief Road and the A52 Skegness Roman Bank reconstruction. This was offset by an overspend on the Highways Asset Protection block budget arising from the volume of work that was able to be completed during the year due to the relatively mild weather. This overspend will be carried forward and managed within the future programme of works. The whole life position for the major road schemes is largely on target at this stage, following an update to the future capital programme in the most recent budget setting process. More details on all of these schemes are included in Appendix Aii.

Fire and Rescue - £0.198m under net budget

1.47 Fire and Rescue spent £1.055m on capital expenditure in 2021/22. The majority of this was for fire vehicles and associated equipment and the underspend occurred following a review of the planned profile of expenditure for the period up to and including 2024/25, which has pushed some of the expenditure back to later years.

Resources - £0.025m under net budget

1.48 The Resources Directorate did not incur any capital expenditure in 2021/22 resulting in a small underspend against the modest capital budget for Safer Communities.

Commercial - £2.061m under net budget

1.49 The Commercial Directorate spent £10.629m on capital expenditure in 2021/22. This comprised £3.790m on property schemes (£2.099m under net budget); £3.437m on broadband (£0.459m over net budget) and £3.402m on IT schemes (£0.421m under net budget). The longer-term projects in this Directorate are all expected to remain within budget over their whole life.

1.50 The underspends in the areas of property and IT are in the main due to a number of schemes experiencing minor delays which has pushed some planned expenditure back to next year. The overspend on the broadband scheme in the year is as a result of timing differences and the project is expected to be within budget over its whole life – see Appendix Aii for more details.

New Developments Capital Contingency Fund - £11.661m under net budget

1.51 For 2021/22 we set aside £7.500m in a New Developments Capital Contingency Fund for schemes which emerge during the financial year. The movement during the financial year is explained below:

New Developments Capital Contingency	£000's
Original Budget	7,500
In-Year Changes to Budget	
Carried forward from underspend 2020/21	3,926
Plus Re-phasing from 2021/22	10,000
Less Transfer to Rural Road Fund	-12,300
Total Available Budget	9,126
Funding returned to Contingency	2,535
To be Carried Forward to 2022/23	11,661

- 1.52 No funding was allocated to schemes in the year, instead funding was returned to the contingency for several schemes either because the schemes had not yet started so a fresh application would be made at a later date, or because funding was surplus to requirements. Several schemes were identified in the year as requiring funding from the 2022/23 contingency and these amounted to £3.866m. The underspend of £11.661m remaining at the end of 2021/22 will be carried forward into 2022/23 to fund schemes in the new financial year.

Prudential indicators

- 1.53 The Local Government Act 2003 gave authorities freedom to borrow what they need to fund their capital programmes. The Act requires Local Authorities to comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. The Code provides a framework to ensure that Local Authorities' capital programmes are affordable, prudent and sustainable and that treasury management decisions are taken to support this.
- 1.54 In complying with the Code the indicators for 2021/22 were approved by the Council on 19 February 2021 along with the budget and council tax for that year. In accordance with the Code, the Executive Director has been monitoring the actual performance against the targets set and there have been no issues of concern to be reported to members. The Council should also be informed of the actual position compared with that estimated for any given year after the year end. Appendix M provides details of this comparison for 2021/22. It shows that Prudential Indicators have not been exceeded during the year and there have been no breach of limits set by the Authority.

Flexible Use of Capital Receipts

- 1.55 For 2021/22, we made the decision not to take advantage of the flexibility to use capital receipts to fund revenue transformation projects in the year. Instead capital receipts in 2021/22 have been used to fund capital schemes within the capital programme.

Carry forward of over and underspends

- 1.56 The Council's policy as set out in its Financial Regulations is:

All under and overspends on service revenue budgets of up to 1% will be carried forward without exception. In 2021/22, this was a net underspend totalling £4.791m. Proposals for utilising this underspend are outlined in paragraphs 1.57 to 1.60.

Under Financial Regulations the use of this up-to-1% carry forward is to be reported to the Executive and full Council for noting. The proposed uses for noting are set out in paragraphs 1.57 to 1.60 below.

All under and overspends on the dedicated schools budget will be carried forward. In 2021/22 this net underspend totalled £17.214m.

