

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

Report to:	Executive
Date:	04 January 2023
Subject:	Council Budget 2023/24
Decision Reference:	I028535
Key decision?	Yes

Summary:

This report outlines budget proposals for the financial year 2023/24. The economic context in which the Council operates continues to be highly challenging, with persistent high levels of inflation impacting across the cost base. The budget proposal makes a series of adjustments to reflect the increasing cost of providing services.

The budget proposal is also subject to change when local taxation estimates (business rates and council tax) have been received from the Lincolnshire District Councils, expected towards the end of January 2023. In recognition of the outstanding variables, the funding base cannot be considered final and therefore the budget proposal is considered to be an estimate at this stage.

The Executive is asked to approve the proposals for the Council's budget for 2023/24, set out in this report and based on these estimates, for internal and external consultation.

Recommendation(s):

That the Executive:

1. approves the following elements of the budget for 2023/24 as its initial proposals subject to further consultation and scrutiny, namely:-
 - a) The budget requirement pre use of reserves as set out in Table D;
 - b) The budget savings and cost pressures covering the 2023/24 financial year, as set out in Appendix A;
 - c) The draft capital programme 2023/24 onwards set out in Appendix B.
2. Notes the advice of the Executive Director for Resources as s151 Officer at paragraphs 1.5 to 1.11 of the Report.

3. Notes the options for the setting of a precept and use of reserves relating to the initial proposals for the 2023/24 budget set out in the Report as follows:
- Option A (based on a 2% Adult Social Care (ASC) precept and a 0.99% general precept making a total precept for 2023/24 of 2.99% and £10.3m use of reserves);
 - Option B (based on a 2% Adult Social Care precept and 1.99% general precept making a total precept for 2023/24 of 3.99% and £6.9m use of reserves); and
 - Option C (based on a 2% Adult Social Care precept and 2.99% general precept making a total precept for 2023/24 of 4.99% and £3.4m use of reserves);
- as set out in Table F of the Report.
4. Reserves its position in relation to the above options for the setting of a precept and use of reserves for the 2023/24 budget pending further consultation, scrutiny and final funding announcements.
5. Approves the carrying out of consultation and scrutiny on the Executive’s initial proposals as set out in paragraph 1) together with all of the options referred to in paragraph 3).

Alternatives Considered:

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| 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 Recommendations:

The Council has undergone an extensive budget setting process, taking into account the much changed economic context and associated impact to the cost base, together with all other changes that have been identified. This includes unavoidable cost pressures which will support the delivery of Council services, and a number of savings and efficiencies which do not impact negatively on services or outcomes.

Following receipt of the single year draft settlement, the Council has reached a final budget position for most areas. However, there are still a few minor areas where other changes could potentially be required – both in respect of the cost base and funding – accordingly the Council needs to retain some flexibility with regards to its council tax

setting decision.

The recommended option reflects a need to increase council tax by at least 2.99%, with the potential for a larger increase being needed subject to finalisation of the cost and funding base by the end of January 2023. If the final position shows a shortfall between funding and the cost base, then a contribution from reserves will be required to balance the budget for 2023/24.

1. Background

Economic and Financial Context

1.1 Since early 2020, the Council's operating environment has been immensely volatile and this shows little sign of changing in the short-term. The Covid-19 pandemic – which is widely regarded to have receded – has been followed by a global economic crisis with the Ukraine war a key contributing factor. Inflation has risen to unprecedented levels and is expected to remain at high levels for a prolonged period. This has implications for our residents, businesses and the Council itself, because inflation has the effect of diminishing spending power. With all else being equal, higher prices lead to different choices being made with regards to consumption and investment, and lead to a recession. The economy is in recession when it has two or more quarters of negative growth. The economy contracted by 0.2% in quarter three and is expected to contract during the fourth quarter. The recession is forecast to last until late 2023.

1.2 Inflation has been high throughout the 2023/24 budget setting process. The rate of CPI inflation was 9% in April 2022 and has increased thereafter peaking at 11.1% in October 2022. It is expected to gradually reduce, reflecting a permanently higher price base. The Bank of England have attempted to utilise monetary policy tools to reduce inflation, with the base rate increased to 3.5% (December 2021 0.1%) and quantitative easing starting to be reversed. This approach has the effect of increasing the cost of borrowing, and increases saving incentives effectively removing money from the economy. This represents an additional cost for many households. However, this is expected to have limited impact on the root causes of inflation (e.g. Ukraine war), although could impact against subsequent inflation waves.

1.3 Government plans for public spending and financing reflect the size of the economy. Therefore, the much changed economic forecasts now project a smaller economy than had previously been expected, together with higher costs either due to; high inflation (e.g. state pension and benefits) or higher interest rates (e.g. borrowing). In the Autumn Statement presented on 17 November 2022, the Government set out a revised plan for the public finances. The Autumn Statement sets out short-term increases in public spending as growth slows and unemployment rises – fiscal policy intervention designed to result in shallower recession and unemployment. Once growth returns, there

is forecast to be lower increases in public spending – reducing pressure on Bank of England to raise the base rate further. Long-term, the plan is to grow public spending slower than growth in the economy. In summary, the Council must go forward on the assumption that its funding might not increase from 2025/26 onwards like it has in recent years.

1.4 The context set out above amounts to a material change of circumstances which the Council has continuously been reacting and responding to. The approved 2022/23 proposal contained specific risk mitigation measures – such as increasing the size of the contingency and ensuring an appropriate level of reserves – which have provided capacity during the financial year to mitigate against emergent risk. The budget setting process for the 2023/24 budget proposal has also specifically considered how the Council’s spending power and cost base might continue to be impacted and makes some specific adjustments in respect of this.

Advice of the Executive Director for Resources (section 151 officer)

1.5 The economic context and national financing framework we operate within continues to be ever challenging, and it requires the Council to remain agile and adaptive. The rate of inflation has reached unprecedented levels and is expected to remain higher for longer than originally assumed. This has had significant implications for the cost of providing services and will continue to do so in future.

1.6 The Local Government finance settlement for 2023/24 provides a much needed increase in core spending power, which has helped to reduce the deficit to the position reported here. And it is also helpful that the Government’s intentions for 2024/25 have been set out, which enables us to have slightly more certainty longer than is normally the case. The note of caution to this is that circumstances can change quickly, and no allocations have actually been guaranteed in this regard.

1.7 A number of other further variables provide uncertainty beyond 2025/26, any of which could further worsen our outlook, including:

- The potential for social care reforms to resume without full funding
- The requirement for a General Election to be held no later than January 2025
- The potential implementation of Fair Funding reforms during the plan period
- Unpredictability in demand and complexity
- Prolonged inflation, over and above the current expectation
- Impact of recession on council tax and business rates collection and taxbase growth

Analysis indicated that the impact of different assumptions in respect of the above changes could further increase the deficit by £23m from 2025/26.

1.8 With this in mind, it is important that council tax and budget setting decisions give due consideration to the medium term financial prospects for the Council, and do not solely consider the financial outlook for 2023/24 and 2024/25 only. My advice is to maximise the council tax flexibilities available, i.e. consider setting the maximum 4.99% rate if the current circumstances are maintained through to February, to put the Council in the strongest position possible from which to navigate the challenges likely to be encountered in the medium-term. It is also important to note that there is a cumulative impact to not maximising council tax, which could impair the funding base for all future years permanently.

1.9 As it stands, whichever council tax rate is set and based on the current figures, use of reserves will be required to balance the budget for the first time in five years. Whilst the Government has signalled it will be monitoring reserve use in budget setting, and indeed is encouraging it in the latest policy paper outlined elsewhere in this report, effective financial management principles dictate it must be proportionate and with purpose rather than plugging gaps that do not have sustainable plans. The council has had an effective savings strategy in recent years, however if the current medium term gap grows either as a result of foregone council tax or risks outlined above materialising, alongside a higher than sustainable level of reserve usage, a more radical assessment of future service delivery may be required.

1.10 Maximising the rate of council tax places a greater burden on residents, at a challenging time economically. However, doing so could ensure the Council is able to provide better quality services for a longer duration if austerity is to return from 2025/26.

1.11 When compared to our comparator authorities, Lincolnshire County Council is in a strong financial position and remains fully in control of its destiny. This reflects the Council's strong and prudent approach to financial management, with a longer-term focus. This will continue to be essential going forward.

The Medium-Term Financial Strategy

1.12 An updated Medium Term Financial Strategy was approved last year and has supported our budget setting process this year. The Strategy is being refreshed with minor changes and will be included with the report for the meeting of the Executive on 7 February 2023.

The Budget Process

1.13 This year's budget process started in the spring of 2022 with a re-assessment of the Council's high-level budget assumptions. Following this, budgets have been examined in detail, and 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, cost pressures previously identified have been reduced. The Council has adopted a longer term strategy

to deliver efficiency savings and this is described in more detail in paragraphs 1.16 to 1.17. As this year has progressed, our assumptions have been refined as new information has emerged.

1.14 In terms of budget holder input, the budget process is substantively complete and the Council therefore has a near-complete position in respect of its cost base, subject to any external changes becoming necessary (e.g. national policy/new burdens), the finalisation of the tax base position and clarifications around emergent pressures within educational transport (see 1.43). This is recognised in the variable council tax setting recommendation.

1.15 The Provisional Local Government Finance Settlement was published on 19 December 2022. Following this, the Final Local Government Finance Settlement is expected to confirm the Provisional Settlement in February 2023, and at the end of January 2023 we will receive confirmation of the council tax base and business rates income, in addition to collection fund balances from the Lincolnshire District Councils. Once all this information has been received, the budget proposals for 2023/24 will be confirmed at the meeting of the Executive on 7 February 2023 before being taken to Full Council's budget setting meeting due to be held on 17 February 2023.

