

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

Report to:	Executive
Date:	05 September 2023
Subject:	Revenue Budget Monitoring Report 2023/24 (Quarter 1)
Decision Reference:	I030086
Key decision?	No

Summary:

- This report provides an update on revenue spending compared with budgets for the 2023/24 financial year which started on 01 April 2023.
- The tables in this report show the actual income and expenditure for the first three months of this financial year to 30 June 2023, along with the forecasts for spending and a comparison of the forecasts against the approved budgets for the year.
- The report gives an overview of the financial position for revenue, supported by detailed information available within the appendices.
- The revenue budget is forecast to underspend by £1.3m (equivalent to 0.2% of the net budget).
- General reserves are forecast at the end of the year to remain within the target range of 2.5% to 3.5%.
- The impact of this revenue budget forecast on the Council's resilience has been assessed and the conclusion is that the Council's financial resilience remains relatively strong at this point in time and is supported by the forecasts set out in this report.

Recommendation(s):

That the Executive notes the current position on the revenue budget and decides on any corrective action necessary.

Alternatives Considered:	
1.	This report shows the actual revenue expenditure to 30 June 2023, and projected outturns for 2023/24, therefore no alternatives have been considered.

Reasons for Recommendation:
To maintain the Council's financial resilience.

1. Background

- 1.1 In February 2023, the Council approved plans for revenue spending to support delivery of the Council plan, achieve its strategic objectives and legal duties for the benefit of residents and businesses. The financial strategy guides this and provides the mechanisms to ensure the council is financially sustainable and resilient.
- 1.2 The economic environment has remained challenging since the budget was approved, with the rate of inflation remaining higher for longer than the Council's revised expectations in February. It appears that it has started to reduce due to prices now being measured against a permanently higher base, however the Bank of England do not expect the rate to fall below their 2% target until 2025. This has implications for the Council's financial planning, which are still to be fully understood.
- 1.3 This impacts nationally, and therefore is not specific to Lincolnshire. Notwithstanding, this presents significant challenges for the Council, its workforce and the residents and businesses that live and operate in its area. The cost of services are likely to increase further in the medium term, over and above the assumptions set out in the medium term financial plan. This manifests through pay award pressures, higher costs charged by suppliers and the potential for heightened demand for services. Moreover, the Council is constrained in increasing its spending power to counteract pressures.
- 1.4 The Council is considered to be in a strong financial position relative to peers, which reflects the prudent approach that has been taken to financial management to date and which will continue to be required going forward, evident by the positive 2022/23 financial outturn. The Council has also demonstrated its ability to react to emergent crises and meet emergent need within available resources. It is also important to recognise that well-led services provided by the Council are better for our residents, and also lead to better financial outcomes.
- 1.5 In line with good financial management practices, the Council's use of resources is closely monitored and reported to the executive. This report provides information on the current financial position and will inform the next stages of financial planning, taking account of the risks and opportunities in respect of financial sustainability.

- 1.6 Quarter one budget monitoring represents the first comprehensive review of the Councils' approved financial plans. Prior to considering the position that has been reported, there are two specific factors which have influenced the position:
- The start of the 2023/24 financial year has coincided with the implementation of the Council's new financial system. The change has represented a major undertaking, with the initial focus on ensuring system resilience and accuracy. The nature of changing financial systems means initial disruption to financial reporting, until the new reporting regime is established and implemented. This has now been substantively completed, however it is important to note that access to reporting was partially impacted during the time period of quarter one monitoring and this is expected to have constrained budget and spend managers when undertaking detailed forecasting.
 - Good quality forecasting relies on several factors, which includes having strong supporting data. The quality of supporting trend data improves during the financial year, and is matched with refined forecasting during the financial year. As quarter one is based on three months data, this can make forecasting in some instances more of a challenge, although not impossible. The focus is therefore as much around understanding any areas which are at risk of diverging from the assumed plan.
- 1.7 The size and scale of the County Council – and the complexity of the services it provides – means that small percentage changes in assumptions can have large value changes, positive and negative. This is counteracted through the Council's prudent approach to the setting of reserves and contingencies, which ensures the Council has time to react to material changes to circumstances.
- 1.8 The Council's financial planning process which will result in the setting of budgets for 2024/25 and beyond will soon be commencing. This will complement the monitoring work ongoing, with clear links between the two areas of financial management.

