



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

Report to:	Executive
Date:	07 February 2023
Subject:	Council Budget 2023/24
Decision Reference:	I028536
Key decision?	Yes

Summary:

This report asks the Executive to propose to Full Council the Council's budget and council tax in light of the provisional local government settlement and comments received on its initial proposals.

The Executive is also asked to consider prudential targets in relation to capital financing and other treasury management matters.

Recommendation(s):

That the Executive:

1. Consider the effect of the funding available and revenue expenditure position as noted in paragraphs 1.33 – 1.34 and Table B of the report, supported by additional information in Appendix A;
2. Consider the Equality Impact Analysis at Appendix B and the consultation and engagement comments as shown in Appendix F and presented at the meeting;
3. Subject to recommendation 4 below approve for recommendation to Full Council:
 - a) the revenue budget for 2023/24 proposed in Table B of the report;
 - b) the capital programme for 2023/24 proposed in Table C and Appendix C of the report;
 - c) the levels of council tax proposed in Table D and shown in Appendix D of the report including the increasing of council tax in 2023/24 by 4.99% inclusive of 2% for Adult Social Care;

- d) the prudential indicators for 2023/24 shown in Appendix E of the report;
 - e) the Medium Term Financial Strategy attached at Appendix G to this report;
 - f) the Capital Strategy 2023/24 attached at Appendix H to this report.
4. Request the Leader to review and amend the Executive's budget recommendations to the County Council, as appropriate, in respect of; the final Local Government finance settlement; the financial impact of the completion of the deep dive into the education transport pressure, and; the receipt of local taxation data from the District Council's if received between the Executive meeting and the County Council on 17 February 2023.
 5. Request the Leader to review and amend the figures within the Medium Term Financial Strategy to be recommended to the County Council as appropriate, to ensure consistency with final budget recommendations made to the County Council meeting on 17 February 2023.

Alternatives Considered:	
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, subject to referendum for anything in excess of 5%.
3.	Lower levels of spending and consequently a lower level of Council Tax next year.

Reasons for Recommendation:

The recommended option best addresses the residual budget deficit and ensures the Council is best placed to respond to future financial challenges that are expected within the medium term outlook.

In addition, the recommended option increases investment in road maintenance – a key priority for residents – in 2023/24.

Finally, the budget proposal contains efficiency savings which effectively enables a redistribution and rebalancing of the cost base, offsetting some of the emergent cost pressures. This is now a prerequisite of any budget proposal and is crucial to achieving financial sustainability.

1. Background

- 1.1 The Executive, at its meeting on 4 January 2023, proposed the Council's budget for 2023/24 for engagement with the public and other stakeholders. That budget included the implications of the Local Government Provisional Finance Settlement announcement on 19 December 2022 and that budget report and appendices are attached for information at Appendix A.

Public Engagement

- 1.2 The window for public engagement closed on 26 January 2023, with the submissions from the public contained within Appendix F. The consultation sought feedback from stakeholders on their priorities and their views on the proposed council tax increase.
- 1.3 At the time of writing this report, a small number of engagement events were still to be held. Therefore, an expanded Appendix F to this report will be tabled and presented to the Executive at the meeting on 7 February 2023 to allow any comments from these events, and any other comments received, to be considered with those already made. The Executive must consider the public consultation response in arriving at its recommendations in relation to the final budget.
- 1.4 Pre-engagement identified the 401 County Views panel members' priorities as being: road maintenance, public safety and caring for individuals and families, including through key life events. The Council often finds through its many forms of public engagement – either with the public, parish councils or other partners – road maintenance continues to be raised as a top priority. In order to continue to increase activity within this area, the Council needs to increase its spending power, not least because inflation has increased the cost of highways maintenance projects.
- 1.5 Specifically, in respect of the different council tax options being consulted upon, there were nearly 60 submissions from stakeholders with more people supporting a 3% increase in Lincolnshire County Council precept than supporting 4% and 5% combined. Over half would prefer the lower increase, while just under a quarter favouring the larger increase. The detailed responses can be seen within Appendix F. Although small in number, the rationale within the responses can aid in potentially understanding the views of others. There was acknowledgement that the decision was a difficult balance, and is why some opted for the middle option.
- 1.6 In consideration of the feedback, an opportunity has emerged to provide a balanced approach to council tax setting alongside advancing the priorities of the public. Specifically, there is an identified need to increase spending on road maintenance in 2023/24. However, the Council needs to generate resources to fund this. The preferred option is therefore to increase the rate of council tax by 4.99% in 2023/24, and utilise the £7m additional resource that this will generate on road maintenance.