An Efficient Cost Base

1.16 The Council continues to progress a programme of transformation the with the aim of reducing bureaucracy and reliance on manual processes, whilst also ensuring back office services are optimised. This approach will continue to allow the council to maintain and invest in its valued frontline services maximising outcomes for residents. The savings presented in this report total £11.5m for 2023/24. The Medium Term Financial Plan includes additional savings over the period 2024/25 to 2026/27 totalling £11.8m, totalling £23.3m over the four year period. These represent savings that we know that can be delivered over the four year period, as robust work has been undertaken to verify them. If accelerated delivery allows them to be brought forward, we will do so but will always seek to place them in the year they can be delivered in their entirety to ensure that the council's overall reputation for robust financial management is maintained.

1.17 In addition to taking the necessary actions to control increases in the cost base and identify ways to make delivery models more efficient and effective, the Council needs to ensure that fees and charges are current and generate sufficient income to cover cost and minimise the cost of the activity for taxpayers, unless there is a specific policy choice for that to not be the case.

Autumn Statement 2022

1.18 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 economic context has been covered earlier within this report.

1.19 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.

1.20 The Autumn Statement included notification of additional funding for local authorities in 2023/24 to help Council's 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.

Local Government Finance Policy Statement 2023/24 to 2024/25

1.21 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.

1.22 Most of the detail within the policy statement reiterates the announcements from the Autumn Statement, and where that is the case it has not been written again in this section. However, where there is new or different information, they are summarised below (focussed on 2023/24):

- 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 3 years from 2023-24 to 2025-26.

1.23 In recognition that local authority reserves have increased during the period of the pandemic, the Government are intent on establishing a new mechanism to aid understanding of the reserves being held and their purpose. In addition, the Government have encouraged 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.

2023/24 Local Government Finance Settlement (Provisional)

1.24 The provisional settlement announced on 19 December 2022 covered the year 2023/24 only and confirmed a £59.5bn potential funding package for local authorities (£5bn or 9% increase from 2022/23), with the key changes from 2022/23 set out below:

- £1.9bn increase predicated on maximising council tax increases (3% core increase + 2% adult social care precept)
- £1.9bn increase through additional social care grants (£1.5bn social care grant, £0.3bn BCF, £0.4bn ASC discharge fund, £0.3bn reduction to reflect Independent Living Fund being rolled in to social care grant)
- £1.7bn increase in settlement funding assessment (revenue support grant and baseline funding level) and compensation for business rate multiplier under indexation
- £0.4bn reduction in Services grant, to reflect reversal of Health and Social Care NI Levy
- £0.3bn reduction in New Homes Bonus payment values, to reflect a one year extension to the scheme with no legacy payments

1.25 The announcements above translate in to a core spending power position for Lincolnshire, which can be seen in point 1.28 (Table A). It is important to note that the estimated position for Lincolnshire is based on the Government's assumption of council tax setting decisions for Lincolnshire, which are of course the preserve of the Full Council budget setting meeting in February, and therefore the council tax estimates are considered to be illustrative only. The key grant changes from 2022/23 levels for Lincolnshire are as follows:

- 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 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 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 to having 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.

1.26 There will be new grant conditions placed on both the ringfenced adult social care grant and the discharge funding and therefore the budget assumes new costs. The grant conditions are expected to be published early 2023.

1.27 There are several announcements in respect of business rates to consider:

- The 2023 business rates revaluation will be implemented from April 2023, which will see every non-domestic property receive a new valuation. This impacts upon the Council's estimated net NNDR yield and its NNDR baseline funding, giving rise to a £3.7m increase in the top-up grant.
- The business rates multiplier has been frozen for the third year in succession. The Council will be compensated for its share of foregone income through additional section 31 grant.

The complete taxbase position for business rates will not be known until the end of January when budgetary information is received from the District Councils.

1.28 The core spending power position for Lincolnshire – subject to the council tax estimate considered in point 1.25 – is as follows:

Table A – Core Spending Power

CORE SPENDING POWER	2022/23	2023/24
Settlement Funding Assessment	132,684,023	139,027,032
Compensation for under-indexing the NNDR multiplier	11,392,103	19,697,364
Council Tax Requirement excluding parish precepts	341,704,591	363,742,535
Improved Better Care Fund	34,256,698	34,256,698
New Homes Bonus	1,659,252	850,194
Rural Services Delivery Grant	7,277,390	7,277,390
Social Care Grant	35,191,087	56,394,128
Market Sustainability and Fair Cost of Care Fund	2,273,366	-
ASC Market Sustainability and Improvement Fund	-	7,886,616
ASC Discharge Fund	-	4,802,736
Services Grant	7,684,039	4,329,831
Grants rolled in	1,613,645	-
Total	575,736,194	638,264,524

1.29 While only a one year settlement, the Government have stated their 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 in to the Executive budget report in February 2023. There is no certainty beyond 2024/25 when the economic and fiscal context looks considerably bleaker.

1.30 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.

1.31 In view of the continuing financial uncertainties about our future levels of funding, a one-year budget is proposed for 2023/24.

The Medium Term Financial Plan

1.32 The Council’s financial planning framework seeks to forecast the cost base and funding base forward over a medium term period, normally either three or four years.

1.33 At this point in time, the Medium Term Financial Plan shows that the Council cannot achieve a balanced budget in any of the four years from 2023/24 through to 2026/27 without the use of reserves. This can be seen in Table B below:

Table B – Medium Term Financial Plan Summary (prior to reserve usage)

2023/27 MTFP Summary	2023/24 Budget (£)	2024/25 Budget (£)	2025/26 Budget (£)	2026/27 Budget (£)
Budget Requirement	595,571,638	619,386,444	637,762,945	659,960,491
Total Funding	(585,227,568)	(612,334,726)	(624,965,733)	(645,019,173)
RESIDUAL DEFICIT (+) / SURPLUS (-)	10,344,070	7,051,718	12,797,212	14,941,318

1.34 The budget shortfall in each year will need to be supported by reserves to achieve a balanced budget. However, this is prior to receiving the Lincolnshire District Councils confirmation of Council Taxbases and Collection Fund positions affecting all years, and prior to potential reforms to local government funding which could impact during the medium term financial plan period.

1.35 The Medium Term Financial Plan includes a number of savings and efficiencies which arise from various projects within our Transformation Programme. These include savings from changes to delivery models in Adult Care and Children’s Services; savings on travel and office-related costs arising from Smarter Working, as well as savings from reductions in office space and savings from Digital transformation.

1.36 The medium term financial plan position reflects an amalgamation of cost, income and funding assumptions. The Council undertakes sensitivity analysis to understand the impact of a change to the position, with the risk reflected in the size of the financial volatility reserve. In the full budget proposal to Full Council, the report will consider the major risks to the financial proposal in the robustness of estimates statement, together with the mitigating action or tools to support the proposal.

1.37 The Financial Volatility reserve currently stands at £46.9m. This reserve is essential for the management of an uncertain financial situation in terms of both costs and future funding. The Executive Director of Resources (Section 151 Officer) advice is that a Financial Volatility Reserve level of around £40m to £50m is prudent, given the financial outlook beyond 2025/26. The current balance is notionally sufficient to support the overall budget deficits in the three future years. As stated in the report, the reserve requirement will change once the Council tax base and collection fund position is known. This earmarked reserve is available to support budget deficits arising over the medium term and will allow us time to transition to a lower cost base if this is required after funding reforms are implemented.

1.38 The current position for 2023/24 is shown in Table C, which reflects an opening base budget of £546.8m with changes to get to the current budget requirement for 2023/24 of £585.2m after £10.3m planned reserve usage. The summary revenue budget assumes a 2.99% council tax increase (including 2% adult social care precept). The impact of different council tax increase decisions can be seen in point 1.60 (Table F).

Table C – Summary Revenue Budget 2023/24

SUMMARY REVENUE BUDGET	2023/24 Budget (£)
EXPENDITURE	
Net Base Budget	546,874,855
Cost Pressures (including inflation)	64,880,272
Savings & Additional Income	(11,380,753)
Other Movements (e.g. service grant funding)	(4,802,736)
Total	595,571,638
RESERVE ADJUSTMENTS	
Transfer to/from Earmarked Reserves	(10,344,070)
Transfer to/from General Reserves	-
BUDGET REQUIREMENT	585,227,568
FUNDING	
County Precept	(358,699,881)
Business Rates	(131,118,502)
Non-Specific Government Grants	(39,015,057)
Social Care Grants	(56,394,128)
Total Funding	(585,227,568)

Revenue Budget 2023/24

1.39 Table C above shows our overall proposed budget for 2023/24 at this point in time, with a budget requirement of £585.2m (the budget requirement was £544.6m in 2022/23 so this is an increase of 5.2%). Following receipt of budgetary information from the District Councils at the end of January 2023, there may be a need for funding to be drawn from the Financial Volatility Reserve if a structural budget deficit above remains. The potential changes in our anticipated funding are explained in paragraphs 1.14 to 1.15 above.

1.40 A number of unavoidable cost pressures and other increases in expenditure due to changes in service specific grants (e.g. BCF) have been added into the proposed budget, totalling £64.9m, and these are summarised in Appendix A. The most significant of these are:

1.41 Adult Care and Community Wellbeing:

- The largest financial pressure relates to an £11.7m net increase in costs incurred by uplifting rates paid to providers, due to a 9.7% increase in national living wage and 5.5% CPI forecast for increase in inflation.
- £4.0m increase in cost due to working age adults demand increase between 2% – 3.5% across Homecare/Community Supported Living & Residential Care.
- £5.6m Lincolnshire's 2023-24 share of the new £400m ringfenced adult social care grant. The government expects this new funding to enable improvements to discharge delays, social care waiting times, workforce pressures, low fee rates and promotion of technological innovation in the sector.
- £3.7m Lincolnshire's 2023-24 share of the new £300m ASC discharge funding. This funding is required to be pooled as part of the Better Care Fund to ensure those people who need to draw on social care when they are discharged from hospital can do so and free up beds. The budget proposal already planned an uplift to better care fund budgets prior to the settlement, therefore the amount shown is the additional amount up to Lincolnshire's £4.8m share of the new funding.
- £2.4m change in costs resulting from delivery of ACCW programme of service improvement. The programme continues to broaden the offer available to service users. Improving capacity and/or access to services supports more people to remain independent within their own homes/communities and improve the efficiency of how those services are delivered

1.42 Children's Services:

- £1.4m - rises in Children in Care (CiC) related costs. Despite the recent growth and the potential for future increase, there continues to be an emphasis on prevention from children coming into care and exit planning from the care system where it can be achieved. Cost rises of £0.794m reflect the potential growth in CiC population rising by 2.0 per 10,000 p.a. from the current rate of 50. Even with the recent increase, the Lincolnshire number of CiC per 10,000 remains significantly below the most recent published figures both nationally

and by our statistical neighbours (67 per 10,000 and 63.4 per 10,000 respectively as of 31 March 2021). Further cost rises of £0.610m reflect the increased costs across the composition of placement types supporting this vulnerable group. Supporting our internal foster carers is a key consideration to this. In addition, unfavourable market conditions including a national demand for placements are also causing cost rises.