Overall Financial Position – Revenue

- 1.9 The summary revenue forecast as at 30 June 2023 (end of quarter one) is as follows:

Revenue	Budget (£)	Forecast (£)	Variance (£)
Investment in Directorates			
Adult Care and Community Wellbeing	179,722,141	179,219,141	(503,000)
Children's Services	100,688,848	101,913,657	1,224,809
Place	137,802,199	137,802,199	-
Fire and Rescue	23,597,995	23,597,995	-
Resources & Corporate	82,435,858	82,005,294	(430,564)
Total	524,247,041	524,538,286	291,245
Other Budgets			
Contingency	21,691,190	21,691,190	-
Capital Financing Charges	43,056,479	43,056,479	-
Other Budgets	25,481,860	24,481,922	(999,938)
Total	90,229,529	89,229,591	(999,938)
School Budgets	(2,675,915)	(2,694,485)	(18,570)
Transfer to/from Earmarked Reserves	(7,543,383)	(7,543,383)	-
Net Operating Expenditure	604,257,272	603,530,009	(727,263)
Funding			
County Precept	(365,554,704)	(365,554,704)	-
Business Rates	(142,258,973)	(142,820,232)	(561,259)
Revenue Support Grant	(23,391,916)	(23,391,916)	-
Other Grants	(73,051,679)	(73,051,679)	-
Total Funding	(604,257,272)	(604,818,531)	(561,259)
RESIDUAL DEFICIT (+) / SURPLUS (-)	-	(1,288,522)	(1,288,522)

- 1.10 Appendix A shows an expanded version of this summary table, in addition to further explanation on the variances within directorates as well as information on the delivery of planned cost base reductions, confirming that the vast majority of efficiency initiatives are on track to be delivered in full during this financial year.
- 1.11 The overall forecast comprises a modest overspend within directorates (£0.3m), with underspends within other budgets (£1.0m) and a forecast increase in funding (£0.6m).
- 1.12 There are expected to be significant changes to this position in subsequent reports reflecting potential emerging risk, together with offsetting action to mitigate. At this stage in the financial year it is expected that the Council will contain spend to within the limits set in February.

Earmarked Reserves

- 1.13 Appendix B shows the current balance on the Council's earmarked reserves, together with amounts forecast to be drawn down from reserves to cover expenditure in the current year. The opening balance for earmarked reserves in total is £238.2m and it is currently forecast that £72.7m of this will be used in 2023/24 to support expenditure in accordance with the purposes of the reserves. Please note this is subject to change.

Progress on Development Fund Initiatives

- 1.14 Appendix C shows a list of initiatives where the revenue and capital costs are to be funded by the Development Fund earmarked reserve. The latest forecast delivery profile can be seen within the appendix. Expenditure on Development Fund initiatives is currently forecast to be £28.5m in 2023/24, split between revenue (£13.3m) and capital (£15.2m).

Assessment of Impact on Financial Resilience

- 1.15 The impact of the financial management update set out in this report on the Council's financial resilience has been assessed and it has been concluded that the Council's financial resilience remains relatively strong. The Council took steps in advance of the financial year to mitigate the emerging risk in respect of inflation, which included maintaining the balance of the revenue contingency at the level set in 2022/23.
- 1.16 The forecast set out in this report is for a revenue underspend, and if this remains through to outturn it would be further evidence of strong financial management when considering the wider economic context the Council has been operating within. It also provides assurance that the measures introduced within this budget to offset emergent risk have been successful, which provides a strong platform for the upcoming budget setting process
- 1.17 General reserves are forecast at the end of the year to remain within the target range of 2.5% to 3.5%. Based on our current forecast underspend there should be no requirement to draw down our Financial Volatility Reserve to support the 2023/24 budgetary position. The balance of the Financial Volatility Reserve currently stands at £46.9m.
- 1.18 The Council continues to maintain its financial resilience by:
- Proactive financial management in respect of the emergent financial position,
 - Taking action to mitigate issues as and when they arise,
 - Continuing to work with the Society of County Treasurers to ensure that the Government understands the particular issues faced by County Councils,
 - Refreshing and updating the medium term financial plan and financial strategy,
 - Continued emphasis on transformation work, which enables significant reductions within the cost base.

Reporting of Budget Virements

- 1.19 The Council's financial regulations require officers to report any budget virements made during the year to the Executive. A budget virement is where budget is moved from one service area to another and where the original purpose the budget was approved for has changed. A list of all such virements made in quarter one can be found Appendix D.

2. Legal Issues:

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.

As this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

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.

As this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

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.

As this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

3. Conclusion

- 3.1 The Council's overall forecast revenue position is an underspend of £1.3m (excluding Schools).
- 3.2 The position will continue to be monitored and reported throughout the year.

