

Budget Engagement Meeting with Key Stakeholders

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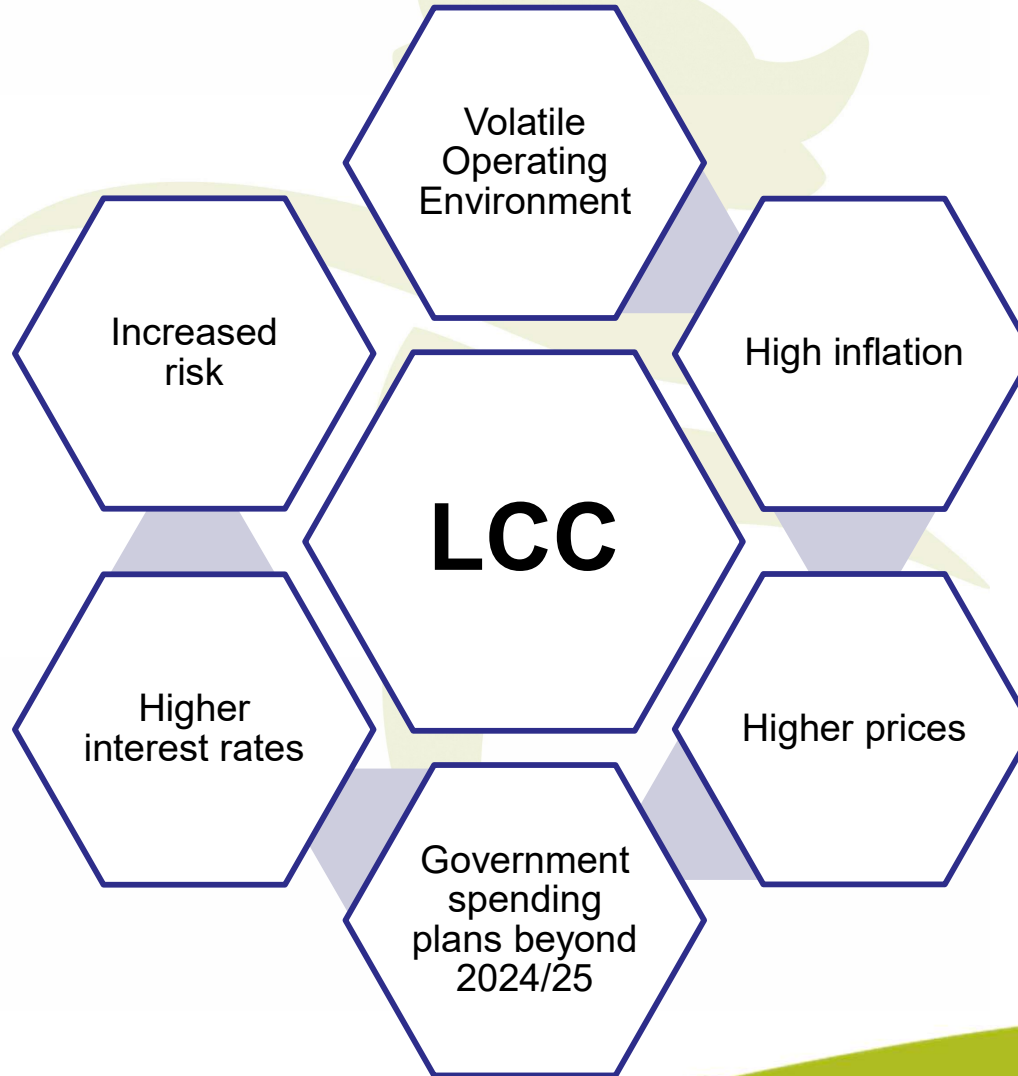
27th January 2023

Agenda Item 1

AGENDA

- Welcome and Introduction
- Economic and Financial Context
- The Autumn Statement 2022 and draft LG Finance Settlement 2023/24
- Lincolnshire County Council Revenue Budget 2023/24
- Capital Investment Programme
- Council Tax 2023/24
- Business Rate Pooling
- Budget Engagement & Timetable
- Comments & Questions

Economic and Financial Context



Autumn Statement 2022

Local Government Headlines:

- Delay to 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
- Maximum council tax increase of 5% (3% general & 2 for ASC precept).
- The 2023 business rate revaluation will be implemented from April 2023.
- Business Rates multiplier frozen at 2022/23 levels. LAs to be compensated.
- 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.