- £1.4m social care legal costs due to the complexity of cases; reliance on expert advice; the use of counsel and increase in CiC numbers. Children's Services continue to apply the statutory threshold to initiating care proceeding and pre-proceedings

1.43 Place:

- The pronounced inflationary pressures being experienced in the construction sector result in an expected increase of £5.5m in the cost of plant, labour, materials and equipment in the Highways maintenance contract.
- Increased energy costs for signals and street lighting driven by price inflation result in a budget pressure of £3.8m for 2023/24.
- A £4.2m cost pressure for the delivery of educational transport to meet statutory and policy requirements arises from continuing inflation and challenging market conditions and is partially offset by savings resulting from the ongoing Transformational Programme. The further development of new procurement tools and approaches, market engagement and management activity, improved contract management, an overhaul of routing and demand management activity is expected to yield further savings in the year of £2.1m.

There is a significant risk that the cost of educational transport will need to increase further, over and above the pressure reported above. The service are undertaking a comprehensive review of the cost base, taking into account changes in activity levels, and the impact of inflation pressures and the change in the national living wage on contract rates. It is the expectation that this will result in additional cost, but the amount cannot currently be quantified. It is envisaged that any further changes to the cost base will be reported back to the Executive at its meeting on 7 February 2023.

1.44 Fire and Rescue:

- Increased vehicle costs, primarily due to fuel cost inflation causes a pressure of £0.2m.
- The progressive withdrawal of the Home Office FireLink grant and increasing FireLink costs result in a £0.2m cost pressure for 2023/24.

1.45 Other Budgets:

- £7.9m for the estimated cost of 2023/24 pay awards. This approximately equates to an increase in pay costs of around 4% and takes into account the recent change in the national living wage from April 2023. The pay award for 2023/24 will need to ensure the bottom pay point exceeds the Low Pay Commission's estimate of the national living wage in April 2024. There is a risk that pay award costs end up higher than the budget assumption, which may require offsetting through the contingency budget.
- £7.5m for the additional cost of the 2022/23 pay award above the budgeted assumption. The original pay award assumption was based on a 2% uplift, however the economic context necessitated a bigger uplift and the final agreed pay award amounted to an approximate 6.4% uplift in pay award costs.
- £3.0m for the additional cost of Local Government Pension Scheme contributions. The contribution rate and structure is changing from April 2023, with the current primary rate fixed percentage based on employee pay costs) and secondary contribution rate (lump sum payment to cover the historic pension fund deficit) changing to a single higher fixed percentage rate. The cost estimate is the current estimate with a detailed cost impact analysis ongoing.
- £0.9m additional capital financing costs, to reflect the ongoing cost to the revenue budget of capital investment.
- £0.8m to re-increase the contingency budget to £6.5m for 2023/24. The economic context means the heightened cost base risk is expected to remain for the foreseeable, and the Council needs to have regard to this within its risk mitigation tools. The size of the contingency is expected to reduce in future years as and when the inflation risk recedes.

1.46 Resources:

- 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.
- 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.

1.47 Budgetary savings, changes to income and service specific grants are also detailed in Appendix A, and total £16.2m. The most significant of these relate to:

1.48 Adult Care and Community Wellbeing:

- The main changes relate to social care specific additional funding announced in the settlement, which offsets the expenditure considered in 1.41.

1.49 Children's Services:

- The CiC transformational programme that is helping to realise our ambition of improving outcomes for children and achieving financial stability. The key strategic aims include providing the right help to the right children and for the right duration; to support families to come to their own solutions by focusing on building networks and providing care locally. CiC transformational savings of £1.3m, include the continued strategic management of placements, and the opening of two new children's homes to ensure that more local and high-quality provision is available and are more cost effective.
- Children's Services carried out a review of its budgets to realise efficiency savings for 2023/24. £0.8m has been identified through utilisation of grants that are continuing into future years and changes in demand level budgets.

1.50 Place:

- The continuation of the roll-out of separated waste paper and card collections is forecast to provide further savings of £0.7m in 2023/24.

1.51 Resources

- The multi-phase review of Business Support will deliver savings, both in the context of core staffing and reduced printing and photocopying activity. Combined, this represents a saving of £0.9m in 2023/24.

1.52 The Council is proposing a one year budget, with the Net Revenue Budget by service area shown in Table D on the next page and details of cost base adjustments contained in appendix A. In addition, the Council has an indicative four year medium term financial plan position which is set out below:

1.53 The table on the following page shows the Net Revenue Budget by service area for 2023/24 at this point in time, with comparative budgets for 2022/23. Please note the educational transport risk impact assessment is ongoing and could lead to a change in the budget proposal. In addition, the funding position may change when the local taxation position is updated at the end of January 2023.

Table D – Net Revenue Budgets by Service

2022/23 Budget (£)	REVENUE BUDGETS	2023/24 Change (£)	2023/24 Budget (£)
	CHILDREN'S SERVICES		
13,350,149	Children's Education	(231,643)	13,118,506
83,172,022	Children's Social Care	1,104,244	84,276,266
	ADULT CARE & COMMUNITY WELLBEING		
126,722,909	Adult Frailty & Long Term Conditions	11,195,142	137,918,051
92,939,086	Adult Specialities	7,267,340	100,206,426
30,914,476	Public Health & Community Wellbeing	277,115	31,191,591
5,334,059	Public Protection	72,768	5,406,827
(56,609,618)	Better Care Fund	(4,802,736)	(61,412,354)
(34,847,318)	Public Health grant income	(696,682)	(35,544,000)
	PLACE		
84,994,680	Communities	1,427,392	86,422,072
401,932	Lincolnshire Local Enterprise Partnership	-	401,932
2,400,847	Growth	(4,900)	2,395,947
38,011,119	Highways	9,070,770	47,081,889
	FIRE & RESCUE		
21,884,595	Fire & Rescue	325,547	22,210,142
	RESOURCES		
7,626,069	Finance	461,133	8,087,202
16,592,464	Organisational Support	(789,173)	15,803,291
2,341,558	Governance	359,510	2,701,068
13,783,052	Corporate Property	5,559,687	19,342,739
8,790,176	Commercial	(95,043)	8,695,133
5,077,096	Transformation	61,000	5,138,096
15,480,480	IMT	1,850,584	17,331,064
3,087,172	Corporate Services	-	3,087,172
481,447,005	SERVICE TOTAL	32,412,055	513,859,060
	OTHER BUDGETS		
5,691,020	Contingency	808,980	6,500,000
42,989,307	Capital Financing Charges	67,173	43,056,480
19,423,438	Other Budgets	15,408,576	34,832,014
68,103,765	OTHER BUDGETS TOTAL	16,284,729	84,388,493
	SCHOOLS BUDGETS		
518,089,518	Schools Block	32,748,771	550,838,289
110,116,512	High Needs Block	15,255,364	125,371,876
3,391,650	Central School Services Block	(168,481)	3,223,169
40,902,135	Early Years Block	2,857,207	43,759,342
(675,175,730)	Dedicated Schools Grant	(50,692,861)	(725,868,591)
(2,675,915)	SCHOOLS BUDGETS TOTAL	-	(2,675,915)
546,874,855	BUDGET REQUIREMENT (pre-reserves)	48,696,784	595,571,638
	RESERVE ADJUSTMENTS		
(2,304,000)	Transfer to/from Earmarked Reserves	(8,040,070)	(10,344,070)
544,570,855	BUDGET REQUIREMENT	40,656,713	585,227,568
	FUNDING		
(344,871,853)	County Precept (2.99% increase shown)	(13,828,028)	(358,699,881)
(122,594,790)	Business Rates	(8,523,712)	(131,118,502)
(41,913,028)	Non-Specific Government Grants	2,897,972	(39,015,057)
(35,191,183)	Social Care Grants	(21,202,945)	(56,394,128)
(544,570,855)	TOTAL FUNDING	(40,656,713)	(585,227,568)

Revenue Support Grant 2023/24

1.54 Our Revenue Support Grant, which is the Government's General Grant funding for councils, will be £23.4m in 2023/24.

Other Revenue Government Grants 2023/24

1.55 The table below summarises our other non-ringfenced Revenue Grants and the amounts confirmed for these in 2023/24. As stated in paragraph 1.25 above, there are changes to some service specific grants which are applied direct to the service where they relate to. For example, the ASC Market Sustainability and Improvement Fund and ASC Discharge Fund are applied directly to adult social care, with an equal and opposite uplift to expenditure.

Table E – Other Government Grants

2022/23 (£)	OTHER GOVERNMENT GRANTS	2023/24 (£)
(7,277,390)	Rural Services Delivery Grant	(7,277,390)
(1,659,252)	New Homes Bonus Grant	(850,194)
(127,726)	InShore Fisheries Conservation (est.)	(127,726)
(639,400)	Extended Rights to Free Travel (est.)	(1,503,000)
(292,638)	School Improvement Grant (est.)	-
(98,000)	Virtual Schools Head grant (est.)	(98,000)
(1,477,470)	Independent Living Fund	-
(1,437,000)	Fire Pension Grant (est.)	(1,437,000)
(7,684,039)	Services grant	(4,329,831)
(35,191,183)	Social Care Grant	(56,394,128)
(55,884,098)	TOTAL	(72,017,269)

Council Tax 2023/24

1.56 In previous years, the early January Executive budget proposal formalises the preferred change in the council tax rate, which forms a key part of the proposal that is consulted upon. The lateness of the finance settlement, together with the potential for further changes to the cost base if material risks emerge between now and early February means that it is more prudent to not formalise a preference at this stage of the budget setting process. Instead, there are a range of potential options still under consideration, which have differing impacts on the residual deficit position.