4. Legal Comments:

This report sets out an update on spending as at 30 June 2023 compared with the revenue budget for the financial year starting on 1 April 2023 to assist the Executive in monitoring the financial performance of the Council.

5. Resource Comments:

This report indicates that the current year revenue budget is projected to be underspent, however the forecast underspend is relatively small at 0.2% of the net revenue budget.

There are currently no other call on reserves expected to be required within the current financial year. Continued effort in monitoring is essential to ensure that emerging financial risk is identified and mitigated wherever possible throughout the year.

6. Consultation

a) Has Local Member Been Consulted?

No

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This report is due to be considered by the Overview and Scrutiny Management Board on 24 August 2023. Any comments of the Board will be reported to the Executive.

d) Risks and Impact Analysis

The impact of this reported financial position on the Council's overall financial resilience has been assessed and is reported on within this report.

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Revenue Budget Monitoring Forecast Q1 2023/24
Appendix B	Earmarked Reserves
Appendix C	Monitoring of Development Fund
Appendix D	Budget Transfers (Quarter One 2023/24)

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
Council Budget 2023/24	Council Budget 2023/24
Budget Book 2023/24	Budget Book 2023/24

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Revenue Budget Monitoring Forecast Q1 2023/24

APPENDIX A

REVENUE BUDGETS	Revised Budget £	Net Expenditure £	Forecast Outturn £	Forecast Variance £	Forecast Variance %
CHILDREN'S SERVICES					
Children's Education	13,674,127	(872,441)	13,263,444	(410,683)	-3.0%
Children's Social Care	87,014,721	22,702,425	88,650,213	1,635,492	1.9%
ADULT CARE & COMMUNITY WELLBEING					
Adult Frailty & Long Term Conditions	138,824,029	24,169,629	138,633,029	(191,000)	-0.1%
Adult Specialities	100,667,480	30,877,972	100,490,480	(177,000)	-0.2%
Public Health & Community Wellbeing	31,520,266	1,644,632	31,520,266	-	0.0%
Public Protection	5,666,720	(2,693,472)	5,531,720	(135,000)	-2.4%
Better Care Fund	(61,412,354)	(2,854,610)	(61,412,354)	-	0.0%
Public Health grant income	(35,544,000)	(8,995,984)	(35,544,000)	-	0.0%
PLACE					
Communities	86,961,641	7,568,045	86,961,641	-	0.0%
Lincolnshire Local Enterprise Partnership	451,567	(1,562,558)	451,567	-	0.0%
Growth	2,612,683	(1,498,551)	2,612,683	-	0.0%
Highways	47,776,308	(10,247,822)	47,776,308	-	0.0%
FIRE & RESCUE					
Fire & Rescue	23,597,995	3,762,528	23,597,995	-	0.0%
RESOURCES					
Finance	8,172,562	1,790,046	8,034,201	(138,361)	-1.7%
Organisational Support	16,954,316	6,466,590	16,937,356	(16,960)	-0.1%
Governance	2,918,999	1,653,333	2,911,999	(7,000)	-0.2%
Corporate Property	19,440,043	9,705,632	19,252,591	(187,452)	-1.0%
Commercial	8,900,666	2,724,386	8,689,390	(211,276)	-2.4%
Transformation	5,393,702	1,477,220	5,420,185	26,483	0.5%
IMT	17,465,485	4,756,567	17,569,487	104,002	0.6%
Corporate Services	3,190,085	912,833	3,190,085	-	0.0%
SERVICE TOTAL	524,247,041	91,486,400	524,538,286	291,245	0.1%
OTHER BUDGETS					
Contingency	21,691,190	-	21,691,190	-	0.0%
Capital Financing Charges	43,056,479	(1,347,281)	43,056,479	-	0.0%
Other Budgets	25,481,860	1,289,591	24,481,922	(999,938)	-3.9%
OTHER BUDGETS TOTAL	90,229,529	(57,690)	89,229,591	(999,938)	-1.1%
SCHOOLS BUDGETS					
Schools Block	550,838,289	29,638,799	550,838,289	-	0.0%
High Needs Block	125,371,876	25,452,656	125,353,082	(18,794)	0.0%
Central School Services Block	3,223,169	104,711	3,223,169	-	0.0%
Early Years Block	43,759,342	12,070,574	43,759,566	224	0.0%
Dedicated Schools Grant	(725,868,591)	(85,083,174)	(725,868,591)	-	0.0%
SCHOOLS BUDGETS TOTAL	(2,675,915)	(17,816,434)	(2,694,485)	(18,570)	0.7%
BUDGET REQUIREMENT (pre-reserves)	611,800,655	73,612,276	611,073,392	(727,263)	-0.1%
Transfer to/from Earmarked Reserves	(7,543,383)	-	(7,543,383)	-	0.0%
BUDGET REQUIREMENT	604,257,272	73,612,276	603,530,009	(727,263)	-0.1%
FUNDING					
County Precept	(365,554,704)	(73,110,941)	(365,554,704)	-	0.0%
Business Rates	(142,258,973)	(36,722,433)	(142,820,232)	(561,259)	0.4%
Revenue Support Grant	(23,391,916)	(6,315,817)	(23,391,916)	-	0.0%
Other Grants	(73,051,679)	(16,268,741)	(73,051,679)	-	0.0%
Total Funding	(604,257,272)	(132,417,932)	(604,818,531)	(561,259)	0.1%
RESIDUAL DEFICIT (+) / SURPLUS (-)	-	(58,805,656)	(1,288,522)	(1,288,522)	-0.2%