Provisional Local Government Finance Settlement 2022/23

Lincolnshire County Council Headlines

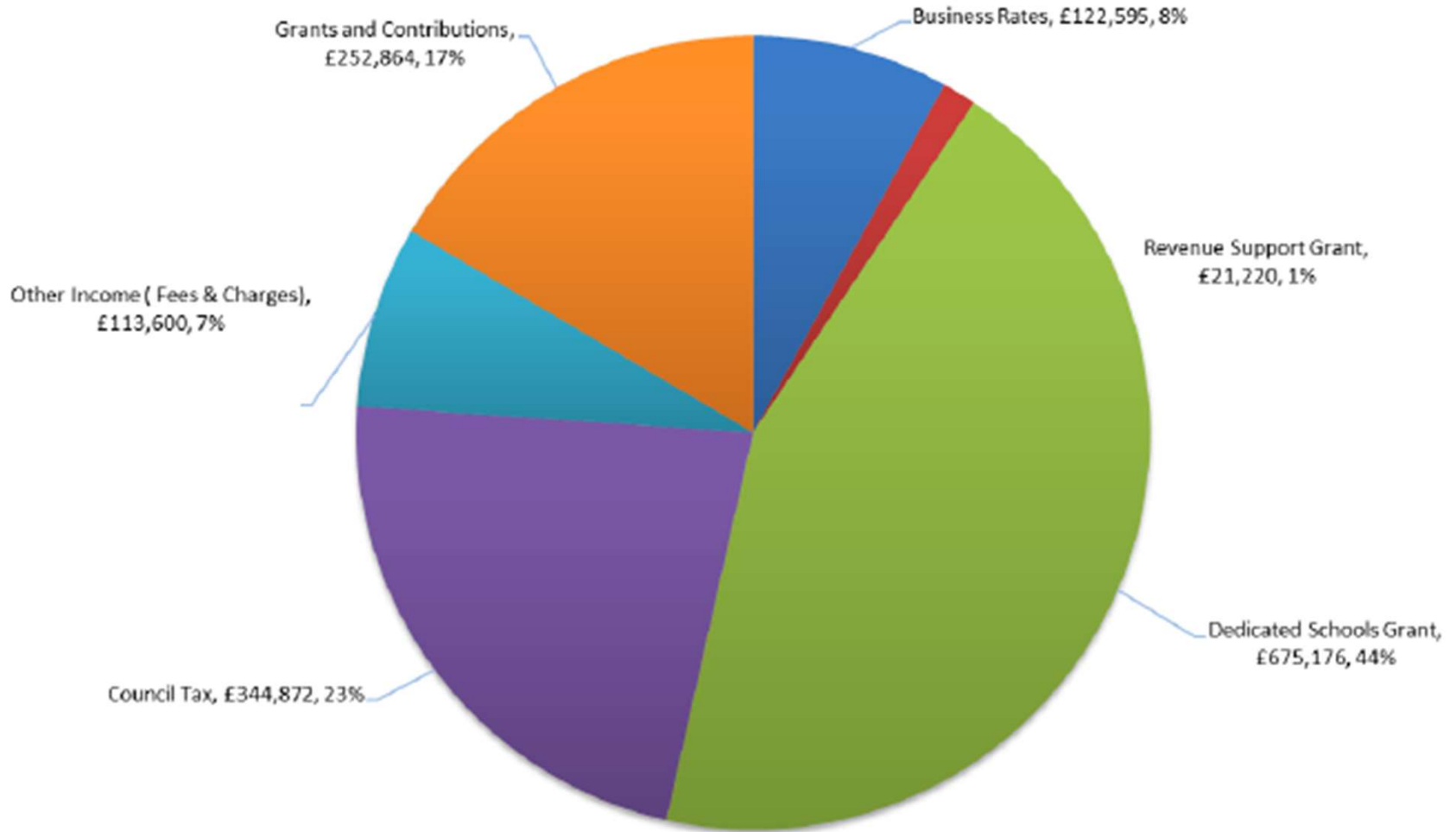
- Notional £62.5m increase in LCC core spending power.
- Split between grant funding (67%) and extra council tax (33%)
- Latter predicated on increasing council tax by 5%
- £21.2m uplift in social care grant from diverted social care reform funding
- Other increases for; £5.6m ASC market sustainability & improvement fund, £4.8m ASC discharge (BCF), £6.3m settlement funding assessment
- Reductions in New Homes Bonus (£0.8m) through less generous scheme and Services Grant (£3.4m) to reflect reversal of H&S care national insurance rise.
- One year settlement, not supportive for longer term financial planning
- Overall better than expected.