Children's Services – underspend to carry forward of £1.222m

- 1.57 Children's Services 1% carry forward will be used to support the attraction and retention payment to social workers in Family Assessment Support Team, Fostering and Children in Care teams with the aim of stabilising staffing levels and increasing recruitment. The remainder will be used to support year 1 of the social worker apprenticeship scheme.

Adult Care and Community Wellbeing (ACCW) – underspend to carry forward of £2.373m

- 1.58 ACCW is proposing to use £0.5m of its 1% carry forward to invest in Day Service buildings to increase access and use of the buildings by the wider local community: This will ensure that the Day Service buildings are seen as community assets and more people can benefit from their use. It will also mean that the traditional service offer can be expanded beyond normal opening hours and to people with more complex needs whilst also offering the opportunity to prevent people's needs escalating and therefore avoiding the need for more intensive levels of Health and Social Care. With the successful completion of the DeWint Extra Care Housing Scheme in April 2022 and the evidence of demand for additional housing, ACCW will propose a revenue to capital transfer of £0.5m for approval during 2022/23 to further progress its agenda working with partners to increase the types of housing available across Lincolnshire. Finally, ACCW is proposing to utilise £0.2m to continue working with health colleagues to further integrate across the discharge to assess pathway.

Place – underspend to carry forward of £0.431m

- 1.59 £0.335m of the underspend relates to ring-fenced Highways Permitting income which is proposed to be transferred to reserves. The modest level of underspend remaining (£0.096m) is planned to be utilised in Highways maintenance and the educational transport transformation programme.

Resources and Commercial – combined underspend to carry forward of £0.735m

1.60 The majority of the overall underspend (£0.840m) arises from the receipt of additional ring-fenced Domestic Abuse grant, which is proposed to be transferred to reserves to be used for future provision. Emerging uses of the remaining amount available to carry-forward, include:

- assessing options under the new attraction and retention framework to address ongoing recruitment and succession planning challenges,
- supplementing the corporate complaints team to help manage peaks in its workload,
- additional short-term costs to support the corporate Records Management project as we reduce our building footprint through the Smarter Working programme.

1.61 Corporate Services – underspend to carry forward of £0.030m.

1.62 In addition to the carry forward of up to 1% of budget underspends, there are a number of transfers to reserves for "business as usual" and Shared Service items totalling £0.487m.

- a) Civil Parking Enforcement and Permitting income is ring-fenced for spending on specific works defined by legislation. This budget underspent by £0.335m in the year.
- b) Strategic Commissioning and Procurement which provides services to partner organisations has operated at a surplus of £0.152m in 2021/22 and the net surplus will be transferred to an earmarked reserve pending future decisions about its use.

1.63 Two new Grants and Contributions reserves will be established for the following items:

- a) A ring-fenced grant of £1.445m was received in 2021/22 for this and future years, following the passing of the Domestic Abuse Act 2021. The grant conditions stipulate how this grant can be spent. At the year end, £0.841m of this grant remained unspent and will be transferred into a new grants and contributions earmarked reserve to allow it be carried forward to fund future spending.
- b) The Family Adoption Links partnership regional adoption agency was formed in October 2020 in response to the government's policy and legislative agenda of promoting regional adoption agencies, with the aims of better targeting the recruitment of prospective adopters and speeding up the matching and placement of children for adoption. It is a mandatory requirement. The partnership combines the expertise and collaborative working of six Local Authorities; Lincolnshire County Council (including Rutland Council), Leicestershire County Council, Leicester City Council, North Lincolnshire Council and Northamptonshire and includes the formation of an actual and virtual pooled budget. Lincolnshire County Council is the host for the pooled budget. The underspend for 2021/22 is £70,860 and will be

transferred into a new grants and contributions earmarked reserve to allow it be carried forward to fund future spending of this partnership.

- 1.64 All of the transfers to reserves set out in paragraphs 1.62 and 1.63 are for noting.
- 1.65 The Council is required to consider the use of underspends above the level of 1% and outside of the "business as usual" transfers to reserves. The table below sets out the total underspend, confirms the transfers to reserves as set out above, and a proposal for how the remainder could be allocated.