Analysis of Revenue Forecast

1. The Council's revenue budget requirement represents the day-to-day costs of council service delivery. The Council has a strong track record of managing financial risk, with continuous improvement and implementation of efficient delivery models. Given the continued economic challenges, specifically in respect of persistent high levels of inflation, it is essential that the Council can continue to adapt to an ever-changing operating environment. This is a fundamental prerequisite for financial sustainability over the long-term.
2. The Council conducts an organisation wide budget monitoring exercise that seeks to monitor progress against approved financial plans on a quarterly basis, with targeted monitoring occurring during intervening periods and focussing on high-risk areas. Quarter one provides an opportunity to implement the approved budgets and commence delivery of the approved plan, understanding any areas which are at risk of diverging from the assumed plan. It is important to note that early identification of emerging financial risk provides the organisation with time and opportunity to put into place mitigation measures to contribute towards a better financial outturn. Indeed, this approach has resulted in successful outturn positions for the previous few years despite the volatile nature of the operating environment.
3. The start of the 2023/24 financial year has coincided with the implementation of the Council's new financial system. The change has represented a major undertaking, with the initial focus on ensuring system resilience and accuracy. The nature of changing financial systems means initial disruption to financial reporting, until the new reporting regime is established and implemented. This has now been substantively completed, however it is important to note that access to reporting was partially impacted during the time period of quarter one monitoring and this is expected to have constrained budget and spend managers when undertaking detailed forecasting.
4. Taken together, the earliness in the financial year of quarter one monitoring combined with the initial disruption to reporting capabilities means that the forecast shown opposite should be considered as an initial estimate of identified and potential changes compared to the approved budget. There are likely to be significant changes to the position throughout the remainder of the financial year, which reflects:
 - The complexity and scale of Council services
 - The benefit of having additional months finance and activity data,
 - Having complete availability of financial system reporting for the full duration of budget monitoring,

In summary, forecasts will naturally improve with better quantification of financial risk and implementation of mitigations.

5. For 2023/24, the Council has a cash limit of £604.3m, otherwise known as its budget requirement. At this early stage in the financial year, the Council is forecasting that it will marginally underspend by £1.3m (or 0.2%) at outturn.

6. The overall position reflects an amalgamation of identified over and underspends across the Council. The position for each directorate is considered in turn.

Children's Service

7. Within Education, Special Educational Needs & Disabilities is forecasting an underspend of £0.411m (or 3.0%). The majority of this relates to the Domiciliary Care contract (£0.305m or 51.0%) which continues to be unable to access care resources and packages of support due to limited availability within the marketplace and a national shortage of carers for domiciliary care. As a result, there are a number of young people who are waiting for a domiciliary care service. Whilst access to the contract is the preferred option, if that is not possible then the direct payment route or spot purchase package are explored.
8. The number of Children in Care (CiC) has increased to 743 at the end of May 2023 compared to 727 as at the end of March 2023. There is a continuing need for external placements, leading to overspends on residential placements (£1.298m or 18.7%) and out of county fostering placements (£0.663m or 30.5%). This includes three new exceptional secure placements, for welfare reasons, at a cost of £0.980m. This cost is not budgeted for within Children's Services due to its exceptional nature, with prior occurrences being met from revenue contingency, which will be reported in this way in future reporting periods. In addition, the authority is seeing fee increases in the unfavourable external market, a situation which is also being experienced nationally and more complex and demanding young people being unable to be placed with our in-house foster carers. The CiC programme continues to have strong oversight and rigour of the budget position of these demand-led and volatile budgets. Within Fostering and Adoption, a forecast underspend on Family Assessments (£0.325m) has helped to partly offset these overspends.
9. The anticipated Children's Services 1% carry forward (£0.968m) from 2022/23 has not been specifically earmarked for particular activities, but rather for use in supporting increased spending on families in crisis, inflationary challenges and supporting emergency external placements.
10. It is expected that the additional costs associated with the transport of children and families for family time initially identified in 2022/23, will continue in 2023/24. The Contact Team is forecast to overspend by £0.500m (or 32.1%). Following on from the reductions in court time during the pandemic, delays are being experienced in family court proceedings. The impact of this is that children are having extended periods of support to have time with their families. This is in addition to a rise in the cost of an increased reliance on taxis which have had an impact on this budget. In future reporting periods, this cost will be assumed to be met from the 2023/24 centrally retained education transport budget, which was established to respond to the rising costs in transport delivery.
11. Leaving Care and Supported Accommodation is forecasting to overspend by £1.136m (or 20.8%). The majority of this relates to Intense Needs Supported Accommodation