1.57 There are three key options which have been modelled for the purposes of this report. These are as follows:

- 2.99% total increase (split 0.99% general rate, 2% ASC precept)
- 3.99% total increase (split 1.99% general rate, 2% ASC precept)
- 4.99% total increase (split 2.99% general rate, 2% ASC precept)

1.58 The net revenue budget position considered in Table C (point 1.38) assumes a total increase of 2.99%, for modelling and illustrative purposes. However, the advice of the section 151 is to maximise the increase, as set out earlier in this report.

1.59 The impact of the different council tax increase options on the budget proposal structural deficit over the medium term financial plan period is as follows:

Table F – Council tax increase scenario's

COUNCIL TAX	2023/24 Budget (£)	2024/25 Budget (£)	2025/26 Budget (£)	2026/27 Budget (£)
Option A				
Band D Council Tax (%)	2.99%	2.99%	2.99%	2.99%
Band D Council Tax (band D £)	1,474.99	1,519.09	1,564.51	1,611.29
County Precept	(357,199,881)	(373,397,819)	(390,330,652)	(408,031,853)
Deficit	10,344,070	7,051,718	12,797,212	14,941,318
Option B				
Band D Council Tax (%)	3.99%	2.99%	2.99%	2.99%
Band D Council Tax (band D £)	1,489.31	1,533.84	1,579.70	1,626.93
County Precept	(360,667,770)	(377,023,422)	(394,120,416)	(411,992,418)
Deficit	6,876,181	3,426,115	9,007,449	10,980,754
Option C				
Band D Council Tax (%)	4.99%	2.99%	2.99%	2.99%
Band D Council Tax (band D £)	1,503.64	1,548.60	1,594.90	1,642.59
County Precept	(364,138,081)	(380,651,483)	(397,912,674)	(415,958,047)
Deficit	3,405,869	(201,947)	5,215,191	7,015,124

As can be seen above, the medium term financial plan structural deficit is permanently higher if a lower council tax increase is adopted.

1.60 The referendum threshold limit for 2023/24 has been set in the Provisional Finance Settlement at up to 3% for core increases with up to an additional 2% for the adult social care precept. This is not expected to change in the final settlement, due in February 2023.

1.61 It is estimated that a Council Tax increase of 2.99% will generate additional income of £10.2m based on the Council tax base for the current year. The assumed increase in Council Taxbase will generate a further £5.3m of income. Together these increases total £15.5m in 2023/24. By way of illustration, a 1.0% increase in Council Tax would generate £3.5m of additional income based on the assumed Council tax base for 2023/24. This means that a 1% increase in Council Tax would generate additional income of £3.5m which could be used to help reduce the deficit position and a 1% decrease would create an additional deficit budget position of £3.5m which would need to be funded by the Financial Volatility reserve.

1.62 The final figures on the Council Taxbase and any surpluses or deficits on the Council Tax element of the Collection Fund will not be received from Lincolnshire District Councils until 31 January 2023. We have currently assumed an increase in Taxbase of 1.5% in all years of the medium term financial plan.

1.63 The collection fund estimate for council tax has not yet been received from the district council's. This is expected to be received during January 2023. At this point in time we have assumed a modest Council Tax collection fund surplus for the 2022/23 financial year, which is in recognition of the recent trend. It is possible that the actual position may

differ, positively or negatively. The final information on Taxbase changes and any further surplus or deficit on the Council Tax collection fund relating to 2022/23 will be reported to the Executive at its meeting on 7 February 2023, together with the impact on funding that this will have.

1.64 An Equality Impact Analysis will be completed for the proposed increase in Council Tax. This will be reported back to the Executive at its meeting on 7 February 2023.

Business Rates 2023/24

1.65 The District Councils have until 31 January 2023 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.

At the time of preparing this report, the Council had not received notification of provisional Business Rates Collection Fund positions from any of the seven District Councils. Any surplus or deficit from business rates collection will only have a one off effect on the 2023/24 budget. The current working assumption within the budget presented in this report is that there will be a minor residual deficit arising from the Business Rates Collection Fund 2022/23.

1.66 The 2023 business rates revaluation will be implemented from April 2023, meaning that each non-domestic property in Lincolnshire will received a new rateable value. To ensure the exercise is fiscally neutral, the Government change the multiplier to ensure that at a national level the gross liability is unchanged as a result of revaluation. The local impact will be determined through the business rate submissions of each district Council.

1.67 The Local Government finance settlement made a series of confirmations in respect of 2023/24. This includes the change to the baseline funding level, top-up grant and safety net threshold. In addition, the Government have confirmed that the multiplier will be frozen at 2022/23 levels, the third time it has been frozen. Local authorities will be compensated for its share of foregone income, through additional multiplier cap section 31 grant funding.

1.68 However, while some of the information is known, a complete picture cannot be presented until the detailed taxbase data has been received from District Council's. At this stage, the amount of funding from business rates in 2023/24 is expected to increase because of the multiplier cap increase and top up grant change. A comprehensive analysis of the changes to the business rates position incorporating the impact of the 2023 revaluation will be reported to the Executive at its meeting on 7 February 2023, together with the impact on funding that this will have.

1.69 A Business Rates Pool will continue to operate in 2023/24, with the assumption that for now there will be a pooling gain next year of £2.0m.

Financial Risks

1.70 There are a number of risks which may impact on the budget for 2023/24 and we have taken a realistic, but prudent approach to our estimates. The key risks to the budget proposal are considered to be: which currently pose the most significant risks are:

- The economic context, with a contracting economy and relatively high levels of inflation
- The achievement of cost base reductions across all years of the plan, although not all years are shown in this report
- The uncertainty over the funding base beyond 2024/25
- Social care activity changes
- Other demand changes (e.g. education transport/waste disposal)
- Council tax and business rates collection and tax base

The budget proposal recognises that the inherent risk, and informs the need to hold contingencies and reserves. The report to Full Council will contain the robustness of estimates statement, which will expand on these areas and contextualise against the mitigating action or tools available.

Reserves

1.71 Our General Reserves currently stand at £16.4m. The purpose of our General Reserves is to cover financial risks and our strategy is to maintain these reserves at a level which is between 2.5% and 3.5% of the budget requirement each year. Some last-minute adjustments may be required when our funding for 2023/24 is confirmed, to ensure that the General Reserves amount remains within 2.5% to 3.5% of the budget requirement. It is currently at 2.8% for 2022/23.

1.72 The Council holds earmarked reserves and grant reserves in addition to the general fund reserve. Earmarked reserves are held for a specific purpose (e.g. risk mitigation), and grant reserves are grant funding that has not yet been spent in the manner dictated by the grant conditions. The Council also holds reserves on behalf of schools.

1.73 The Financial Volatility earmarked reserve position is covered in paragraph 1.37 above, and will be adjusted as required to resolve the residual budget deficit for 2023/24.

1.74 As part of a comprehensive review of earmarked reserves, the Council has identified £8.7m of reserve balances which are able to be re-purposed. This includes the following reserves:

- business rate volatility reserve
- support to businesses, and
- Youth offending service reserve

1.75 The Development Fund Initiatives earmarked reserve is planned to be fully utilised in a manner which supports delivery of the Council's transformation programme and associated saving programme.

The Capital Strategy

1.76 A Capital Strategy 2022/23 was approved last year and has supported our budget setting process for the capital programme this year. The Strategy is being refreshed for 2023/24 and will be included with the report for the meeting of the Executive on 7 February 2023.

Capital Programme

1.77 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 is shown at Appendix B and totals £229.3m for 2022/23 plus a further £131.3m for future years. After grants and contributions are taken into consideration, we have a Net Programme of £146.8m for 2022/23 plus a further £82.7m for future years.

1.78 The economic context set out earlier on in this report has had direct financial implications for some major capital schemes. In addition, capital re-phasing means that the delivery profile will shift backwards with the cost of delivery having greater inflationary impact. Specifically, the Grantham Southern Relief Road bridge and the North Hykeham Relief Road are both expected to be completed later than initially planned (see 1.81 for detail), and the current economic context has further increased the cost of these schemes.

1.79 Children's Services:

- The Building Communities of Specialist Provision; Together in Lincolnshire Strategy is making significant changes to the existing special education provision, creating an integrated and sustainable school system where pupils can attend their nearest special school, confident that their education and health needs can be fully met. The overall programme budget has been increased to £101.8m in response to the market volatility and higher level of inflation being experienced. This increase in budget has been funded by the

Department for Education High Needs Provision capital allocation awarded for the period 2022-24 (£16.8m).

1.80 Place:

- Issues with the construction of the eastern embankment for the Grantham Southern Relief Road bridge has necessitated the bridge being lengthened by approximately 70m. This is expected to result in approximately 18 months delay and increase costs and consequently it is proposed to increase the budget allocation for this project by £24.5m.
- Although construction of the North Hykeham Relief Road is not expected to commence until late 2025, the current material and labour inflation will have a significant impact on the scheme costs, and it is prudent to plan accordingly. This results in a proposed increase of £35.9m in the scheme's budget.
- To ensure the capital programme remains affordable and to recognise the remaining risks of the major highway schemes currently in progress, some budgets for schemes where spend has not yet been committed have been re-phased into later years.

1.81 Capital financing charges have been calculated based on the latest ten-year capital programme and take account of estimated interest rates for future borrowing. Interest receipts on treasury investments are expected to be higher due to increases in the bank base rate and this has helped to offset the anticipated higher cost of borrowing.

1.82 In 2021/22 a Voluntary Revenue Provision was made, which had the effect of increasing the amount set aside to repay the cost of capital expenditure to a level which is above the minimum required. This Voluntary Revenue Provision (£26.2m) can be used to decrease the cost of capital financing charges in future years if required.