- 1.7 Given road maintenance is a key priority, the preferred option also addresses a risk with regards to lobbying and accessing additional Government funding for road projects. The Council is better placed to lobby for extra resource to spend on highways if it has done everything within its power to generate resources locally. If it doesn't maximise the increase in council tax, the Government would be well placed to resist any lobbying on the basis that the Council has opted to not maximise the sources of funding available to it.

Updated Budget Proposal

- 1.8 The proposed revenue budget has therefore been amended to reflect the two offsetting changes considered in the previous section:
- Formalisation of the preferred option in respect of increasing council tax by 4.99% and its adoption within the revenue budget proposal.*
 - An extra £7m for targeted investment within highways maintenance, which is proposed to be utilised on additional pedestrian crossings, footway works and network improvements as well as reductions to the traffic regulation order backlog.

This decision considers the feedback that has been received from the public and, while ensuring the Council is better placed to respond to future financial challenges that are expected to intensify beyond 2024/25, it also enables funding to be put into highways to meet the priorities of the public.

Please note that there has been a technical change to the council tax calculation to ensure the band D rate is divisible by nine to aid the different proposed banding rates set out in appendix D.

- 1.9 In addition, the Council has received confirmation in respect of the timing of a minor cost pressure which had initially been expected to arise in 2023/24, and which will now arise twelve months later providing a short-term benefit.
- 1.10 As a result of the above changes, the summary revenue budget position is updated as follows:

Table A – Summary Revenue Budget 2023/24

SUMMARY REVENUE BUDGET	2023/24 Budget (£)
EXPENDITURE	
Net Base Budget	546,874,855
Cost Pressures (including inflation)	64,685,272
Savings & Additional Income	(11,380,753)
Other Movements (e.g. service grant funding)	(4,802,736)
Total	595,376,638
Highway maintenance additional spend (2023/24)	7,000,000
RESERVE ADJUSTMENTS	
Transfer to/from Earmarked Reserves	(10,213,291)
Transfer to/from General Reserves	-
BUDGET REQUIREMENT	592,163,347
FUNDING	
County Precept	(365,635,660)
Business Rates	(131,118,502)
Non-Specific Government Grants	(39,015,057)
Social Care Grants	(56,394,128)
TOTAL FUNDING	(592,163,347)

- 1.11 As can be seen in Table A, the structural budget deficit in 2023/24 has marginally reduced from £10.3m to £10.2m which is due to the deferred timing of a cost pressure. The structural budget deficit would necessitate utilisation of reserves to achieve a balanced budget if there was no further change to the budget proposal.
- 1.12 However, it is likely that this position will change further once clarification has been reached in two key areas:
- Local taxation – this will be known once the Lincolnshire District Councils have shared the complete and comprehensive position for both business rates and council tax.
 - Emergent cost pressure – the deep dive review of education transport is ongoing. There is a significant risk that the education transport budget will need to increase further to reflect latest cost estimates, which was flagged in the budget proposal considered by Executive in January.
- 1.13 The potential implications of the outstanding budgetary items are described below. If the relevant information is received before the date of the Executive meeting it will be presented at the meeting as an update to this report.

Council Tax

Tax Base

- 1.14 District Councils have to confirm their Council Tax Base and surplus/deficit position on the Council Tax element of the Collection Fund to the government by mid-January and share this information with precepting authorities as soon as possible. The report to the Executive on 4 January 2023 assumed an increase of 1.5% in the council tax base.
- 1.15 At the time of preparing this report the County Council has not yet received confirmed tax base figures from all of the seven District Councils. An update on these figures will be tabled at the Executive meeting on 7 February once all information has been confirmed by all of the Lincolnshire District Councils.

Collection Fund

- 1.16 At the time of preparing this report, none of the District Councils had submitted their confirmed positions on the council tax elements of their collection funds. The budget proposal currently assumes an overall £1.5m surplus will be declared, which is a prudent estimate taking the recent trend into account.
- 1.17 An update on these figures will be tabled at the Executive meeting on 7 February 2023 once all information has been confirmed by all of the Lincolnshire District Councils.
- 1.18 The Local Government Provisional Finance Settlement for 2021/22 confirmed that a deficit on the Council Tax Collection Fund for 2021/22 must be spread equally over 2021/22, 2022/23 and 2023/24 and new regulations to allow this to happen came into force in December 2020. This means that the 2023/24 surplus or deficit position will include the £0.298m deficit element from the 2021/22 collection fund. Any surplus or deficit forecast in respect of the 2022/23 financial year will be added to this figure.