TABLE E – Allocation of 2021/22 Underspend

	£000's
Total Underspend for 2021/22	-30,796
Amount to transfer to Schools reserves	17,214
Council Underspend for 2021/22 (excluding Schools)	-13,582
<u>Service Net Underspends up to 1% Carried Forward</u>	
- Adult Care and Community Wellbeing	2,373
- Children's Services	1,222
- Place	431
- Fire and Rescue	0
- Commercial (will be combined with Resources)	436
- Resources	299
- Corporate Services	30
	4,791
<u>Business As Usual Ringfenced items</u>	
- Civil Parking Enforcement & Permitting	335
	335
<u>Shared Services Reserves</u>	
- Procurement Lincolnshire	152
	152
<u>Transfers to New Grants & Contributions Earmarked Reserves</u>	
Domestic Abuse Grant reserve	841
Regional Adoption Agency reserve	71
	912
Balance remaining for consideration	-7,392
<u>Proposed Allocation of remaining balance</u>	
- Development Fund for Local Highways works in the four Highways areas	5,000
- Allocate to 2022/23 contingency budget to help deal with inflationary pressures	2,392
Total	7,392

- 1.66 The proposal to set aside £5.000m for local highways work will enable some of the outstanding repairs to be completed.
- 1.67 The proposal to allocate the remaining £2.392m to the corporate contingency in 2022/23 will help to bolster the amount available to cover inflation cost pressures which are already being experienced, for example in respect of energy costs. An additional £3.5m was added to the corporate contingency in 2022/23 to deal with rising inflation as part of the last budget setting process, however we are already aware that the full year effect of energy cost increases already exceeds this additional sum.
- 1.68 A variety of other transfers to or from other earmarked reserves reflecting actual expenditure and income in 2021/22 are shown in TABLE G over the page.

General Reserve

- 1.69 It is our policy on general reserves that these will be maintained within a range of 2.5% to 3.5% of the annual budget requirement. We have increased our General Reserve by £0.200m this year, as planned for in the budget. The General Reserve at 31 March 2022 stands at £16.400m or 3.2% of the budget requirement (**TABLE F**).

TABLE F – General Reserves

GENERAL RESERVES	Balance at 31 March 2022 £'000
Balance at 1 April 2021	-16,200
Contribution to / use in year	-200
Proposed contribution to / use of reserves	0
Balance as at 31 March 2022	-16,400
Balance as a percentage of total budget	3.20%

TABLE G – Transfers to and from Reserves in Year 2021/22

Balance as at 31 March 2021		Balance at 1 April 2021	Additions in Year	Used in Year	Balance at 31 March 2022
£'000		£'000	£'000	£'000	£'000
11,878	Balances from dedicated schools budget	11,878	3,338	(2,322)	12,894
14,237	Balances for schools under a scheme of delegation	14,237	14,326	(14,904)	13,659
	Total Schools	26,115	17,664	(17,226)	26,553
	Other Earmarked Reserves:				
0	Other Services	0	4,899	(4,899)	0
29,254	Reserves requiring Council approval in September	29,254	13,582	(29,254)	13,582
6,775	Insurance	6,775	0	0	6,775
685	Schools Sickness Insurance	685	508	(421)	773
2,638	Shared Services (Legal and Procurement)	2,638	148	(729)	2,056
0	Financial Volatility - Budget Shortfall	0	0	0	0
40,483	Financial Volatility	40,483	6,439	0	46,922
2,748	CSSC Transformation Including BW Rebuild and Development	2,748	0	(791)	1,957
5,772	Energy from Waste Lifecycles	5,772	1,286	(2,337)	4,721
14,452	Development Fund	14,452	10,000	(1,001)	23,451
6,152	Business Rates Volatility Reserve	6,152	0	0	6,152
11,311	Support To Businesses	11,311	0	(8,009)	3,303
10,459	Other Service Earmarked Reserves	10,459	12,436	(14,939)	7,956
	Total Earmarked Reserves	130,729	49,298	(62,380)	117,648
	Revenue Grants and Contributions Unapplied Reserves:				
8,435	Schools	8,435	9,805	(9,348)	8,893
10,702	Childrens Services	10,702	1,144	(2,158)	9,687
65,524	Adult Care and Community Wellbeing	65,524	5,679	(6,669)	64,534
10,945	Place	10,945	4,286	(1,109)	14,122
3,700	Other Budgets	3,700	0	(2,072)	1,628
0	Corporate Services	0	0	0	0
826	Resources	826	0	(8)	818
384	Fire & Rescue	384	0	0	384
	Total Revenue Grants and Contributions	100,516	20,914	(21,364)	100,066
257,360	Total	257,360	87,876	(100,970)	244,267

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.

