



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

Report to:	Overview and Scrutiny Management Board
Date:	26 January 2023
Subject:	Service Revenue and Capital Budget Proposals 2023/24

Summary:

The report outlines the service budget proposals for the next financial year 2023/24.

The Provisional Local Government Finance Settlement for 2023/24 was issued on 19 December 2022. The Final Settlement, which is expected to be in line with the draft, is due to be published in February 2023. Further budgetary information is also awaited from the Lincolnshire District Councils, therefore the budget proposals for 2023/24 are estimated at this stage.

This report specifically looks at the budget implications for the Council's Resources Directorate (including 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 4 January 2023.

Members of the Board have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 7 February 2023 when it will make its final budget proposals for 2023/24.

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 7 February 2023.

1. Background

- 1.1. The Chancellor of the Exchequer presented the Autumn Statement on 17 November 2022 and was the first major fiscal statement since the mini-budget in September. The Autumn Statement set out the planned level of public spending and financing (including taxation) and borrowing levels through to 2027/28. The

Autumn Statement also contains policy measures and announcements relevant to Local Government. Taken together, these changes set an updated framework and new resource limits for the 2023/24 Local Government finance settlement.

1.2. The Autumn Statement included notification of additional funding for local authorities in 2023/24 to help councils deal with some of the pressures currently being experienced, including inflationary pressures. Key announcements include:

- A decision to delay elements of the national rollout of social care charging reforms from October 2023 to October 2025. Funding for implementation will be maintained within local government to enable local authorities to address current adult social care pressures.
- Additional investment worth £1bn in 2023-24 and £1.7bn in 2024-25 to get people out of hospital on time and into social care. This funding will be split between the Better Care Fund and a ringfenced adult social care grant.
- Additional flexibility in respect of council tax setting, with the referendum limit for general increases set at 3%, with social care authorities also able to increase the adult social care precept by up to 2% per year.
- Confirmation that the 2023 business rate revaluation will be implemented from April 2023, and the multiplier frozen at 2022/23 levels with the Council compensated through additional section 31 grant multiplier cap funding.
- Confirmation that the Government is seeking recommendations from Pay Review Bodies where applicable for pay awards for 2023-24.
- The National Living Wage (NLW) will increase by 9.7% to £10.42 an hour from April 2023. In addition, the ambition for the NLW to reach two-thirds of median earnings by 2024, and for the age threshold to be lowered to those aged 21 and over, is retained.

1.3. Subsequent to the Autumn Statement, and in part recognising the need to provide some information to support the financial planning activities of local government, the Government published a finance policy statement on 12 December 2022 stating their intention for the draft settlement. The key announcements not available in the Autumn Statement are as follows:

- Repurposed money from delayed charging reform will be distributed to local authorities through the Social Care Grant for adult and children's social care. This is in addition to the existing Social Care Grant.
- The new social care grant discharge funding is expected to be utilised in a way that enables tangible improvements to adult social care in particular to address discharge delays, and will come with new reporting requirements regarding performance and use of funding to support improvement against objectives.
- The Revenue Support Grant (RSG) will increase in line with CPI.
- The Rural Services Delivery Grant will remain unchanged.

- There will be new rounds of New Homes Bonus (NHB) payments in 2023-24. Although, as with last year, these will not attract new legacy payments.
- The Services Grant will reduce in 2023-24. This is in part because there will no longer be an increase in National Insurance Contributions, therefore the Government will not be compensating local government for these contributions from 2023-24.
- In addition, some funding will go to increase the funding for the Supporting Families programme. The same as last year, the remainder of the Services Grant will be distributed by the Settlement Funding Assessment.
- Four grants – the Independent Living Fund; Council Tax Discounts (family annexe); Local Council Tax Support Administration Subsidy; and Natasha’s Law – will be consolidated into the finance settlement while keeping their existing distribution.
- In recognition of the inflationary pressures across the sector, the Lower Tier Services Grant will be repurposed and a proportion of the expired New Homes Bonus legacy payments to create a new one-off funding guarantee, ensuring all authorities see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels.
- The Government will be extending the Statutory Override for the Dedicated Schools Grant for the next three years from 2023-24 to 2025-26.
- The Government is intent on establishing a new mechanism to aid understanding of the reserves being held and their purpose, and are encouraging local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account of the need to maintain appropriate levels of reserves to support councils’ financial sustainability and future investment need.

1.4. The provisional settlement confirmed the following funding arrangements for the Council in 2023/24:

- An increase in the Social Care Grant of £21.2m from 2022/23 levels, which splits out as follows:
 - o £16.6m core uplift
 - o £3.0m adult social care precept equalisation
 - o £1.6m independent living fund rolling in (net nil item)
- A £6.3m increase in settlement funding assessment, which comprises:
 - o £2.2m increase in revenue support grant
 - o £4.1m increase in baseline funding (NNDR)
- A £5.6m increase in the Adult Social Care (ASC) Market Sustainability and Improvement Fund. The total funding for 2023/24 will be £7.9m, which

contains the original 2022/23 £2.3m Market Sustainability and Fair Cost of Care Fund.