(£0.862m or 172.3%) which provides more suitable placements for the young people concerned in addition to being more cost effective when compared to CiC external residential placements.

12. The 0-19 children's health service continues to forecast an underspend of £0.700m (or 7.7%). This is mainly due to county-wide Health Visitor vacancies which are at a similar level to that experienced in 2022/23. Health Visitor recruitment is a national issue, and workforce development and ongoing recruitment remains key priorities for the service.

Adult Care and Community Wellbeing

13. ACCW forecast overall is a £0.503m underspend, largely due to vacancies across the directorate. The forecast includes agency & relief costs that will be required should vacancies continue at current levels and assumes that the low waiting times across ASC assessment and OT are maintained throughout 2023/24.

Place

14. At this stage in the financial year, the service expects to be able to contain spend to within budget.
15. As the financial year progresses, it is expected that a series of variances will emerge and these will get reported to the Executive through future reporting updates.
16. In respect of education transport, the Council set aside £9.4m into contingency during the 2023/24 budget setting process to reflect the emerging risk within education transport. Drawdowns from the contingency are to happen during the year once further progress has been made in respect of ensuring the delivery model and policy of provision remain the best approach. Whilst this work is ongoing, it remains the expectation that the contingency set aside remains sufficient to cover the pressures within this area.

Fire and Rescue

17. At this stage in the financial year, the service expects to be able to contain spend to within budget.

Resources and Corporate

18. During the first quarter, there are a series of overspends within IT (most requested to be funded by carry forward), and modest underspends reported elsewhere which predominantly relate to recruitment challenges, which consequently result in delivery challenges and unplanned financial savings.
19. There is an expectation that the position will further change during the financial, especially in relation to complex activity driven budgets like energy costs, where

further cost and activity data is required to inform an updated estimate. Further unplanned staffing savings are also possible if recruitment challenges persist.

20. The forecast position assumes that a series of pressures across the services but especially within IT are funded by the carry forward from 2022/23.

Other Budgets

21. Insurance liability premiums are forecast to be approximately £1m lower than budget. The insurance contract was reprocured with effect from 1st April 2023 with full details known after the conclusion of the budget setting process where inflationary increases had been assumed.
22. As part of the process, the Council has increased its level of self-insurance which led to a reduction in cost with the new contract. This, alongside an overall reduction in the level of claims over a three year period, have further reduced the liability cost against this budget. It is expected that the new position will allow the Council to reduce its insurance budget for future years and this will be reflected as part of the Council's medium term finance plan, on the assumption that the self-insurance provision and reserve will be maintained at the level required.

Schools

23. In respect of the high needs block, the Alternative Provision (AP) free school place funding is forecast to underspend by £1.443m. This is a temporary underspend assuming that the Department for Education will not fully recoup funding from the Local Authority for this financial year.
24. Non-Maintained Schools placements, independent mainstream placements and placements with other Local Authorities are overall forecasting an overspend (£1.032m or 5.4%). This is due to increased demand for those pupils with more complex needs, along with insufficient places within Lincolnshire special schools. The Building Communities of Specialist Provision Strategy is delivering an increase in the number of places within Lincolnshire to support the forecast trajectory of growth.

Funding

25. At this early stage in the financial year, it has been identified that the Council will receive an additional £0.561 from the 2022/23 business rate pooling gain, which will increase spending power in 2023/24. This reflects an enlarged pooling gain for Lincolnshire as reported by the District Council's.