Flexible Use of Capital Receipts Strategy

1.83 The Council previously approved the strategy of using Capital Receipts flexibly to fund revenue transformation projects from 2016/17 to 2019/20, in line with the Government's amended policy. From 2020/21 this was changed so that the strategy is now that capital receipts will only be used to repay loans or fund new capital expenditure. Transformation projects will instead be funded by using existing revenue budgets or earmarked reserves. This amended strategy will continue into 2023/24.

1.84 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 2023/24 will be presented to the Executive on 7 February 2022 and will confirm that the Council has not identified any transformation projects in 2023/24 to be funded using this flexibility.

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.

It is not considered that this applies to any of the proposed reductions set out in this Report and its Appendices.

In particular, in the event that any of the proposed reductions cannot be achieved, the usual budget management processes such as the use of Earmarked Reserves, or virement, would be followed, and approval sought at the appropriate levels in accordance with Financial Regulations, including full Council where necessary. Furthermore, a contingency has been built into the budget proposals in the form of the Financial Volatility reserve (balance £46.9m) and the annual contingency budget of £6.5m for 2023/24, for when additional funding cannot be found by way of Earmarked Reserves or virement from other service areas.

A full Equality Impact Analysis will be developed in respect of the final budget proposal and in particular any Council Tax proposals in the light of feedback received during the consultation process.

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 & Well Being Strategy (JHWS) in coming to a decision.

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.

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 1998.

3. Conclusion

3.1 These budget proposals reflect an estimate of the level of Government funding expected to be available to the Council and a proposal to increase council tax by up to 4.99% in 2023/24, split between the County Precept (up to 2.99%) and ASC precept (2%).

3.2 A thorough review of Council services was carried out during this year's budget process. Unavoidable cost pressures as well as savings have been identified, and the Capital Programme has been reviewed. The budget proposals aim to reflect the Council's priorities whilst operating within the resources available to it.

3.3 The budget proposals have been developed alongside, and in accordance with, the draft Medium Term Financial Strategy and a proposed final version of this Strategy will be reported to Executive in February. Final budget proposals will be reported to the Executive on 7 February 2023.

4. Legal Comments

The Executive is responsible for publishing initial budget proposals for the budget for the purposes of consultation before determining the budget it will recommend to the full Council.

The matters to which the Executive must have regard in reaching its decision are set out in the body of the report.

The recommendations are within the remit of the Executive and are lawful. The Executive has the power to accept the Recommendation, or to agree one of the alternative approaches referred to in the report, subject to the limits on Council Tax increases referred to in the report.

5. Resource Comments

Please refer to the advice of the Council's section 151 officer (points 1.5 – 1.11).

6. Consultation

a) Has Local Member Been Consulted?

N/A

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

There are no scrutiny comments at this stage in the budget process.

d) Risks and Impact Analysis

An Equality Impact Analysis will be complete for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 7 February 2023.

Further Equality Impact Analyses will need to be undertaken on a service by service basis.

7. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Changes to the Cost Base 2023/24
Appendix 2	Capital Investment Programme

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
Autumn Statement 2022	https://www.gov.uk/government/topical-events/autumn-statement-2022
Provisional local government finance settlement: England, 2023 to 2024	https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2023-to-2024
Council Budget 2022/23	Agenda for Council on Friday, 18th February, 2022, 10.00 am (moderngov.co.uk)
Review of Financial Performance 2021/22	Agenda for Council on Tuesday, 27th September, 2022, 10.00 am (moderngov.co.uk)

This report was written by Michelle Grady, who can be contacted on 01522 553235 or michelle.grady@lincolnshire.gov.uk

CHANGES TO THE COST BASE 2023/24

APPENDIX 1

Adult Care and Community Wellbeing

Director	Budget Book Line	Service	Change Type	Summary Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Adult Frailty & Long Term Conditions	Increased Costs	(INF) Social care inflation	The financial rate paid to providers of older peoples care and physical disability services increases each year to reflect changes in inflation, national living wage etc. The rate is encompassed in the 3 year residential contracts and/or the homecare prime provider contracts and published in the annual statement attached to the Adult Care Charging Policy. Forecast aligned to LPC forecast April 2022 followed by 4% pa for 2025-26 and 2026-27	7,033,426
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Adult Frailty & Long Term Conditions	Increased Costs	(FUN) New/additional expenditure (grant funded)	Offsetting increase in expenditure to reflect increase in ASC Market Sustainability and Improvement Fund, as announced in the Local Government finance settlement.	5,613,250
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Adult Frailty & Long Term Conditions	Increased Costs	(FUN) New/additional expenditure (grant funded)	Offsetting increase in expenditure to reflect anticipated increase in better care fund (ASC Discharge Fund). An initial increase was assumed and has been allocated elsewhere. The amount shown opposite reflects the additionality that was announced in the Local Government finance settlement.	3,682,789
Adult Care and Community Wellbeing	Adult Specialities	Adult Specialities	Increased Costs	(DEM) Social care demand	Demand for adult specialties continues to increase with between 2.3% - 6.0% for learning disability and mental health long term care respectively.	3,629,489
Adult Care and Community Wellbeing	Adult Specialities	Adult Specialities	Increased Costs	(INF) Social care inflation	The financial rate paid to providers of mental health and learning disability services increases each year to reflect changes in inflation, national living wage etc. The rate is encompassed in the 3 year residential contracts and/or the homecare prime provider contracts and published in the annual statement attached to the Adult Care Charging Policy. Forecast aligned to LPC forecast April 2022 followed by 4% pa for 2025-26 and 2026-27	2,807,511
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Adult Frailty & Long Term Conditions	Increased Costs	(INF) Social care inflation	Additional 1%-1.6% increase in unit price paid to ASC care providers reflecting both the NLW increase to £10.42 and the increase and catch up in inflation. Important to note that the revised estimate also reflects the reversal of the health and social care NI levy.	1,278,000
Adult Care and Community Wellbeing	Adult Specialities	Adult Specialities	Increased Costs	(INF) Social care inflation	Additional 1%-1.6% increase in unit price paid to ASC care providers reflecting both the NLW increase to £10.42 and the increase and catch up in inflation. Important to note that the revised estimate also reflects the reversal of the health and social care NI levy.	926,000
Adult Care and Community Wellbeing	Adult Specialities	Adult Specialities	Increased Costs	(INF) Social care inflation	Additional 1%-1.6% increase in unit price paid to ASC care providers reflecting both the NLW increase to £10.42 and the increase and catch up in inflation. Important to note that the revised estimate also reflects the reversal of the health and social care NI levy.	721,000
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Adult Frailty & Long Term Conditions	Increased Costs	(INC) Delivery model change	To deliver the new homecare rates structure supporting the fair cost of care there needs to be significant operational change to enable services to be delivered within the rate set. The changes need to maximise personal homecare capacity by reviewing the length of visit, the number of visits per day and whether other organisations can support with non personal care activity	701,000
Adult Care and Community Wellbeing	Public Health & Community Wellbeing	Public Health & Community Wellbeing	Increased Costs	(FUN) New/additional expenditure	Offsetting increase in expenditure to reflect anticipated uplift in Public Health grant. This is subject to confirmation when the Public Health grant has been announced.	696,682

Director	Budget Book Line	Service	Change Type	Summary Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Adult Frailty & Long Term Conditions	Invest to save	(grant funded) (INC) Delivery model change	Expansion of eligibility criteria for the reablement service supporting delivery of adult care ambition to support people to maximise their independence. This facilitates a saving within the service shown further below.	500,000
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Adult Frailty & Long Term Conditions	Increased Costs	(DEM) Social care demand	Increasing demand for working age adults with physical disabilities (all services) and homecare for older people. Assumed reduction in demand for older peoples residential	409,587
Adult Care and Community Wellbeing	Public Protection	Public Protection	Increased Costs	(INF) Social care inflation	Additional 1%-1.6% increase in unit price paid to ASC care providers reflecting both the NLW increase to £10.42 and the increase and catch up in inflation	91,000
Adult Care and Community Wellbeing	Public Protection		Reduced Costs	(RED) Delivery model change	Business Support Review as part of transformation	(12,352)
Adult Care and Community Wellbeing	Public Health & Community Wellbeing		Reduced Costs	(RED) Delivery model change	Business Support Review as part of transformation	(26,567)
Adult Care and Community Wellbeing	Various		Reduced Costs	(RED) Efficiency	Lease car efficiency savings	(39,200)
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Extra Care Housing	Reduced Costs	(RED) Delivery model change	Capital Investment in extra care housing, reducing reliance on long term residential placements	(127,000)
Adult Care and Community Wellbeing	Public Health & Community Wellbeing	Wellbeing	Reduced Costs	(RED) Efficiency	Savings Target 1% - Use of Public Health Grant to cover grant compliant services freeing up LCC services	(393,000)
Adult Care and Community Wellbeing	Public Health grant income	Wellbeing	Increased income	(FUN) New/additional funding (grant funded)	Assumed increase in Public Health grant funding. This is subject to confirmation when the Public Health grant has been announced.	(696,682)
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Long Term Care	Reduced Costs	(RED) Delivery model change	Assumed delivery of operational change is successful to support the new homecare rate model	(701,000)
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Long Term Care	Invest to save	(RED) Delivery model change	Expansion of eligibility criteria for the reablement service supporting delivery of adult care ambition to support people to maximise their independence.	(748,000)
Adult Care and Community Wellbeing	Adult Specialities	Adult Specialities	Reduced Costs	(RED) Efficiency	Savings Target 1% - S117 complex cases change in 65:35 apportionment between LCC:ICB (JCOG Paper Sept21)	(800,000)
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Long Term Care	Reduced Costs	(RED) Delivery model change	Savings Target 1% - Continued reduction in traditional care options due to strengths based practice	(817,000)
Adult Care and Community Wellbeing	Better Care Fund	Adult Frailty & Long Term Conditions	Change in Better Care Fund	(FUN) New/additional funding (grant	Initial planned increase in better care fund resources to support additional costs within the scope of the better care fund.	(1,119,947)