Rate Increase

- 1.19 The referendum threshold limit for general rate increases in 2023/24 was set out in the Provisional Finance Settlement as 3%, which will be confirmed in the Final Local Government Finance Settlement. The settlement also confirmed the flexibility to levy an additional 2% in respect of the adult social care precept.
- 1.20 The Executive on 4 January 2023 proposed three council tax increase scenarios, which had differing impacts on the level of funding available for the Council in short, medium and long-term. These are considered below:
- Option A (2% Adult Social Care precept and 0.99% general precept making a total precept for 2023/24 of 2.99% and £10.3m reserve use)

- Option B (2% Adult Social Care precept and 1.99% general precept making a total precept for 2023/24 of 3.99% and £6.9m reserve use)
- Option C (2% Adult Social Care precept and 2.99% general precept making a total precept for 2023/24 of 4.99% and £3.4m reserve use)

The Council's section 151 officer provided specific advice in respect of this decision in the report to the Executive on 4 January 2023, specifically to maximise the council tax flexibilities available to put the Council in the strongest position possible from which to navigate the challenges likely to be encountered in the medium-term.

- 1.21 The Council has consulted with the public on the different increase options it is considering, with the feedback received contained in appendix F. With the view to increase spending power in 2023/24, the recommendation is to implement option C and maximise the council tax increase. This ensures the Council is better placed to address the risks within the medium term outlook and also enables the investment of extra money into highways in 2023/24 as a key Council priority.
- 1.22 Whilst this is a challenging time for residents, the Council must take the necessary steps to ensure its financial sustainability and put it in the strongest possible position to withstand any potential funding and/or expenditure shocks. Maximising resources supports the Council's ability to do this. Additionally, it must also be noted that the current rate of inflation is more than double the rate of increase proposed which impacts on all areas, including priority areas such as highways.
- 1.23 An Impact Analysis has been completed for the 4.99% increase and is attached at Appendix B. The equality impacts are addressed further below in part 2 of the report 'Legal Issues'.

Business Rates

Tax Base (NDR1 form)

- 1.24 The District Councils have until 31 January 2023 to provide statutory business rates returns showing:
- The amount of business rates to be passed to the Council;
 - The position on the business rates element of the collection funds; and
 - The value of the section 31 compensation grant due to the Council.

Collection Fund

- 1.25 At the time of preparing this report, none of the seven District Councils had notified the Council of their confirmed Business Rates Collection Fund positions.

- 1.26 The Local Government Provisional Finance Settlement for 2021/22 confirmed that a net deficit on the Council Tax Collection Fund for 2021/22, after allowing for additional Section 31 grant in 2021/22, must be spread equally over 2021/22, 2022/23 and 2023/24 and new regulations to allow this to happen came into force in December 2020. The report to the Executive on 4 January 2023 included the assumption of a collection fund deficit of £0.320m relating to 2021/22 and a neutral forecast position for the 2022/23 financial year. Any surplus or deficit forecast for the 2022/23 financial year will be added to this figure.
- 1.27 An update on these figures will be tabled at the Executive meeting on 7 February 2023 once all information has been confirmed by all of the Lincolnshire District Councils.

Section 31 Grant Funding

- 1.28 The Government confirmed that it will continue to compensate councils in full for the continuation of the business rates cap, small business rates relief and rural rate relief by way of a section 31 grant, as in previous years. In addition, there will be section 31 grant to compensate councils for the impact of the government's decision to freeze the business rates multiplier in both 2021/22 and in 2022/23.
- 1.29 At the time of preparing this report the Council had not received final notifications from each of the District Councils in respect of section 31 grants.
- 1.30 An update on these figures will be tabled at the Executive meeting on 7 February once all information has been confirmed by all of the Lincolnshire District Councils.

Lincolnshire Business Rates Pool

- 1.31 The Council has confirmed that it wishes to remain in a business rates pool with the seven Lincolnshire District Councils. Based on the pooling gain in 2021/22 and the estimated gain for 2022/23, an assumption of a £2.035m pooling gain has been made for 2023/24.