Monitoring of Cost Base Reductions

26. When the Council approved its 2023/24 revenue budget in February, it approved total efficiency savings of £12.2m spread across the Council. As part of regular monitoring, services also measure progress of delivery against planned cost reductions. At quarter

one, the planned saving per directorate and the revised estimate is shown in the table below:

Directorate	Planned Saving	Revised Estimate	Variance
Adult Care and Community Wellbeing	3,862	3,862	-
Children's Services	1,331	1,147	(184)
Fire and Rescue	70	70	-
Other Budgets	2,430	2,430	-
Place	3,076	3,076	-
Resources	1,461	1,461	-
Total	12,230	12,046	(184)

27. There is currently one initiative that has been identified as not on-target. Whilst modest, this relates to the savings associated with the opening of two new children's homes, which have been delayed to September 2023 and January 2024 respectively and therefore impact upon the savings profile.

Impact on Reserves

28. Whilst likely to change further, the current forecast underspend for the Council would slightly reduce reliance on reserves during 2023/24.

Medium Term Financial Planning

29. There is a causal relationship between the current year forecast and the potential impact on the Council's budget over the medium term. For instance, permanent cost pressures are likely to require a permanent solution during budget setting for 2024/25. The same applies for permanent cost reductions.
30. The Council has recently commenced its review of the 2023/27 medium term financial plan, which will result in a 2024/25 revenue budget and 2024/28 medium term financial plan when Full Council meet to set the budget in February 2024. Further information will be provided on a quarterly basis.

Earmarked Reserves

APPENDIX B

Reserve	Opening Balance 1 April 2023 plus Carry Forward Additions £'000	Planned Use / Contribution in 2023/24 £'000	Estimated Balance on reserve as at 31 March 2024 £'000	Planned Use / Contribution in 2024/25 £'000	Planned Use / Contribution in 2025/26 £'000	Planned Use / Contribution in 2026/27 £'000	Estimated Balance on reserve as at 31 March 2027 £'000
Balances from dedicated schools budget including those held by Schools under a scheme of delegation	-29,148	15,816	-13,332	3,682	2,975	2,961	-3,714
Schools	-29,148	15,816	-13,332	3,682	2,975	2,961	-3,714
Other Earmarked Reserves							
Schools Sickness Insurance Scheme	-866	366	-500	0	0	0	-500
S77 School Projects	0	0	0	0	0	0	0
Children's Services - Education	-866	366	-500	0	0	0	-500
Young People in Lincolnshire	-151	76	-75	0	0	0	-75
Youth Offending Service	-200	200	0	0	0	0	0
Adoption Reform Reserve	0	0	0	0	0	0	0
Music Service Reserve (carry forward)	-281	50	-231	50	50	0	-131
Children's Services	-1,231	420	-811	144	144	0	-523
Museum Exhibits	-133	0	-133	0	0	0	-133
Growth Reserve	-1,037	75	-962	0	0	0	-962
Carbon Management Reserve	-218	0	-218	0	0	0	-218
Flood and Water Risk Management	-200	0	-200	0	0	0	-200
Civil Parking Enforcement	0	0	0	0	0	0	0
Cultural Services Reserve	-295	173	-122	0	0	0	-122
Traffic Management Reserve	-1,713	0	-1,713	0	0	0	-1,713
Lincoln Cultural Quarter Earmarked Reserve	-20	0	-20	0	0	0	-20
Support to Businesses	-2,461	2,306	-155	0	0	0	-155
Place	-6,077	2,554	-3,523	0	0	0	-3,523
Procurement	-1,357	315	-1,042	327	341	374	0
CSSC Transformation Including BW Rebuild and Development	-564	564	0	0	0	0	0
Property Management	-25	0	-25	0	0	0	-25
Legal	-811	0	-811	0	0	0	-811
Purchase of Employee Leave Scheme Reserve	-305	102	-203	75	75	75	20
Resources	-3,350	680	-2,670	1,002	115	148	-1,404
Community Engagement Reserve	-59	0	-59	0	0	0	-59
Corporate Services	-59	0	-59	0	0	0	-59
Community Safety Reserve	-50	0	-50	0	0	0	-50
Adults and Community Wellbeing	-50	0	-50	0	0	0	-50
Other Services	-2,390	2,390	0	0	0	0	0
Insurances	-6,775	0	-6,775	0	0	0	-6,775
Financial Volatility Reserve	-46,922	0	-46,922	-1,153	3,735	0	-44,340
Energy from Waste Lifecycles	-3,877	750	-3,127	750	750	0	-1,627
Development Fund	-15,723	9,825	-5,898	5,894	0	0	-4
Business Rates Volatility Reserve	-6,152	6,152	0	0	0	0	0
Coronavirus Recovery Reserve	0	0	0	0	0	0	0
Other Budgets	-92,291	29,569	-62,722	5,491	4,485	0	-52,746
Total Other Earmarked	-103,923	33,589	-70,335	6,637	4,744	148	-58,806
Revenue Grants and Contributions Unapplied							
Children's Services - Education	-8,135	8,135	0	0	0	0	0
Children's Services	-11,594	1,871	-9,723	1,522	1,294	0	-6,907
Adults and Community Wellbeing	-74,216	11,297	-62,919	27	15	0	-62,878
Place	-8,972	1,881	-7,091	500	0	0	-6,591
Fire & Rescue	-384	51	-333	45	0	0	-288
Corporate Services	-213	0	-213	0	0	0	-213
Other Budgets	-1,628	0	-1,628	0	0	0	-1,628
Total Revenue Grants and Contributions Unapplied	-105,142	23,235	-81,907	2,094	1,309	0	-78,505
Total Earmarked Reserves	-238,213	72,640	-165,574	12,412	9,028	3,109	-141,025