Director	Budget Book Line	Service	Change Type	Summary Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Adult Care and Community Wellbeing	Better Care Fund	Adult Frailty & Long Term Conditions	Change in Better Care Fund	funded) (FUN) New/additional expenditure (grant funded)	Additional increase in BCF arising from the Autumn Statement, badged as the ASC discharge fund in the LG finance settlement. The expenditure offset is shown above, reflecting the new burdens associated with new funding.	(3,682,789)
Adult Care and Community Wellbeing	Adult Frailty & Long Term Conditions	Adult Frailty & Long Term Conditions	Increased Costs	(FUN) New/additional expenditure (grant funded)	Increase in the Market Sustainability and Fair Cost of Care Fund, announced in the LG finance settlement. The cost offset is shown above in this table.	(5,613,250)
TOTAL ADJUSTMENT (CURRENT POSITION)						13,312,947

Children's Services

Director	Budget Book Line	Service	Change Type	Summary Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Children's Services	Children's Social Care	Legal Costs	Increased Costs	(DEM) Social care demand	Social Care legal costs: based on current spending levels caused by complexity of cases; reliance on expert advise; use of counsel, and increase in CiC. Children's Services continue to apply the statutory threshold for initiating care proceedings and pre-proceedings. * this continues to be under review and a further update will be necessary.	1,400,000
Children's Services	Children's Social Care	Children in Care (CiC) - Placements	Increased Costs	(DEM) Social care demand	Growth in CiC population based on 0-17 projections and 2.0 (from 0.5) per 10,000 increase p.a. (108 CiC with a financial cost increase from 2023 - 2027). Below East Midland's neighbours per 10,000.	794,368
Children's Services	Children's Social Care	Looked After Children	Increased Costs	(INF) Social care inflation	CiC: increase in costs across the composition of placement types supporting this vulnerable group (5% inflationary applied for residential placements and 3% for all others). This is caused by unfavourable market conditions due to the national demand for placements.	609,739
Children's Services	Children's Social Care	Special Guardianship Orders	Increased Costs	(DEM) Social care demand	Special Guardianship Orders (SGOs) continue to be seen as an important option for permanency for children who need to be removed from their birth parents. The expected increases are based on past trends.	284,806
Children's Services	Children's Education	Children with Disabilities	Increased Costs	(INF) Social care inflation	The rise in the national living wage / inflation will have a direct impact on the costs for delivering domiciliary care and direct payments in the support for children with disabilities.	190,079
Children's Services	Children's Education	Education Support Services	Reduced Costs	(INF) Income inflation	Additional income generation, a reduction in the cost of software and budget reductions to meet service requirements	(1,000)
Children's Services	Children's Social Care	Leaving Care Services	Reduced Costs	(DEM) Social care demand	Savings planned from the new Supported Accommodation pathway in meeting the needs to 16-17 year old care leavers. The new contract is now in place.	(43,250)
Children's Services	Children's Social Care	Social Care: Early Help Services	Reduced Costs	(DEM) Social care demand	Supported Childcare: reduction in volume of early years support and subsequent underspends due to disadvantaged 2 year old and 3&4 year old early years entitlement.	(52,000)
Children's Services	Various		Reduced Costs	(RED) Efficiency	Lease car efficiency savings	(88,200)
Children's Services	Children's Social Care	Social Care: FAST	Reduced Costs	(RED) Efficiency	Unaccompanied Asylum Seekers Children grant utilisation - to undertake a review to identify existing Council costs to offset against available grant from the Home Office.	(150,000)
Children's Services	Various		Reduced Costs	(RED) Delivery model change	Business Support Review as part of transformation	(153,735)
Children's Services	Children's Social Care	Social Care: Fostering & Adoption	Reduced Costs	(RED) Efficiency	Staying Put Scheme: that enables care leavers to remain with their foster carers after they turn 18. The Children and Families Act 2014 introduced this new duty on Local Authorities but not all care leavers or foster carers choose this as the route going forward. The confirmation of Government grant funding to 2024/25 and reduction in current / forecast numbers on the scheme means budget can be released.	(200,000)
Children's Services	Children's Social Care	Children in Care (CiC) - External Placements	Reduced Costs	(RED) Delivery model change	Opening of new children's homes (1) September 2022, (2) August 2023. Savings secured through a reduction in placement costs compared to an external residential placement cost.	(272,221)
Children's Services	Children's Education	Education: School Improvement	Reduced Costs	(RED) Efficiency	Re-purposing and in-accordance with the guidance utilising de-delegation budgets for primary maintained schools differently and efficiencies within the service delivery.	(370,000)
Children's Services	Children's Social Care	Children in Care (CiC) - External Placements	Increased Costs	(RED) Delivery model change	Impact of the pandemic from increased CiC and requirement to secure external placements. The transformational work plans to see spending levels reduce by c.£3m from 2023 to 2026.	(1,075,985)

Director	Budget Book Line	Service	Change Type	Summary Narrative	2023/24 £000's
BUDGET ADJUSTMENT					
TOTAL ADJUSTMENT (CURRENT POSITION)					872,601

Fire and Rescue

Director	Budget Book Line	Service	Change Type	Summary Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Fire and Rescue	Fire & Rescue	Fuel Costs	Increased Costs	(INF) Energy/utility inflation	Increased fuel cost for appliances & service vehicles (50% increase)	135,000
Fire and Rescue	Fire & Rescue	Firelink Grant	Reduced Income	(INC) New cost	The government have announced that this grant will be phased out from 22/23 over a five year period. The total grant is £305k, so this equates to a £61k pa reduction. 23/24 represents the cumulative reduction for 22/23 and 23/24.	122,000
Fire and Rescue	Fire & Rescue	Nettleham HQ costs	Increased Costs	(INF) Contract inflation	These costs are associated with the headquarters facilities at Nettleham as part of the joint Fire and Police HQ. Costs have increased within support service costs and general inflationary costs.	60,000
Fire and Rescue	Fire & Rescue	VAT Costs	Increased Costs	(INC) New cost	Fleet VAT reclassification	40,000
Fire and Rescue	Fire & Rescue	Emergency Services Network (ESN) - Ongoing maintenance/running costs	Increased Costs	(INC) New cost	Additional Firelink costs	38,547
Fire and Rescue	Fire & Rescue	Fire & Rescue Training	Reduced Costs	(RED) Delivery model change	The purchase of the Waddington Training Site - funded from the New Capital Development Fund - will mean there is no longer a requirement to pay the MOD a lease rental.	(70,000)
TOTAL ADJUSTMENT (CURRENT POSITION)						325,547

Place

Director	Budget Book Line	Service	Change Type	Summary Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Place	Highways	Highways Asset Management	Increased Costs	(INF) Contract inflation	Contract Inflation. Cost of plant, labour and equipment outstripping budgetary increases. Inflation expected to be 18% in 2022/23; 10% in 2023/24; 5% in 2024/25; 2% p.a. thereafter	5,488,000
Place	Highways	Highways	Increased Costs	(INF) Energy/utility inflation	Signals and street lighting energy costs based on latest (Q1/2022) ESPO Energy Report. 2023/24 pressure includes budgetary shortfall for 2022/23 (£0.754m) and 2023/24 pressure of £3.079m	3,833,000
Place	Communities	School Transport	Increased Costs	(DEM) Other demand	Home to Schools Transport - TBC (awaiting commentary from MP)	3,000,000
Place	Communities	Home to School Transport	Increased Costs	(INF) Contract inflation	Home to Schools Transport - current contractual commitment (Nov-21) including budget assumptions for cost rises through national living wage, inflationary challenges and market conditions; PSVAR legislative requirements and mainstream pupil growth in entitlement. The budget is facing unfavourable market conditions and is demand-led in nature.	1,198,254
Place	Highways	Highways Asset Management	Increased Costs	(INC) New cost	Asset growth - average of 18km of newly adopted road per annum	30,000
Place	Communities	Food Safety	Reduced Income	(FUN) New/additional funding (grant funded)	Food safety enforcement grant (rolled in to revenue support grant)	19,584
Place	Various		Reduced Costs	(RED) Efficiency	Lease car efficiency savings	(22,540)
Place	Highways		Reduced Costs	(RED) Delivery model change	Business Support Review as part of transformation	(17,000)
Place	Communities	Home to School Transport	Increased income	(INF) Income inflation	Home to Schools Transport: Post 16 Income	(31,818)
Place	Highways	Highways	Reduced Costs	(RED) Efficiency	Improve our productivity within the Network Compliance team by taking back in house the invoicing transactions from Business Support to the Highways Service.	(50,000)
Place	Highways	Highways	Reduced Costs	(RED) Efficiency	Improve data capture and streamline invoicing process for 3rd party claims arising from damage to Highways assets following road traffic incidents.	(200,000)
Place	Communities	Home to School Transport	Reduced Costs	(RED) Delivery model change	Home to Schools Transport: Re-evaluation of PA requirements	(279,818)
Place	Communities	Home to School Transport	Reduced Costs	(RED) Delivery model change	Home to Schools Transport: Alternative Transport Solutions	(282,955)
Place	Communities	Home to School Transport	Reduced Costs	(RED) Delivery model change	Home to Schools Transport: Improved Routing	(717,600)
Place	Communities	Waste Management	Reduced Costs	(RED) Delivery model change	Savings from paper and card recycling collections	(735,209)
Place	Communities	Home to School Transport	Reduced Costs	(RED) Efficiency	Home to Schools Transport: Better procurement of supply contracts	(738,636)
TOTAL ADJUSTMENT (CURRENT POSITION)						10,493,262