Major Services & Functions

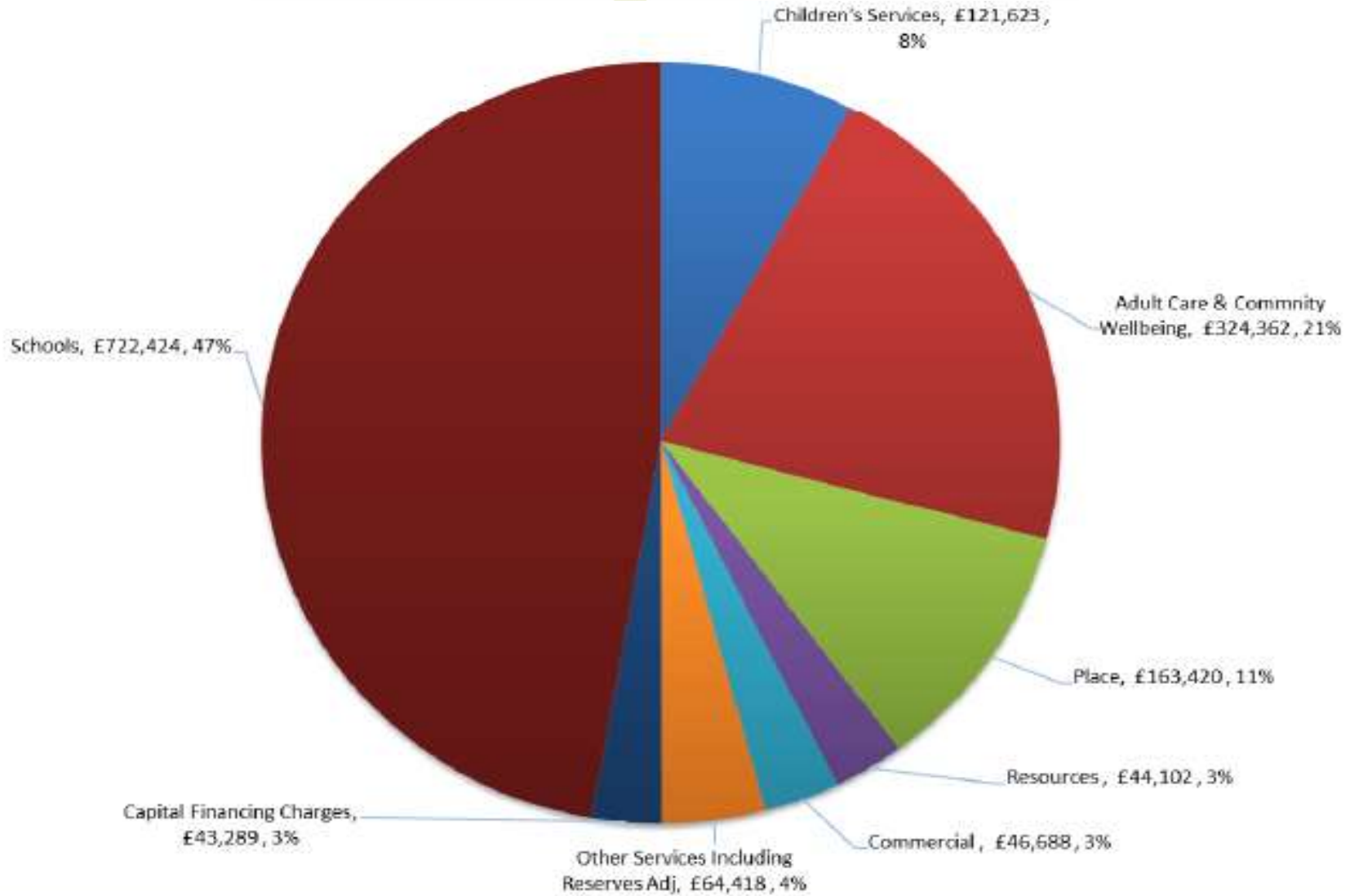
- Adult Social Care
- Children's Social Care
- Public Health
- Highways
- Transport (incl. concessionary fares)
- Education Services (incl. school transport)
- Environmental Services (incl. waste disposal)
- Cultural Services (incl. libraries)
- Economic Regeneration
- Fire & Rescue Services (incl. emergency planning)
- Community Safety (incl. trading standards, youth offending)
- Support Services to the above