Monitoring of Development Fund

Appendix C

Revenue/ Capital	Directorate - Service	Project	Total Budget	2020/21 (Actual)	2021/22 (Actual Spend)	2022/23 (Actual Spend)	2023/24 (Planned Spend)	2024/25 (Planned Spend)	Residual Balance	Ref*
Revenue	Place - Environment	Green Masterplan	350	34	37	131	147	1	-	
Revenue	Place - Communities	Anaerobic digestion Facilities - Business Case Viability	150	12	63	-	75	0	-	
Revenue	Place - Highways and Growth	Highways Advance Design/Economic Development Pipeline Projects	2,713	484	105	693	500	931	-	1
Revenue	Place - Highways	Traffic signals - Wireless communications	5	-	-	-	5	-	-	
Revenue	Fire and Rescue	Research study - LFR prevention work	10	8	-	-	-	-	2	
Revenue	Resources - Transformation	Digital	280	167	-	-	113	-	-	
Revenue	Place - Growth	Broadband - 4G	135	-	-	-	-	135	-	
Revenue	Place - Highways	Drainage Investigation and Flood Repairs	200	30	135	-	35	(0)	-	
Revenue	Resources - Transformation	Transformation Programme	7,394	136	92	1,015	2,453	3,688	10	2
Revenue	Councilwide	Emergent council priorities	10,045	-	-	-	10,045	-	-	3
Capital	Place - Communities	Education Transport links to School (Route sustainability)	440	-	-	-	100	340	-	
Capital	Place - Highways	Community Maintenance Gangs	3,981	3,981	-	-	-	-	-	
Capital	Place - Highways	Drainage Investigation and Flood Repairs	3,444	646	561	890	1,347	(0)	-	4
Capital	Place - Highways	Works on B class roads and lower	10,000	-	-	10,000	-	-	-	
Capital	Fire and Rescue	Flood Management Pumps	116	116	-	-	-	-	-	
Capital	ACCW - Public Protection - Trading Standards	Replacement Trading standards Metrology equipment	50	-	-	-	50	-	-	

Revenue/ Capital	Directorate - Service	Project	Total Budget	2020/21 (Actual)	2021/22 (Actual Spend)	2022/23 (Actual Spend)	2023/24 (Planned Spend)	2024/25 (Planned Spend)	Residual Balance	Ref*
Capital	Place - Highways	Traffic signals - Wireless communications	80	80	-	-	-	-	-	
Capital	Place - Growth	Broadband - 4G	800	-	-	-	-	800	-	5
Capital	Place - Highways	Highways initiatives/works	12,000	-	-	-	12,000	-	-	6
Capital	Place - Highways	Lines and signage	1,000	-	-	-	1,000	-	-	7
Capital	Place - Various	Minor infrastructure works, skills development and public rights of way	658	-	-	-	658	-	-	8
			53,851	5,696	993	12,729	28,527	5,895	12	

* further information provided on next page where number reference stated (i.e. to see further information in respect of item 1, please refer to point 1 on the following page)

Analysis of Development Fund

The Development Fund has been utilised to support investment within Council priorities and includes transformation of the Council to a lower cost base. The Development Fund is specifically monitored to consider progress against approved investment.