Resources

Director	Budget Book Line	Service	Change Type	Summary Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Resources	Corporate Property	Utility Costs	Increased Costs	(INF) Energy/utility inflation	Increase in utility costs, and assumed contractual inflation costs based on latest ESPO data. 23/24 pressure includes budgetary shortfall for 22/23 (£258k) and 23/24 (£668k)	4,388,000
Resources	Corporate Property	Property Contract Inflation	Increased Costs	(INF) Contract inflation	Property contract- Revised core contract inflation, the impact of increases in NI and NLW. 23/24 represents £450k shortfall for outsourced contracts. The remaining element relates to expected 23/24 inflation.	1,070,152
Resources	IMT	IMT	Increased Costs	(INC) Delivery model change	East Midlands Public Service Network (LCC Broadband)	1,000,000
Resources	IMT	IMT	Increased Costs	(INF) Contract inflation	Service support & maintenance contract Inflation	588,192
Resources	Governance	Legal Services	Increased Costs	(INC) Delivery model change	Realignment of Legal Lincolnshire Surplus target to more accurately reflect current economic position. A business plan is under way and is planned for completion to report to ED Resources (Q1 2023/24)	400,000
Resources	Commercial	Corporate Support Service Contract	Increased Costs	(INF) Contract inflation	Corporate Support Service contract, CSC indexation (6.89%)	356,387
Resources	IMT	IMT	Increased Costs	(INC) New cost	IT activity growth	262,392
Resources	Finance	Corporate Support Service Contract	Increased Costs	(INF) Contract inflation	Corporate Support Service contract, Gross v Net (new service)/Exchequer Services/Social Care Service indexation (6.89%)	224,633
Resources	Finance	Finance	Increased Costs	(INC) New cost	External audit scale fee increase resulting from PSAA national auditor appointments	195,000
Resources	Corporate Property	Corporate Property	Increased Costs	(INF) Contract inflation	Increase in insurance premiums, attributable to non school properties. The insurance contract is due for retender but the outcome of this will not be known until spring 2023.	100,500
Resources	Organisational Support	Corporate Support Service Contract	Increased Costs	(INF) Contract inflation	Corporate Support Service contract, HR & Payroll indexation (6.89%)	67,173
Resources	Transformation	Transformation	Increased Costs	(INC) Delivery model change	Performance Management (ongoing Business Objects licence) until Power BI is in a position to fully replace old system	61,000
Resources	Corporate Property	Corporate Property	Increased Costs	(INF) Energy/utility inflation	Revised Increase in property rates. Assumed increased costs for 23/24 and beyond in line with medium term planning.	50,700
Resources	Corporate Property	Corporate Property	Increased Costs	(INC) New cost	Cloud booking software (SW business case costs)	43,650
Resources	Finance	Finance	Increased Costs	(INF) Contract inflation	Increased bank charges	27,500
Resources	Corporate Property	Corporate Property	Increased Costs	(FUN) Previously reserve funded	Additional cost for sanitisers for public health benefits for staff in line with the Smarter Working programme	20,000
Resources	Finance	Finance	Increased Costs	(DEM) Other demand	Increased cost of final accounts work	14,000
Resources	Various		Reduced Costs	(RED) Efficiency	Lease car efficiency savings	(3,920)
Resources	Governance	Legal Services	Increased income	(INF) Income inflation	Increased chargeable hours to external clients. Updated and will be reviewed in line with LSL Business Plan Review.	(40,000)

Director	Budget Book Line	Service	Change Type	Summary Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Resources	Corporate Property	Corporate Property	Reduced Costs	(RED) Delivery model change	Revised Chance to Share - Kirton provision ended (delayed to 2023/24)	(70,000)
Resources	Organisational Support	Business Support	Reduced Costs	(RED) Delivery model change	Printing Review	(100,000)
Resources	Various	Property	Reduced Costs	(RED) Efficiency	Savings Target 1% - supplies and services, and vacancies	(113,315)
Resources	Commercial	Commercial	Reduced Costs	(RED) Delivery model change	Customer and Digital Transformation (customer digital delivery)	(378,000)
Resources	Organisational Support	Business Support	Reduced Costs	(RED) Delivery model change	Business Support Review as part of transformation	(756,346)
TOTAL ADJUSTMENT (CURRENT POSITION)						7,407,698

Other Budgets

Director	Budget Book Line	Service	Change Type	Report Narrative	BUDGET ADJUSTMENT	2023/24 £000's
Other Budgets	Other Budgets	Pay Award	Increased Costs	(INF) Pay inflation	Pay award assumption 4% for 23/24 & 24/25 then 2% pa onwards	7,913,090
Other Budgets	Other Budgets	Pay Award	Increased Costs	(INF) Pay inflation	Pay Award 22/23 amount required in excess of 2% assumption - based on July 22 Employers' offer	7,500,000
Other Budgets	Other Budgets	Pensions	Increased Costs	(C&T) Pension costs	Assumed LGPS Employer Contribution 23/24 after next revaluation	2,055,370
Other Budgets	Other Budgets	Pension Deficit Contribution	Increased Costs	(C&T) Pension costs	LGPS Lump Sum Deficit current revaluation	1,000,000
Other Budgets	Capital Financing Charges	Capital Financing	Increased Costs	(C&T) Capital financing	MRP cost pressure moved to 2023/24 and 2024/25	946,945
Other Budgets	Contingency	Contingency	Increased Costs	(C&T) Other	Re-increase opening balance to £6.5m	808,980
Other Budgets	Other Budgets	Corporate Support Service Contract	Reduced Income	(INF) Contract inflation	Serco Contract Commercial Discount comes to an end	705,800
Other Budgets	Other Budgets	Pension Liabilities	Increased Costs	(C&T) Pension costs	Costs increase by inflation annually, partially offset by attrition.	107,996
Other Budgets	Other Budgets	Levy Payments	Increased Costs	(INF) Pay inflation	Apprenticeship Levy increase on 21/22 base	60,348
Other Budgets	Other Budgets	Eastern Inshore Fisheries & Conservation Authority	Increased Costs	(INF) Contract inflation	Inflation on annual payment	20,764
Other Budgets	Other Budgets	Insurance	Increased Costs	(C&T) Other	Insurance costs - to be retendered, indicative 30% increase in cost	(350,000)
Other Budgets	Capital Financing Charges	Capital Financing	Reduced Costs	(C&T) Capital financing	Ongoing MRP savings arising from MRP review	(367,000)
Other Budgets	Capital Financing Charges	Capital Financing	Reduced Costs	(C&T) Capital financing	Interest on borrowing reduced due to interest rates falling and internal borrowing, one year only	(512,773)
Other Budgets	Other Budgets	National Living Wage	Reduced Costs	(RED) Efficiency	This is a contingency budget which has not been used for some time as NLW increases have been budgeted for in service budgets. Can be removed as a saving.	(550,000)
Other Budgets	Other Budgets	Corporate Redundancy	Reduced Costs	(RED) Efficiency	Reduce corporate redundancy budget to reflect usual levels of expenditure.	(1,000,000)
Other Budgets	Other Budgets	Pay Award	Increased Costs	(FUN) Reduced expenditure (previously grant funded)	Reversal of 1.25% NIC increase	(2,054,792)
TOTAL ADJUSTMENT (CURRENT POSITION)						16,284,729

CAPITAL INVESTMENT PROGRAMME

APPENDIX 2

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
<u>ADULT CARE AND COMMUNITY WELLBEING</u>										
<u>ADULT FRAILTY & LONG TERM CONDITIONS</u>										
Welton Extra Care Housing		0.500	0.000	0.500	0.000	0.000	0.000	0.000	0.000	0.000
Adult Care		0.500	0.000	0.500	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals: Adult Frailty & Long Term Conditions		1.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000
<u>PUBLIC PROTECTION</u>										
Registration Celebratory & Coroners Service	Coroners IT system for case management, and improvement to Gainsborough celebratory premises.	0.020	0.000	0.020	0.000	0.000	0.000	0.000	0.000	0.000
Safer Communities	Vehicle for Trading Standards	0.025	0.000	0.025	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - Public Protection		0.045	0.000	0.045	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals Adult Care and Community Wellbeing		1.045	0.000	1.045	0.000	0.000	0.000	0.000	0.000	0.000
<u>CHILDREN'S EDUCATION</u>										
<u>SCHOOLS</u>										
Devolved Capital	Capital funding devolved to schools for improvements to buildings and school sites or investment in ICT hardware.	0.000	-0.993	0.993	0.000	0.000	0.000	0.000	0.000	0.000
Provision of School Places (Basic Need)	A programme of expansion and new build construction of school buildings.	0.000	-6.217	6.217	0.000	0.000	0.000	0.000	0.000	0.000
Schools Modernisation / Condition Capital	Programme to improve the condition of the school estate.	0.000	-4.914	4.914	0.000	0.000	0.000	0.000	0.000	0.000
New Schools Requirements		0.000	0.000	0.000	-0.300	-0.300	0.000	25.658	-9.336	34.994
School Mobile Classroom Replacement	The replacement of school mobile classrooms	0.000	0.000	0.000	0.600	0.000	0.600	2.400	0.000	2.400
SEND Provision Capital Funding for Pupils with EHC Plans	A programme of major investment in SEND provision.	9.444	-23.366	32.809	7.997	-2.694	10.690	4.245	0.000	4.245
Other Education & SEND Services	Capital funding for CWD short breaks and other education services	0.268	0.000	0.268	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - Schools		9.712	-35.490	45.201	8.297	-2.994	11.290	32.303	-9.336	41.639
<u>CHILDREN'S SERVICES</u>										
Early Help		0.016	0.000	0.016	0.000	0.000	0.000	0.000	0.000	0.000
Safeguarding Services	Capital funding for in-house provision and other safeguarding services including foster carers and supported accommodation	0.155	0.000	0.155	0.050	0.000	0.050	0.400	0.000	0.400
Children's Services - Children's Homes	Two new small children's homes for children who are looked after.	0.687	-1.520	2.207	1.171	0.000	1.171	0.000	0.000	0.000
Subtotals - Children's Services		0.857	-1.520	2.377	1.221	0.000	1.221	0.400	0.000	0.400
Subtotals Children's Education		10.569	-37.010	47.579	9.518	-2.994	12.511	32.703	-9.336	42.039