These matters have been considered and there is not considered to be any direct impact of the decisions called for by this report on the Equality Act duty. The Council set its budget for 2021/22 in February 2021 having had regard to these matters. The treatment of underspends and overspends in this report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to Equality Act obligations as they are taken. This includes decisions on the use of carried forward underspends.

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 and Wellbeing Strategy (JHWS) in coming to a decision.

The JSNA and JHWS have been considered and there is not considered to be any direct impact of the decisions called for by this report on either the JSNA or JHWS. The Council set its budget for 2021/22 in February 2021 having had regard to these matters. The treatment of underspends and overspends in this report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to the JSNA and JHWS as they are taken. This includes decisions on the use of carried forward underspends.

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.

Section 17 of the Crime and Disorder Act 1998 has been considered and there is not considered to be any direct impact of the decisions called for by this report on the obligations arising from this Act. The Council set its budget for 2021/22 in February 2021 having had regard to these matters. The treatment of underspends and overspends in this report do not impact on that budget or any individual decisions in relation to services. Those decisions will continue to have regard to Section 17 of the Crime and Disorder Act 1998 obligations as they are taken. This includes decisions on the use of carried forward underspends.

3. Conclusion

3.1 The report provides details of the Council's financial performance for 2021/22. Net revenue spending amounted to £539.568m, excluding Schools Budgets. Net capital spending totalled £100.400m.

3.2 Existing policies allow all over and underspends on capital, schools budgets and shared services to be automatically carried forward. The carry forwards and transfers to and from earmarked reserves have been proposed in accordance with existing policy. General reserves currently stand at £16.400m with a further £46.922m in the Financial Volatility earmarked reserve.

4. Legal Comments:

Recommendation 1 is compliant with the Council's Financial Regulations.

With regard to recommendation 2, the Council's Financial Regulations provide that the use of all underspending on service budgets in excess of 1% will be considered by the Executive and decided by the full Council. The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

Recommendations 3 and 4 enable the Executive to monitor performance against the Council's approved budget. Under Section 3 of the Local Government Act 2003 the Authority must determine and keep under review how much money it can afford to borrow. Reporting on the Prudential Indicators assists the Council in discharging this function.

The recommendations are lawful in accordance with the Constitution and the Policy Framework and within the remit of the Executive.

5. Resource Comments:

This end of year financial performance report confirms that overall spending has been within budget. This continues the Council's record of strong financial management, which supports future financial resilience.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

On 30 June 2022 Overview and Scrutiny Management Board will consider this report on the Review of Financial Performance 2021/22. Comments made by the Board will be tabled at the meeting.

d) Have Risks and Impact Analysis been carried out?

No

7. Appendices

These are listed below and attached at the back of the report	
Appendix Ai	Capital Programme Overview of Outturn 2021/22
Appendix Aii	Capital Performance Report 2021/22
Appendix B	Children's Services Financial Position 1 st April 2021 – 31 st March 2022
Appendix C	Adult Care and Community Wellbeing Financial Position 1 st April 2021– 31 st March 2022
Appendix D	Place Financial Position 1 st April 2021 – 31 st March 2022
Appendix E	Fire and Rescue and Emergency Planning Financial Position 1 st April 2021 – 31 st March 2022
Appendix F	Resources Financial Position 1 st April 2021 – 31 st March 2022
Appendix G	Commercial Financial Position 1 st April 2021 – 31 st March 2022
Appendix H	Corporate Services Financial Position 1 st April 2021 – 31 st March 2022
Appendix I	Schools Financial Position 1 st April 2021 – 31 st March 2022
Appendix J	Other Budgets Financial Position 1 st April 2021 – 31 st March 2022
Appendix K	Monitoring of Planned Savings 2021/22
Appendix L	Monitoring of Development Fund Initiatives 2021/22
Appendix M	Prudential Indicators 2021/22

8. Background Papers

Document title	Where the document can be viewed
Council Budget 2021/22	Council Budget Book 2021-22 (lincolnshire.gov.uk)

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