The table on the previous page references numbers in the far right hand column, which correspond to the explanations set out below:

Ref	Project	Narrative
1	Highways Advance Design/Economic Development Pipeline Projects	<p>This funding is being utilised to supplement the Advance Design Block budget to accelerate development of Traffic Models, Transport Strategies and Feasibility Studies while still investing the previous level of revenue funding into developing detailed designs for highway based projects and capital funding bids to third parties (e.g. DfT, DLUHC, etc).</p> <p>In addition, it has enabled the development of a pipeline of Economic Infrastructure schemes to bid against emerging government, LCC and other funding opportunities. During 2022/23, 26 Transport Strategies, Models, Feasibilities and Highway Designs were progressed with oversight from the Capital Programme Steering Group. In 2020/21 and 2021/22, 7 Economic Infrastructure feasibility studies were completed and a further 4 progressed during 2022/23 including proposals at Sutton Bridge and Kirton Business Park.</p>
2	Transformation Programme	<p>The Transformation Programme is made up of highly complex programmes of change which require a new way of working. Existing projects and programmes help to drive financial savings, consider opportunities from optimisation and digitalisation within processes and systems, deliver good value services and improved outcomes for all, whilst demonstrating a return on investment.</p> <p>To date, investment has been spent on the delivery of the: Digital Programme, Smarter Working, Children in Care Transformation, Educational Travel, People Strategy, and Corporate Support Optimisation. Each project within the programme delivers a range of budget and cash savings, cost avoidance and non-cashable benefits.</p> <p>Over the past 3 years, recurrent budget savings in excess of £4m have been delivered, with plans for a further £7.2m over the next two years whilst also improving the experience for our customers.</p>
3	Emergent council priorities	<p>The £10.045m balance represents the residual underspend from 2022/23, which Full Council will be requested to allocate to the Development Fund to get allocated to priority projects further on in the financial year.</p>
4	Drainage Investigation and Flood Repairs	<p>Schemes totalling £700k were commissioned in 2020/21 with an in-year spend of £646k. A further £561k was spent in 2021/22 with the remaining budget from the original £2m funding allocation spent in</p>

Ref	Project	Narrative
		<p>2022/23 on schemes at Scothern and Kirton.</p> <p>Following the successful interventions made utilising this funding, Council approved a further allocation of £1.444m as part of the 2022/23 Budget to continue the programme for a further two years. £97k of this additional funding was used in 2022/23 to complete delivery of the Scothern and Kirton schemes. The remaining £1.347m is planned to be utilised in 2023/24 to deliver a larger scheme of flood alleviation works at Cherry Willingham and a programme of approximately 33 localised schemes / works packages to address localised flooding issues that have emerged as a result of recent rainfall events.</p>
5	Broadband - 4G	<p>We are working with Building Digital UK (BDUK) to understand the specific details of where they will invest in the next stage of the rural broadband programme. Once we fully understand that detail, which should be no later than autumn 2023, then we will assess whether there is the need for 4G and 5G fixed wireless access enabled broadband to augment BDUK's own investment or whether this expenditure should be adapted to meet the same objectives but through a different route.</p> <p>Our priorities are to foster business growth and to tackle the viability gap which deters communities and businesses from having the best possible digital services. This is a particular problem for our rural, farming, and tourism businesses.</p>
6	Highways initiatives/works	<p><u>Applicable to reference 6, 7 and 8:</u></p> <p>During the budget setting process for 2023/24, the Council identified £8.7m of reserve balances which were re-allocated to the development fund following a comprehensive review of earmarked reserves. It is proposed that this be utilised to support investment in local highways schemes (£7m), highways lines and signage works (£1m) as well as investment in a series of smaller schemes incorporating minor infrastructure works, skills development and public rights of way. Where any specific expenditure proposals require formal decision-making they will go through the appropriate constitutional procedures.</p> <p><u>Specific to reference 6:</u></p> <p>This is in addition to the previously approved £5m which is also to be spent on local highways work.</p>
7	Highways Lines and signage	Please see commentary for reference 6.
8	Minor infrastructure works, skills development and public rights of way	Please see commentary for reference 6.

Budget Transfers (Quarter One 2023/24)**Appendix D**Revenue

SERVICE FROM	SERVICE TO	REASON	Approved by	AMOUNT
Other Budgets	Adults, Childrens, Place etc	Reallocate budget for increase in primary Pension contributions	Strategic Finance Lead - Corporate	£9.000m
Other Budgets	Fire	Reallocate budget for increase in primary Pension contributions	Strategic Finance Lead - Corporate	£0.155m

Capital

None

Revenue to Capital

None