But we don't empty the bins, make local planning decisions, provide housing or collect the council tax or business rates

Sources of Finance 2022/23 £1,530,327 (£000's)



Gross Expenditure On Services 2022/23 £1,530,327 (£000's)



Current Budget Strategy and Resilience

- Delayed reforms to Local Government finance combined with economic context detrimental to financial planning.
- Heightened financial risk and medium term prospect of second round of austerity.
- The Council has a good record of delivering savings and operating within budget .
- A blend of savings and the prudent use of reserves has been applied for the last few years to maintain a balanced budget.
- Underspends have been prudently managed to establish reserves to support financial resilience.
- We are – and aim to continue – to be around the lower quartile of Council Tax levels.

Key Financial Trends

Financial Trends							
Year	General Government Grant £m	Other Govt. Grants received £m	Total Govt. Grant income £m	Savings £m	Cost Pressures £m	Council Tax Increase	Planned Use of Reserves £m
2011/12	211	16	227	57	52	0.00%	0
2012/13	195	17	212	51	23	0.00%	0
2013/14	146	19	165	28	61	0.00%	12
2014/15	125	22	147	40	22	0.00%	8
2015/16	95	25	120	31	31	1.90%	22
2016/17	70	28	98	42	31	3.95%	20
2017/18	48	42	90	39	26	3.95%	18
2018/19	34	49	83	23	30	4.95%	5
2019/20	20	61	81	16	26	4.95%	3
2020/21	20	78	98	15	45	3.50%	0
2021/22	21	88	109	12	31	1.99%	0
2022/23	21	104	125	10	54	4.99%	-2

LCC Medium Term Financial Position

Plan prepared using reasonable assumptions on future and this shows:

- 2023/24 - **£10.3m** - deficit
- 2024/25 - **£7.1m** - deficit
- 2025/26 - **£12.3m** - deficit
- 2026/27 - **£14.9m** - deficit

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This includes Service savings and the estimated impact of the Provisional Local Government Finance Settlement for 2023/24.

Main drivers for budget shortfall are higher cost pressures due to current inflationary environment plus increased demand.

Change in Cost Base (2023/24)

By Directorate:

Director	2023/24 £000's
Adult Care and Community Wellbeing	13,312,947
Children's Services	872,601
Place	10,493,262
Fire and Rescue	325,547
Resources	7,407,698
Corporate Services	-
Other Budgets	16,284,729
TOTAL ADJUSTMENT	48,696,784

Notional Type of Change:

Change Type	2023/24 £000's
Increased Costs	64,880,272
Reduced Income	847,384
Invest to save	(248,000)
Previously Reserves Funded	-
Reduced Costs	(11,211,637)
Change in Better Care Fund	(4,802,736)
Increased income	(768,500)
TOTAL ADJUSTMENT	48,696,784