Revenue Budget

- 1.32 As set out in 1.10, the revenue budget has been amended to incorporate changes in respect of the council tax rate and offsetting increase in highways spending. It has also been amended to reflect the re-phasing of a cost pressure following clarification on timing. Taking each in turn:
- The budget assumes that council tax will increase by 4.99% in 2023/24. Whilst this was one of the options taken forward for consultation, the illustrative revenue budget contained within the 4 January 2023 Executive report notionally showed a 2.99% increase. This change increases spending power by £6.9m in 2023/24 and helps to reduce the structural budget deficit.

- The higher increase in council tax is expected to generate additional resource, which enables the Council to consider investing an extra £7m within highways maintenance in 2023/24.
 - The cost of the external audit scale fee is forecast to increase by £0.195m following recent notification from the Public Sector Audit Appointments body in respect of the Council's new auditor from 2023/24 onwards. The cost uplift had been assumed from 2023/24, however the cost of the 2023/24 audit will be met from the 2024/25 budget and therefore the cost pressure has been deferred by one year.
- 1.33 As a result of the above changes, the forecast deficit in 2023/24 has reduced marginally from £10.3m to £10.2m. There are likely to be further changes to the position, specifically around the taxation position and completion of the deep dive in to the education transport pressure.
- 1.34 The table on the next page shows the current proposed revenue budget:

TABLE B – Revenue Budget 2022/23 and 2023/24

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	266,133	7,892,202
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	32,217,055	513,664,060
	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)	48,501,784	595,376,638
-	Highway maintenance additional spend (2023/24)	7,000,000	7,000,000
(2,304,000)	Transfer to/from Earmarked Reserves	(7,909,291)	(10,213,291)
544,570,855	BUDGET REQUIREMENT	47,592,492	592,163,347
	FUNDING		
(344,871,853)	County Precept (4.99% increase shown)	(20,763,807)	(365,635,660)
(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	(47,592,492)	(592,163,347)

Capital Programme

- 1.35 The proposed capital programme is summarised in Table C below. Some minor adjustments to externally funded programmes have been made since the report to the Executive on 4 January 2023, and the table below shows a summary of the programme and how the programme will be funded. Details of the Council's capital programme are set out at Appendix C.

TABLE C – Gross Capital Programme 2022/23 to 2023/24 (plus future years)

Capital Programme (2022/23 plus Future Years)	Revised Gross Programme 2022/23 £m	Gross Programme 2023/24 £m	Gross Programme Future Years £m
<u>ADULT CARE AND COMMUNITY WELLBEING</u>			
Adult Frailty & Long Term Conditions	1.000	0.000	0.000
Public Protection	0.045	0.000	0.000
<u>CHILDREN'S SERVICES</u>			
Children's Education	45.201	16.879	41.639
Children's Services	2.377	1.221	0.400
<u>PLACE</u>			
Communities	8.232	5.360	8.417
Growth	14.100	7.051	0.000
Highways	127.190	88.185	277.127
<u>FIRE AND RESCUE</u>	2.272	2.691	6.478
<u>RESOURCES</u>			
Property	3.399	6.492	28.000
ICT	4.743	4.000	25.500
<u>OTHER BUDGETS</u>			
Other Budgets	20.746	5.000	40.000
Gross Capital Programme	229.305	136.879	427.561
<u>Funded by:</u>			
Grants and Contribution	82.822	54.223	152.473
Capital Receipts	0.000	5.000	45.000
Revenue Funding	14.416	0.161	0.759
Use of Reserves	16.760	0.000	0.000
Borrowing	115.308	77.496	229.328
TOTAL FUNDING	229.305	136.879	427.561

Council Tax Rates

- 1.36 The impact on a Band D property of the proposed increase in council tax of 4.99% for 2023/24 is shown in Table C.

TABLE D – County Council Element of the Council Tax for Band D

County Council element of the council tax	2022/23	2023/24
Band D council tax	£1,432.17	£1,503.63
Increase over previous year	4.99%	4.99%

- 1.37 The effect of this increase on all Council Tax property bands can be found at Appendix D.
- 1.38 Under section 52ZB of the Local Government Finance Act 1992 the Council, as a major precepting authority, must in setting its precept, determine whether its relevant basic amount of council tax for the financial year under consideration is excessive. That question must be determined by the Council in accordance with any principles determined by the Secretary of State and approved by a resolution of the House of Commons. The settlement sets the limit at 5% for the Council (2% for adult social care and 3% for general rate increases). The Executive can determine that the recommended council tax increase of 4.99% is not excessive.