- A new ASC Discharge Fund of £4.8m, which is expected to be allocated through the Better Care Fund.
- A £3.4m reduction to the Services Grant, to reflect the reversal of the Health and Social Care National Insurance (NI) Levy costs (cost reduction assumed in budget proposal).
- A £0.8m reduction in New Homes Bonus, which primarily reflects the expiration of legacy payments from prior year housing growth.
- Rural Service Delivery Grant (RSDG) funding is maintained at 2022/23 levels.
- The Improved Better Care Fund (IBCF) is maintained at 2022/23 levels.
- The business rates top-up grant has increased by £3.7m to £95.1m. This reflects the impact of the business rates revaluation on the Council's estimated net NNDR yield and its NNDR baseline funding.

In addition, the Council has the ability to increase council tax by up to 3% and the adult social care precept by up to 2%. For reference, each 1% increase is worth approximately £3.5m.

- 1.5. While only a one year settlement, the Government has stated its intentions and proposals for the 2024/25 settlement. At the time of writing, and due to the late issue of the settlement, the impact assessment beyond 2023/24 is ongoing. Any changes will be incorporated into the Executive budget report in February 2023. There is no certainty beyond 2024/25 when the economic and fiscal context looks considerably bleaker.
- 1.6. In previous years, the Government had committed to two major financial reforms. The first was the move to 75% business rate retention. The second was the Review of Relative Needs and Resources (formerly known as the Fair Funding Review). The move to 75% business rate retention had already been scrapped twelve months previously. The Review of Relative Needs and Resources has since been delayed again, and at this point no definite implementation date has been announced.
- 1.7. In view of the continuing financial uncertainties about our future levels of funding, a one-year budget is proposed for 2023/24.
- 1.8. At its meeting on 4 January 2023 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 2023/24 of up to 4.99%. This includes a 2% increase for the adult social care precept.

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 2023/24 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).

1.10. Table A shows the proposed revenue budget for Resources/Corporate services:

TABLE A – RESOURCES/CORPORATE REVENUE BUDGETS

Revenue Budget	2022/23 Budget £000	Cost Pressures £000	Savings £000	Proposed Budget 2023/24 £000
RESOURCES				
Information Management & Technology	15,480	1,851	-	17,331
Corporate Property (inc. County Farms)	13,783	5,673	(113)	19,343
Commercial Services (inc. Customer Services Centre)	8,790	356	(451)	8,695
Transformation	5,077	61	-	5,138
Information Assurance	801	-	-	801
Legal Services	(913)	400	(40)	(553)
Democratic Services	2,454	-	(0)	2,454
Business Support	12,849	-	(856)	11,992
Human Resources	3,419	67	-	3,486
Health & Safety	325	-	-	325
Financial Services	6,760	461	-	7,221
Audit and Risk	866	-	-	866
Total (Resources)	69,691	8,869	(1,462)	77,099
CORPORATE				
Strategic Communications	1,407	-	-	1,407
Corporate Services & Chief Executive	1,680	-	-	1,680
Total (Corporate)	3,087	-	-	3,087
TOTAL	72,778	8,869	(1,462)	80,186

1.11. The overall budget proposals have allowed for pay inflation of approximately 4% in 2023/24. 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 2023/24 totalling £8.9m which will support the delivery of Council services, largely due to the impact of

inflation on energy and contract costs. There are also savings and efficiencies of £1.5m which do not negatively impact the level of service delivery.

1.13. There are no cost pressures or savings to report in respect of Corporate service budgets. In respect of services within Resources, the cost pressures in excess of £0.1m are as follows:

- The cost of energy has increased significantly over the previous twelve months, initially reflecting an increase in demand after the economic activity started to surge following the relaxation of Covid-19 restrictions set against reduced supply levels. The Ukraine war has exacerbated supply issues further, with restrictions on energy from Russia. The budget proposal assumes a £4.4m increase in budgeted energy costs in 2023/24, although it is important to note that costs are already higher in 2022/23 and are expected to remain at higher levels for the foreseeable future.
- Other inflation costs within property services are expected to lead to additional cost in 2023/24 of approximately £1.1m. This reflects the basket of indices which form part of the contract, and reference the prevailing rate of inflation in addition to the change in the National Living Wage. It also reflects a bigger base budget because of corporate landlord budget adjustments.
- The new contract for the East Midlands Public Service Network is forecast to cost the Council an additional £1m. This reflects a change in the cost and income model, with a reduction in income from schools and external partners ensuring a bigger cost share for the Council.
- Other inflation costs within information management and technology contracts are expected to lead to additional cost in 2023/24 of approximately £0.6m. As with property, different contracts refer to different inflation indices and the current economic context has direct implications for contracted inflation.
- Inflation within the corporate support service contract which covers several areas, including; customer service centre, exchequer services and social care services among others, is expected to lead to £0.6m additional cost in 2023/24.
- The Legal Services Lincolnshire operating model has in recent years operated on a net income basis whereby direct cost is more than fully recovered from internal and external customers, with a contribution to Council overheads. The cost of the model is currently under pressure due to recent recruitment challenges resulting in the need to recruit locum solicitors to ensure the service provision can be maintained. Work is ongoing to review the pricing structure of the model to ensure it remains current, and the budget makes allowance of £0.4m to mitigate against current financial risk.
- Part of the information management and technology cost base is directly related to activity in respect of storage and other variables. As the Council utilises additional storage through the nature of core business, the cost to the Council increases. This is expected to amount to under £0.3m extra in 2023/24, although it must be noted that there is an opportunity to review storage need and activity on an ongoing basis to reduce the need for increases going forward.

- The property insurance contract (non-schools) is due to be re-tendered soon with the outcome expected in Spring 2023. It is estimated that the new contract will result in additional cost of £0.1m based on the existing portfolio.

1.14. In respect of services within Resources, the cost reductions in excess of £0.1m are as follows:

- The Council continues to progress a programme of transformation with the aim of reducing bureaucracy and reliance on manual processes, whilst also ensuring back office services are optimised. The business support review is an ongoing programme and is expected to reduce cost by approximately £1m in 2023/24, with just under £0.8m attributable to the Resources directorate and the rest achieved within other service directorates.
- Additionally, the focus on enhancing customer digital delivery through the customer and digital transformation programme is expected to enable savings of approximately £0.4m.
- During the 2023/24 budget setting process, the Council identified a need to identify additional efficiencies, as part of its cost conscious approach to financial planning. Each directorate was allocated a 1% saving target to be delivered across a three year period. The target for Resources will be achieved through vacancy management and a realistic reduction in supplies and services.
- An ongoing reduction in printing and photocopying activity is expected to permanently reduce costs by at least £0.1m.

1.15. Please note that the full list of budget adjustments for Resources can be seen in Appendix A of the Council Budget 2023/24 report.

Capital Programme

1.16. A ten year Capital Programme has been compiled in line with the principles set out in our Capital Strategy, including the principle of Affordability. The full Gross Programme totals £229.3m for 2022/23 plus a further £131.3m for future years. After grants and contributions are taken into consideration, the Council has a Net Programme of £146.8m for 2022/23 plus a further £82.7m for future years.

1.17. The current programme has been adjusted to take into account rephasing and the impact of inflation on major highways schemes. In addition, the infrastructure and Refresh programme block budget programme has been continued forward for the duration of the capital programme.

1.18. Table B shows the proposed gross capital programme for the Council's Resources directorate.

TABLE B – RESOURCES CAPITAL PROGRAMME

Capital Programme	Scheme Detail	Gross Programme 2022/23 £m	Gross Programme 2023/24 £m	Gross Programme Future Years £m
PROPERTY				
Property maintenance	To fund the maintenance and improvement programme for council properties	2.649	5.819	25.800
Orchard House Repairs	To complete essential repair work to the Lincoln County offices / Orchard House campus	0.002	-	-
Property Area Reviews	Programme of works for leased properties.	0.077	0.300	-
County Farms Block	The improvement to county farms grain stores	0.667	0.373	2.200
Castle Motte	Contribution towards the programme of works to remove Lincoln Castle from the Heritage at Risk Register.	0.004	-	-
Total (Property)		3.399	6.492	28.000
INFORMATION MANAGEMENT AND TECHNOLOGY				
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	2.323	2.000	25.500
Improvement Transformation	To support the Transformation Programme by delivering enabling strategies in line with the Council's IMT strategy	2.000	2.000	-
Replacement ERP Finance System	Improvements to the ERP Finance system.	0.240	-	-
Care Management System (CMPP)	Installation of the Mosaic system.	0.014	-	-
ICT Development Fund	Improvements to ICT infrastructure and network.	0.028	-	-
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.	0.088	-	-
Azure Data Migration	Migration of data from a physical to a cloud platform	0.051	-	-
Total (IMT)		4.743	4.000	25.500
TOTAL		8.142	10.492	53.500

Further consultation

- 1.19. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place at the end of January 2023.
- 1.20. The proposals will be publicised on the Council's website together with the opportunity for the public to comment.
- 1.21. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 7 February 2023.

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 2023/24 of between 2.99% and 4.99% (inclusive of a 2% adult social care precept).
- 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 7 February 2023.

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 2023/24 Executive Report 4 January 2023	Agenda for Executive on Wednesday, 4th January, 2023, 10.30 am (moderngov.co.uk)

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