Cost Pressures for 2023/24

- Uplifting budget to cover unbudgeted inflationary pressures in 2022/23 (pay, energy, contracts)
- 2023/24 pay award (4%) and increase in pension costs
- Energy and utility inflation
- Inflation within social care and all other services
- Increases in demand for Adult Social Care Services, particularly relating to working age adults and mental health support
- New costs associated with additional funding (ASC discharge fund and ASC market sustainability & improvement fund)
- Increase in the numbers and complexity of children in care and the need for specialist placements
- Increases in the cost of Home to School Transport – inflationary, national living wage, driver shortage, fuel prices
- Contingency re-increased to cover 2023/24 emergent risk

Savings for 2023/24

- Reversal of health and social care NI levy (offset by funding reduction)
- 1% efficiency target for all Directorates
- Transformation programmes (business support review and customer & digital transformation)
- Improved routing and other changes in Home to School transport
- Review of central and technical budgets
- Short-term reduction in capital financing costs
- Improved partnership working

Reserves

- Two types – General Reserve (£16.400m) and Earmarked Reserves (£244.267m)

Council Reserves	Balance @ 31st March 2022 (£m)	Limitations of Use
General Reserves	16.400	Reserve of last resort/emergencies only
Earmarked Reserves:		
Schools	26.553	Spent only by schools on schools
Grants	100.066	Spent only in accordance with grant conditions
Other Earmarked Reserves	70.726	Set aside by the Council for a number of specific purposes
Financial Volativity Reserve	46.922	Set aside by the Council to assist with future funding shortfalls (MTFP)
Total Earmarked Reserves	244.267	
Total Reserves	260.667	

Capital Programme and Affordability

We have costed a 10 year gross programme of **£788m** (net - £358m). This includes investment in:

- Schools **£53m** (£41m net)
- Highways **£365m** (£176m net)
- Property **£34m**
- IT assets **£29m**

This also includes **£5m p.a.** corporate development budget for bids to be made to.

We manage the volatility of capital financing charges over the medium term via an earmarked reserve.

Capital Programme

Schemes to be included in the programme are:

Schools:

- Delivery of SEND Schools Provision
- New schools programme

Resources:

- Maintenance and improvement to Council buildings
- Infrastructure and refresh programme

Fire and Rescue:

- Replacement of fleet and equipment

Place:

- Local flood protection schemes
- Household Waste Recycling Centre's (Tattershall & Skegness)
- Separated paper and card recycling scheme
- Continuation of provision of superfast broadband
- North Hykeham Relief Road
- Spalding Western Relief Road - Section 1 and Section 5.
- Grantham Southern Relief Road
- Local Highway Improvement Schemes – pinchpoints

Council Tax

- Three council tax options being considered in 2023/24:
 - Option A (2% ASC precept and 0.99% general precept)
 - Option B (2% ASC precept and 1.99% general precept)
 - Option C (2% ASC precept and 2.99% general precept)

COUNCIL TAX (all assume 1.5% tax base increase)	No Change	Option A	Option B	Option C
Band D Council Tax (%)	0.00%	2.99%	3.99%	4.99%
Band D Council Tax (band D £)	1,432.17	1,474.99	1,489.31	1,503.64
County Precept	(346,830,116)	(357,199,881)	(360,667,770)	(364,138,081)
Increase in Spending Power	-	(10,369,764)	(13,837,654)	(17,307,965)

- The Council expects to maintain it's position in or around the lowest quartile of all 26 English shire counties.
- Different options generate different levels of income and will have differing impacts of band D taxpayers (A - £42.82, B - £57.14, C - £71.47).
- Taxbase growth assumed will generate an additional £5.1m.

Business Rate Pooling

- 2022/23 LCC in a Pool with all 7 District Councils
- Being in a pool in 2022/23 is currently forecast to generate £2.633m additional funding.
- In 2023/24 we will continue to be in a pool with 7 District Councils and expect a pooling gain of £2.035m.

Engagement

- Public via “Lets Talk Lincolnshire”
- LCC Scrutiny Committees throughout January
- Businesses, Trade Unions and public sector partners via meeting today

Next Steps

Budget Engagement – January 2023

Executive Recommend Budget to Full Council – 7th Feb 2023

2023/24 Budget Approved by Full Council – 17th Feb 2023

Any Questions?