Prudential Indicators

- 1.39 The Council is required to agree targets for specified prudential indicators in relation to capital financing and other treasury management matters. The Council also sets its own targets in addition to the statutory ones. The main purpose of these targets is to ensure that the Council's capital financing, in particular its long term borrowing, is prudent, affordable and sustainable. The proposed draft targets are set out in Appendix E. Some minor updates to some of these indicators will feed into the Council Budget report and Budget Book for full Council on 17 February 2023.
- 1.40 One of the Council's voluntary Prudential Indicators, is that the repayment of external debt including interest will be less than 10% of annual income from general government grants, Dedicated Schools Grant and council tax. This is projected to be 4.7% in 2022/23, increasing to 5.5% by 2025/26

Final Local Government Finance Settlement

- 1.41 The Government grant allocations assumed in the budget proposals are those announced in the Provisional Local Government Finance Settlement. These allocations may be altered in the Final Settlement, although major changes are not expected. At the time of preparing this report, the date of the Final Settlement is not known but expected to be in early to mid-February. An update will be tabled

at the Executive meeting on 7 February 2023 if there are any amendments required arising from the final Local Government Finance Settlement. The recommendations in this report allow for the Leader of the Council to review and amend the Executive's budget recommendations to the County Council, as appropriate, in light of the final Local Government Finance Settlement if this is received after the meeting on 7 February 2023.

Flexible Use of Capital Receipts

- 1.42 The Council approved the strategy of using Capital Receipts flexibly to fund revenue transformation projects between 2016/17 and 2019/20, in line with the Government's amended policy which allowed this. From 2020/21 onwards the Council has not made use of the flexibility and has instead had a strategy in place to use Capital Receipts only to repay loans or to fund new capital expenditure. Transformation projects have been funded by using existing revenue budgets or earmarked reserves.
- 1.43 The Secretary of State's Direction, which introduced the flexibility and the Statutory Guidance which required the Council to approve annually a Flexible Use of Capital Receipts Strategy, both come to an end in March 2022. The Government published the updated the capital receipt flexibility direction in August 2022, covering the financial years 2022/23 to 2024/25. As the Council is not planning to make use of the flexibility, the Council does not need to do anything to secure compliance with this direction.

Financial Risk

- 1.44 There are some risks which may impact on the budget for 2023/24 and we have taken a realistic, but prudent approach to our estimates. The main risks are outlined below.
- 1.45 The rate of inflation remains at or near record high levels, which is already impacting the cost base. The budget proposal has made a series of adjustments in respect of this, however the risk of further inflationary risk remains and therefore the general contingency is being maintained at £6.5m to provide capacity to withstand short-term shocks to expenditure or income.

The Medium Term Financial Strategy

- 1.46 The Medium Term Financial Strategy has been refreshed this year and is attached as Appendix G.

The Capital Strategy

- 1.47 The Capital Strategy has been updated for 2023/24 and reflects the new requirements of the CIPFA Treasury Management and Prudential Codes which were amended in 2021. It is attached as Appendix H.

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.

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.

Consideration has been given as to whether there is any element of the current budget proposals that should be the subject of an equality impact analysis at this stage and as a result an assessment (attached at Appendix B) has been carried out on the proposal to increase Council Tax. That assessment identifies the potential for the proposal to impact on people with low income and therefore disproportionately on certain people with a protected characteristics including older and younger people, people with a disability and women with children. Each District Council operates a Council Tax Support Scheme which has been designed following consultation and individual impact analyses to mitigate the effects of Council Tax levels on vulnerable people and people with low incomes. The savings and additional income of £11.4m built into this budget are all considered to have minimal impacts on service users but, as stated above, equality impact analyses will be carried out in relation to any proposed changes to services on an individual basis.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. 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. In this event the usual budget management processes such as virement would be followed and approval sought at the appropriate levels in accordance with Financial Regulations including full Council where necessary. In particular a contingency has been built into the budget proposals in the form of the Financial Volatility Reserve (the balance is currently £46.9m) and the annual Contingency budget which has been maintained at £6.5m for the 2023/24 financial year, for when additional funding cannot be found by way of virement from other service areas.