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
RESOURCES										
PROPERTY										
Property maintenance	To fund the maintenance and improvement programme for council properties	2.649	0.000	2.649	5.819	0.000	5.819	25.800	0.000	25.800
Orchard House Repairs	To complete essential repair work to the Lincoln County offices / Orchard House campus	0.002	0.000	0.002	0.000	0.000	0.000	0.000	0.000	0.000
Property Area Reviews	Programme of works for leased properties.	0.077	0.000	0.077	0.300	0.000	0.300	0.000	0.000	0.000
County Farms Grain Stores	The improvement to county farms grain stores	0.000	0.000	0.000	0.000	0.000	0.000	0.825	0.000	0.825
County Farms Block		0.667	0.000	0.667	0.373	0.000	0.373	1.375	0.000	1.375
Castle Motte	Contribution towards the programme of works to remove Lincoln Castle from the Heritage at Risk Register.	0.004	0.000	0.004	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - Property		3.399	0.000	3.399	6.492	0.000	6.492	28.000	0.000	28.000

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
ICT										
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	2.323	0.000	2.323	2.000	0.000	2.000	25.500	0.000	25.500
Improvement Transformation	To support the Transformation Programme by delivering enabling strategies in line with the Council's IMT strategy	2.000	0.000	2.000	2.000	0.000	2.000	0.000	0.000	0.000
Replacement ERP Finance System	Improvements to the ERP Finance system.	0.240	0.000	0.240	0.000	0.000	0.000	0.000	0.000	0.000
Care Management System (CMPP)	Installation of the Mosaic system.	0.014	0.000	0.014	0.000	0.000	0.000	0.000	0.000	0.000
ICT Development Fund	Improvements to ICT infrastructure and network.	0.028	0.000	0.028	0.000	0.000	0.000	0.000	0.000	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.	0.088	0.000	0.088	0.000	0.000	0.000	0.000	0.000	0.000
Azure Data Migration	Migration of data from a physical to a cloud platform	0.051	0.000	0.051	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals - ICT		4.743	0.000	4.743	4.000	0.000	4.000	25.500	0.000	25.500
Subtotals Resources		8.142	0.000	8.142	10.492	0.000	10.492	53.500	0.000	53.500
<u>FIRE AND RESCUE & EMERGENCY PLANNING</u>										
Fire and Rescue	Refurbishment of fire and rescue properties.	0.359	0.000	0.359	0.000	0.000	0.000	0.000	0.000	0.000
Fire Fleet Vehicles and Associated Equipment	Rolling programme for the replacement of fire and rescue fleet vehicles and associated equipment.	1.913	0.000	1.913	2.691	0.000	2.691	6.478	0.000	6.478
Subtotals - Fire and Rescue		2.272	0.000	2.272	2.691	0.000	2.691	6.478	0.000	6.478

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
PLACE										
COMMUNITIES										
CULTURE										
Libraries	RFID replacement kiosks and library hub capital works.	0.399	0.000	0.399	0.000	0.000	0.000	0.000	0.000	0.000
Heritage / Archives	Future development of the Heritage service.	0.995	0.000	0.995	0.500	0.000	0.500	3.500	0.000	3.500
Subtotals - Culture		1.394	0.000	1.394	0.500	0.000	0.500	3.500	0.000	3.500
ENVIRONMENT										
Other Highways and Transportation	Block of small Transport projects including Active Travel schemes	0.939	0.000	0.939	0.000	0.000	0.000	0.000	0.000	0.000
Other Environment and Planning	Block of small projects.	0.007	0.000	0.007	0.000	0.000	0.000	0.000	0.000	0.000
Flood & Water Risk Management	A range of projects to alleviate flood and water risks.	1.606	0.000	1.606	0.000	0.000	0.000	0.000	0.000	0.000
Countryside Rights of Way		0.058	0.000	0.058	0.000	0.000	0.000	0.000	0.000	0.000
Local Flood Defence Schemes (to match fund EA)	Match funding with the Environment Agency for local flood defence schemes.	0.951	0.000	0.951	0.500	0.000	0.500	4.000	0.000	4.000
Subtotals - Environment		3.561	0.000	3.561	0.500	0.000	0.500	4.000	0.000	4.000
Waste - Fire Suppression Systems at Transfer Stations	Installation of fire suppression systems.	0.760	0.000	0.760	0.000	0.000	0.000	0.000	0.000	0.000
HWRC - Tattershall	Replacement Household Waste Recycling Centre at Tattershall	0.900	0.000	0.900	0.000	0.000	0.000	0.000	0.000	0.000
HWRC - Skegness	Replacement Household Waste Recycling Centre at Skegness	0.000	0.000	0.000	2.000	0.000	2.000	0.000	0.000	0.000
Equipment & Vehicles for Waste Transfer Stations	Replacement programme for vehicles and plant used for winter maintenance and in waste transfer stations.	0.512	0.000	0.512	0.600	0.000	0.600	0.189	0.000	0.189
Separated Paper and Card Scheme		1.069	0.000	1.069	1.660	0.000	1.660	0.728	0.000	0.728
Waste		0.035	0.000	0.035	0.100	0.000	0.100	0.000	0.000	0.000
Subtotals - Waste		3.276	0.000	3.276	4.360	0.000	4.360	0.917	0.000	0.917
Subtotals - Communities		8.232	0.000	8.232	5.360	0.000	5.360	8.417	0.000	8.417

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
GROWTH										
Lincolnshire Enterprise Partnership Contribution	Lincolnshire Enterprise Partnership funding for capital projects.	10.700	0.000	10.700	0.000	0.000	0.000	0.000	0.000	0.000
Lincolnshire Waterways		0.236	0.000	0.236	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development - Business Unit Development	Development of business units.	1.096	0.000	1.096	0.000	0.000	0.000	0.000	0.000	0.000
Skegness Countryside Business Park		0.040	0.000	0.040	0.000	0.000	0.000	0.000	0.000	0.000
Broadband	Provision of superfast broadband across the county.	2.027	0.000	2.027	5.551	0.000	5.551	0.000	0.000	0.000
Economic Development - Horncastle Industrial Estate Extension	Extension of Horncastle Industrial Estate Extension.	0.000	0.000	0.000	1.500	0.000	1.500	0.000	0.000	0.000
Subtotals - Growth		14.100	0.000	14.100	7.051	0.000	7.051	0.000	0.000	0.000

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
Corringham Road (development with WLDC)	Major scheme development of Corringham Road, in partnership with West Lindsey District Council.	0.016	0.000	0.016	0.000	0.000	0.000	0.000	0.000	0.000
Sleaford Rugby Club (Sleaford Growth Scheme)	Improvement to ease congestion and improve the traffic flow at the Sleaford Rugby Club junction.	-0.004	0.000	-0.004	0.000	0.000	0.000	0.000	0.000	0.000
A52 Skegness Roman Bank		1.116	0.000	1.116	0.000	0.000	0.000	0.000	0.000	0.000
Local Highways Improvements(Pinchpoints) to support Coastal Route (between £2m-£5m p.a)		0.665	0.000	0.665	0.000	0.000	0.000	16.795	0.000	16.795
Highways Rural Road Fund		1.834	0.000	1.834	0.000	0.000	0.000	0.000	0.000	0.000
Highways B Class Roads and Lower		8.287	0.000	8.287	0.000	0.000	0.000	0.000	0.000	0.000
Other Highways	Block of smaller Highways projects.	0.892	0.000	0.892	0.000	0.000	0.000	0.000	0.000	0.000
Boston Development Schemes (Infrastructure & Economic)	A range of initiatives to support economic and housing growth whilst reducing traffic congestion in and around Boston.	0.000	0.000	0.000	2.754	0.000	2.754	0.000	0.000	0.000
A16 Leveling Up Fund		2.197	0.000	2.197	0.000	0.000	0.000	0.000	0.000	0.000
Boston Dolphin Lane		0.550	0.000	0.550	0.000	0.000	0.000	0.000	0.000	0.000
North Hykeham relief road (Scheme total £148m, DfT bid £100m)		2.029	0.000	2.029	1.534	-3.580	5.115	80.502	-101.077	181.579
Subtotals - Highways		83.199	-43.991	127.190	42.545	-45.640	88.185	133.989	-143.137	277.127
Subtotals Place		105.530	-43.991	149.521	54.956	-45.640	100.597	142.406	-143.137	285.544

Capital Programme (2022/23 plus Future Years)		Net Programme 2022/23 £m	Grants & Contribution 2022/23 £m	Revised Gross Programme 2022/23 £m	Net Programme 2023/24 £m	Grants & Contribution 2023/24 £m	Revised Gross Programme 2023/24 £m	Net Programme Future Years £m	Grants & Contribution Future Years £m	Gross Programme Future Years £m
OTHER BUDGETS										
New Developments Capital Contingency Fund	A council wide budget has been created to fund any schemes that are currently in the development stage. The funding will be awarded to these schemes on the approval of their business cases.	20.746	0.000	20.746	5.000	0.000	5.000	40.000	0.000	40.000
Capital Fund - CIL	This block relates to Community Infrastructure Levy receipt from developer as a contribution towards the construction of Lincoln Eastern Bypass and we have forward funded. Any income received will result in the reduction of the current capital programme.	-1.568	-1.568	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Subtotals Other Budgets		19.178	-1.568	20.746	5.000	0.000	5.000	40.000	0.000	40.000
Total Budget		146.737	-82.569	229.305	82.657	-48.634	131.290	275.087	-152.473	427.561
Funding:										
Revenue Funding		14.416	0.000	14.416	0.161	0.000	0.161	0.759	0.000	0.759
Use of Capital Receipts		0.000	0.000	0.000	5.000	0.000	5.000	35.000	0.000	35.000
Borrowing		115.308	-82.522	197.829	77.496	-48.634	126.130	239.328	-152.473	391.801
Use of Capital Grants Unapplied		0.300	0.000	0.300	0.000	0.000	0.000	0.000	0.000	0.000
Use of Revenue Grant Reserves to Fund the Capital Programme		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Use of Other Earmarked Reserves		16.760	0.000	16.760	0.000	0.000	0.000	0.000	0.000	0.000
Government Grants & Contributions		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL FUNDING		146.784	-82.522	229.305	82.657	-48.634	131.290	275.087	-152.473	427.561