



**Open Report on behalf of Mark Baxter, Chief Fire Officer,
Andy Gutherson, Executive Director of Place and
Glen Garrod, Executive Director of Adult Care and Community Wellbeing**

Report to:	Public Protection and Communities Scrutiny Committee
Date:	31 January 2023
Subject:	Revenue and Capital Budget Proposals 2023/24

Summary:

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

The economic context in which the Council operates continues to be highly challenging, with continuing impacts from high levels of inflation. The Provisional Local Government Finance Settlement for 2023/24 was published for consultation on 19 December 2022, the Final Settlement is due to be published in February 2023. Further budgetary information is also awaited from the Lincolnshire District Councils, therefore the budget proposals for 2023/24 are currently based on best estimates and announcements to date and remain subject to change.

This report specifically looks at the budget implications for the Council's Public Protection and Communities services.

The Executive approved budget proposals, including those set out in this report, as its preferred option for the purposes of further consultation at its meeting on 4 January 2023.

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

Actions Required:

The Public Protection and Communities Scrutiny Committee is asked to consider this report and Members of the Committee are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 7 February 2023.

1. Background

- 1.1. Since early 2020, the Council's economic environment has been volatile. The Covid-19 pandemic was followed by a global economic crisis with the Ukraine war a key contributing factor. Inflation has risen to unprecedented levels and is forecast to remain at high levels for a prolonged period. This has implications for our residents, businesses and the Council itself due to the effect inflation has in diminishing spending power.
- 1.2. Inflation has been high throughout the last financial year. The rate of inflation, as measured by the Consumer Prices Index (CPI) was 9% in April 2022, and continued to increase, peaking at 11.1% in October 2022. The 2022/23 budget proposal included some specific risk mitigation measures, such as increasing the size of the contingency and ensuring adequate level of reserves, which have provided capacity to respond to risks that have emerged during the year. The process for arriving at 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 adjustments in respect of this.
- 1.3. On 17 November 2022, the Chancellor of the Exchequer presented the Autumn Statement which was the first major fiscal statement since the mini budget in September 2022.
- 1.4. The Autumn Statement included notification of additional funding for 2023/24 to help Council's deal with some of the pressures currently being experienced, including inflationary pressures. Key announcements included:
 - A decision to delay 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% and authorities with social care responsibilities also able to set an adult social care precept of 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 grant funding.
 - Confirmation that the Government is seeking recommendations from Pay Review Bodies where applicable for pay awards for 2023/24.
 - The National Living Wage (NLW) will increase by 9.7% to £10.42 an hour from April 2023. In addition, the ambition for the NLW to reach two-thirds of

median earnings by 2024, and for the age threshold to be lowered to those aged 21 and over, is retained.

1.5. The Provisional Local Government Finance Settlement for 2023/24 was issued on 19 December 2022 and again confirmed funding for just one year. The Government have however outlined their intentions and proposals for the 2024/25 settlement but at the time of writing, and due to the late issue of the settlement, the impact assessment beyond 2023/24 is ongoing. Any changes will be incorporated into the Executive budget report in February 2023.

1.6. The various announcements translate into the following key changes from 2022/23 funding levels for Lincolnshire:

- An increase in the social care grant of £21.2m.
- A £6.3m increase in settlement funding assessment; comprising a £2.2m increase in revenue support grant and a £4.1m increase in National Non-Domestic Rates, NNDR (business rates) baseline funding.
- A £5.6m increase in the Adult Social Care (ASC) Market Sustainability and Improvement Fund. The total funding for 2023/24 will be £7.9m, which contains the original 2022/23 £2.3m Market Sustainability and Fair Cost of Care Fund.
- A new ASC Discharge Fund of £4.8m, which is expected to be allocated through the better care fund. 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 in early 2023.
- A £3.4m reduction to the Services Grant, to reflect the reversal of the Health and Social Care NI Levy costs (cost reduction also assumed in the 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.

- 1.7. Members will be aware that 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.
- 1.8. There are several considerations in respect of business rates:
- 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 income foregone 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.
- 1.9. The Council's financial planning framework seeks to forecast the cost base and funding base over a medium-term period, normally three or four years. At present, the Medium-Term Financial Plan indicates that a balanced budget cannot be achieved in any of the three years from 2023/24 through to 2025/26 without support from reserves. However, this is prior to receiving the Lincolnshire District Councils confirmation of Council Taxbases and Collection Fund positions affecting 2023/24, and without any allowance for the above-mentioned reforms to local government funding which could potentially affect 2025/26 onwards.
- 1.10. In view of the continuing uncertainties about future levels of funding and the overall economic context, a one-year budget is proposed for 2023/24.
- 1.11. At its meeting on 4 January 2023 the Executive approved proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation. The Executive noted the options for a proposed Council Tax increase of between 2.99% and 4.99% and reserved its position for the setting of a precept and use of reserves for the 2023/24 budget pending further consultation, scrutiny and final funding announcements.

Revenue Budget

1.12. Budgets have been reviewed in detail based on the latest available information to arrive at the proposals set out in this report. A number of new cost pressures have emerged in addition to the pressures identified for 2023/24 in the previous year's budget process. In some areas, savings which can be made through efficiencies with no or minimal impact on the level of service delivery have also been identified. In developing the proposed financial plan, budget holders have considered all areas of current spending, levels of income and council tax plus use of one-off funding (including use of reserves and capital receipts) to set a balanced budget.