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.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. 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 Well-being 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.

Approval of the budget is not a final decision about what the Council's services will be or about how much money will be saved under any particular proposals. 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 1988.

3. Conclusion

- 3.1 These budget proposals reflect the level of Government funding available to the Council and a proposal to raise council tax by 4.99% in 2023/24.
- 3.2 The budget proposal from the Executive meeting on 4 January 2023, as developed to reflect emerging budgetary information and consideration of engagement

feedback, is recommended as the budget to be put forward by the Executive for approval at the County Council on 17 February 2023. This is subject to any change by the Leader in respect of; the Final Local Government Finance Settlement; receipt of District Council business rates and final council tax information, and; completion of the education transport deep dive.

4. Legal Comments:

The Executive is responsible for recommending a budget to the Council. Approval of the budget is reserved to full Council

When recommending a budget, the Executive must be mindful of its obligation to have due regard to a number of matters including under the Equality Act 2010.

Case law has established that generally it is lawful for a Council first to decide its budget and then to consider the question of consultation and the specific impact of proposed policies and service changes at the time they are developed and decisions are taken on them. Consideration has been given to whether there are any specific proposals within the budget that would require such consideration prior to the budget being set and apart from the proposed Council Tax increase which is dealt with in the Report there are not considered to be any such proposals

The way in which it is proposed to deal with specific service proposals is set out in full in the body of the report.

The legal issues relating to the recommended level of council tax and prudential indicators and the requirement for a Flexible Use of Capital Receipts Strategy are set out in the Report.

The proposed Medium Term Financial Strategy and Capital Strategy 2023/24 form part of the Financial Strategy which is part of the Council's Policy Framework. Approval of documents forming part of the Policy Framework is reserved to the full Council on the recommendation of the Executive.

The recommendations are within the remit of the Executive and are lawful. The Executive has the power to accept recommendation 3 or to agree one of the alternative approaches referred to in the report.

5. Resource Comments:

The updated budget proposal set out in this report is largely the same as the original proposal considered by the Executive in January.

There are a couple of changes to the budget proposal, with the key change being

to assume a 4.99% increase in council tax. This was one of the options set out in the previous budget proposal, and is now the preferred option which reflects the need to increase spending power in 2023/24 to offset cost pressures and also ensure the Council is best placed to navigate financial challenges that may arise in the medium term.

The budget proposal still shows an underlying deficit position for 2023/24, even with the above change. This is expected to get resolved once the complete funding position is known specifically in respect of the taxbase.

6. Consultation

a) Has Local Member Been Consulted?

N/A

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

Further Scrutiny, Engagement and Consultation:

A consultation meeting with local business representatives, trade unions and other partners will take place on 27 January 2023. Comments from this meeting will be tabled at the meeting on 7 February 2023.

The Council's scrutiny committees scrutinised proposals in detail during January and their comments are included in Appendix F.

The Overview and Scrutiny Management Board will scrutinise the budget proposals in the report to the Executive on 4 January 2023 and their comments will be tabled at the meeting on 7 February 2023.

The proposal to increase Council Tax by 4.99% has been publicised on the Council's website together with the opportunity for the public to comment. Comments and responses are included in Appendix F for the Executive to consider alongside this report on 7 February 2023.

d) Risks and Impact Analysis

Yes. An impact analysis relating to the proposal to increase Council Tax has been carried out and is attached at Appendix B. Proposed service changes to give effect to the budget will be subject to their own policy proofing considerations.

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Executive Report "Council Budget 2023/24" 4 January 2023
Appendix B	Impact Analysis relating to increasing the council tax by up to 4.99% in 2023/24
Appendix C	Capital Programme 2022/23 to 2023/24 and future years
Appendix D	Council Tax Increase per Band 2023/24
Appendix E	Prudential Indicators (<i>in draft</i>)
Appendix F	Consultation and Engagement Comments Received (<i>to date</i>)
Appendix G	Medium Term Financial Strategy
Appendix H	Capital Strategy 2023/24

8. Background Papers

The following background papers as defined in section 100D of the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Provisional Local Government Finance Settlement	Provisional local government finance settlement: England, 2023 to 2024 - GOV.UK (www.gov.uk)
Executive Report 4 January 2023 "Council Budget 2023/24"	Agenda for Executive on Wednesday, 4th January, 2023, 10.30 am (moderngov.co.uk)

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

This page is intentionally left blank