1.13. Table A shows the total proposed revenue budget for the Council's Public Protection and Communities services.

TABLE A

2023/24 Revenue Budget	2022/23 Budget	Cost Pressures	Savings	Proposed Budget 2023/24
	£000	£000	£000	£000
Registration, Celebratory and Coroners	1,980	91	0	2,071
Trading Standards & Community Safety	2,993	0	-12	2,981
Fire and Rescue	21,885	396	-70	22,210
Emergency Planning	355	0	0	355
Road Safety	378	0	0	378
Cultural Services	5,931	0	0	5,931
Community Engagement	878	0	0	878
Total	34,400	487	-82	34,805

1.14. The overall budget proposals have allowed for pay inflation of 4% in 2023/24 including the effect of the change in the national living wage from April 2023. This is however, currently being held centrally pending agreement of any pay settlement, following which service budgets will be updated and it is therefore not currently reflected in the table above.

1.15. There are unavoidable service specific cost pressures for 2023/24 totalling £0.487m which will support the delivery of Council services, these are offset by savings and efficiencies of £0.082m which do not negatively impact the level of service delivery.

1.16. Since April 2022, Public Protection including community safety, coroner and registration services, trading standards and emergency planning has been the responsibility of the Adult Care and Community Wellbeing directorate.

1.17. The changes to the Public Protection budget result from:

- The recurrent impact of previous pay awards.

- Inflationary increases impacting the conveyancing and mortuary fee costs within the Coroners Service.
- Continuation of the Domestic Abuse grant resulting from the Domestic Abuse Act 2021. £1,487,327 has been confirmed for 2023/24 and £1,515,389 for 2024/25. This is being managed through the Domestic Abuse Strategic Partnership Board and the internal Domestic Abuse Programme Board.
- The commencement of the new Domestic Abuse contract from April 2023. The financial structure of this contract was considered by the Public Protection Scrutiny Committee in July 2022.
- Delivering a full cost recovery model; Registration services budget includes a 3% fee increase agreed in the proposal put forward during 2022/23.
- In addition, it was agreed during 2022/23 to invest in additional coroner officers to meet the increase in demand seen. These posts have now been recruited and are due to commence in early 2023.

1.18. For Fire and Rescue, a net increase in budget of £0.326m arises from:

- Increased vehicle costs, primarily due to fuel cost inflation, resulting in a cost pressure of £0.175m.
- The progressive withdrawal of the Home Office FireLink grant and increasing FireLink costs causing a £0.161m cost pressure for 2023/24.
- Inflationary increases for the headquarters facilities at Nettleham of £0.060m.
- These pressures are forecast to be partially offset by rent savings of £0.070m following the purchase of the Waddington Training Centre site.

1.19. There is a risk that demand for services exceeds the assumptions built into the Medium-Term Financial Plan. Monthly monitoring is in place across the more volatile volume-based services such as coroners and registrations services and the new Domestic Abuse Service which comes into effect 1 April 2023 will see the same level of monitoring across all partners.

1.20. The current high levels of inflation also increase the risk that cost increases in contracted supplies will outstrip the budgetary provision. This is particularly acute in the Library Service where the out-sourced service contract contains an indexation provision and although it is expected that this will be affordable within the current, overall Communities budget, it will continue to be monitored.

Capital Programme

- 1.21. The ten-year Capital Programme previously approved has been reviewed in line with the principles set out in the Council's Capital Strategy, including the principle of affordability. The full Gross Programme totals £131.290m for 2023/24 plus a further £427.561m in future years. After grants and other funding contributions are taken into account, the Net Programme is £82.657m in 2023/24 and a further £275.087m in future years.
- 1.22. Due to the economic context and uncertainty in future funding set out earlier in this report, no new projects have been added to the Capital Programme in this budget process. However, the block budgets for rolling maintenance programmes have been continued forward and the budgets for some existing schemes have been increased due to inflationary impacts.
- 1.23. Table B shows the proposed gross capital programme for the Council's Public Protection and Communities services.

TABLE B

Capital Programme (2022/23, 2023/24 and Future Years)		Revised Gross Programme 2022/23 £m	Revised Gross Programme 2023/24 £m	Gross Programme Future Years £m
<u>PUBLIC PROTECTION</u>				
Registration Celebratory & Coroners Service	Coroners IT system for case management, and improvement to Gainsborough celebratory premises.	0.020	0.000	0.000
Safer Communities	Vehicle for Trading Standards	0.025	0.000	0.000
Total - Public Protection		0.045	0.000	0.000
<u>FIRE AND RESCUE</u>				
Fire and Rescue	Refurbishment of fire and rescue properties.	0.359	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	2.691	6.478
Total - Fire and Rescue		2.272	2.691	6.478
<u>CULTURE</u>				
Libraries	RFID replacement kiosks and library hub capital works.	0.399	0.000	0.000
Heritage / Archives	Future development of the Heritage service.	0.995	0.500	3.500
Total - Culture		1.394	0.500	3.500

- 1.18. Other than some re-phasing of existing project expenditure there have been no changes to the previously approved capital programme relating to Public Protection and Communities services.

Further consultation

- 1.24. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place on 27 January 2023.
- 1.25. The proposals are publicised on the Council website together with the opportunity for public comment via www.letstalk.lincolnshire.gov.uk up until 26 January 2023.
- 1.26. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 7 February 2023.

2. Conclusion

- 2.1. These budget proposals reflect the level of government funding expected to be available to the Council and an assumed increase in Council Tax in 2023/24 of between 2.99% and 4.99% (inclusive of a 2% adult social care precept).
- 2.2. A thorough review of the Council's services was carried out during the budget process which has identified unavoidable cost pressures, some savings with minimal or no impact on the level of service provided and the capital programme has been reviewed. The budget proposals therefore aim to reflect the Council's priorities whilst operating within the resources available to it.

3. Consultation

a) Risks and Impact Analysis

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

Further risk and impact assessments will need to be undertaken on a service-by-service basis.

4. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Council Budget 2022/23 Executive Report 4 January 2023	Democratic Services

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