



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

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>25 January 2024</b>
Subject:	<b>Service Revenue and Capital Budget Proposals 2024/25</b>

**Summary:**

The report considers the budget proposals for service revenue and capital budgets which do not form part of other scrutiny committees. To be specific, this relates to budgets within Resources and Corporate Services.

This report is being considered by the Overview and Scrutiny Management Board alongside the Council's overall budget proposal for 2024/25. The proposals set out within this report are also contained within the overall budget proposal.

The economic context continues to be challenging, with continuing impacts from high levels of inflation and the budget proposals make a number of adjustments to reflect the increased cost of providing services. There are also significant cost reductions planned.

The Executive approved budget proposals, including those set out in this report, as its preferred option for the purposes of further consultation at its meeting on 9 January 2024.

Members of the Board have the opportunity to scrutinise the budget proposals and make comment, prior to the Executive meeting on 6 February 2024 when it will make its final budget proposals for 2024/25.

**Actions Required:**

The Overview and Scrutiny Management Board is asked to consider this report and members are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 6 February 2024.

## 1. Background

- 1.1. At the meeting of the Executive on 9<sup>th</sup> January 2024, the Council's draft budget proposals for 2024/25 were considered and approved subject to further consultation and scrutiny. The draft budget is being considered by the Overview and Scrutiny Management Board (OSMB) as a separate item on this meeting agenda.
- 1.2. In addition to OSMB considering the full Council budget proposal, each scrutiny committee reporting into the OSMB also receives a report specifically relating to the budget proposal from their respective areas. For example, the Environment and Economy Scrutiny Committee receives a specific report pertaining to the budget proposal within its area of remit.
- 1.3. Resources and Corporate services are scrutinised via OSMB, as set out in the constitution. Therefore, this report specifically considers the factors and assumptions supporting the budget proposal for those areas in 2024/25. It should be noted that many of the factors considered in the Council's budget proposal also apply to Resources and Corporate services, and therefore this report focusses most on the areas most impactful to the budget areas being scrutinised. The feedback from the scrutiny process will inform the final budget proposal to Full Council.
- 1.4. In preparing the whole Council revenue budget proposal for 2024/25, the following factors were considered:
  - The financial strategy
  - The economic, financial and national policy context (Autumn Statement)
  - Forecast spending power (including the LG finance settlement)
  - The financial planning process and medium term financial plan
  - Changes to the cost base
  - Business process improvement and efficient cost base
  - Reserves
  - Advice of the Executive Director for Resources (section 151 officer)

### The Economic, Financial and National Policy Context

- 1.5. The economic environment continues to be a significant risk. The economy has been subject to unprecedented inflation, which means that the cost of goods and services have increased at a higher rate than the Government's target, over a prolonged period. This has led to a challenging operating environment, due to its inflationary exposure within the cost base (contracting and staffing costs). The revised inflation forecasts are 4.6% (2023 Q4), 3.1% (2024 Q4), 1.9% (2025 Q4), and 1.5% (2026 Q4). Inflation is not expected to return to below the 2% target for until 2025. The two largest areas of cost within Resources relates to staffing and contracts, therefore the inflationary context is important.
- 1.6. On 22 November 2023, the Government set out their spending plans for the medium term via the Autumn Statement. Following the Autumn Statement, the Department

for Levelling Up, Housing and Communities (DLUHC) translate national spending limits into individual allocations for local authorities via the Local Government finance settlement. The provisional settlement was published 18 December 2023.

1.7. On 18th December 2023, the Department published the draft 'Local Government finance settlement 2024/25' via a written statement to Parliament. This confirmed funding allocations in line with the policy statement. At a national level, core spending power is forecast to increase to £64.1bn from £60.2bn (6.5% overall increase). The key points to note for Lincolnshire are as follows:

- The revenue support grant has been inflated by £1.549m or 6.6% (September CPI), with an additional adjustment rolling in the fire pension grant (£1.437m), a net nil change,
- Business rate baseline funding and multiplier compensation grant is forecast to increase by £8.729m or 6.5%,
- Core spending power includes an assumption that council tax will increase by 5% (£23.148m). However, this is a local decision, so the actual figure would reflect the council's decision and local tax base data,
- The Council will receive an additional one-off New Homes Bonus grant of £0.952m,
- The rural services delivery grant will be maintained at £8.134m,
- The social care grant will increase to £66.848m in 2024/25,
- The ASC market sustainability and improvement fund will increase to £14.735m (which is to be passported through to the service in line with grant conditions),
- The ASC discharge fund will increase to £8.005m (which is to be passported through to the service in line with grant conditions),
- The Services Grant will reduce from £4.508m in 2023/24 to £0.709m in 2024/25. This funding line has been reduced to fund inflationary increases in other lines of the settlement,
- The Council does not benefit from the funding guarantee due to its core spending power increasing by more than 3%.

1.8. In addition, the Government set a policy steer, relating to the following points:

- Authorities are asked to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.
- The Government continues to explore ways to move councils away from establishing '4 day working week' practices, which in their view do not represent good value for taxpayers' money.
- The Exceptional Financial Support framework is available to provide support where a council has a specific and evidenced concern about its ability to set or maintain a balanced budget, including where there has been local financial failure. Where councils need additional support from government, they should

take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.

- 1.9. Funding reform has been mooted by the Government for several years, in recognition that the current funding distribution mechanisms are outdated relative to need and resource availability (i.e. the Review of Relative Needs and Resources or a reset of accumulated business rates growth). The Government confirmed in the policy statement that they remain committed to improving the local government finance landscape in the next Parliament, however the current priority has been to provide one year funding stability.
- 1.10. Overall, the settlement was broadly in line with expectations, even if the sector had hoped for additional funding to support with rising costs particularly due to inflation and demand. Specifically there was no additional funding made available for the cost pressure created by the increase in the National Living Wage announced by the government in the autumn.
- 1.11. The final settlement is due to be published in February 2024, following the standard consultation process.
- 1.12. The Council's financial planning framework seeks to forecast the cost base and funding base over a medium-term period, normally three or four years. At present, the Medium-Term Financial Plan indicates that a balanced budget cannot be achieved in any of the four years from 2024/25 through to 2027/28 without support from reserves and with a 2.99% annual increase in council tax. However, this is prior to receiving confirmation of the tax base position from the Districts for 2024/25.
- 1.13. In view of the continuing uncertainties about future levels of funding and the overall economic context, a one-year budget is proposed for 2024/25.
- 1.14. At its meeting on 9 January 2024 the Executive considered proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation, including the proposed Council Tax increase in 2024/25 of up to 4.99% (inclusive of a 2% adult social care precept) and use of reserves.

#### 2024/25 Revenue Budget

- 1.15. Budgets have been reviewed in detail based on the latest available information to arrive at the proposals set out in this report. A number of new cost pressures have emerged in addition to the pressures identified for 2024/25 in the previous year's budget process. In some areas, savings which can be made through efficiencies with no or minimal impact on the level of service delivery have also been identified. In developing the proposed financial plan, budget holders have considered all areas of current spending, levels of income and council tax plus use of one-off funding (including use of reserves and capital receipts).

1.16. The full list of budget adjustments for Resources can be seen in Appendix A of the Council Budget 2024/25 report.

1.17. The following table shows the proposed revenue budget for Resources and Corporate services, shown by assistant director area:

**TABLE A – RESOURCES & CORPORATE REVENUE BUDGETS**

	2023/24 Budget £000	Cost Pressures £000	Savings and Additional Income £000	Proposed Budget 2024/25 £000
<b>Revenue Budget</b>				
<b>RESOURCES</b>				
Finance	8,715	195	(50)	8,860
Organisational Support	17,513	-	(139)	17,374
Governance	3,189	-	(400)	2,789
Corporate Property	19,957	978	(2,293)	18,643
Commercial	9,086	302	(934)	8,454
Transformation	6,822	209	-	7,031
Information Technology	16,702	1,804	(618)	17,889
<b>Total (Resources)</b>	<b>81,984</b>	<b>3,489</b>	<b>(4,433)</b>	<b>81,040</b>
<b>CORPORATE</b>				
Corporate Services	3,055	-	-	3,055
<b>TOTAL</b>	<b>85,038</b>	<b>3,489</b>	<b>(4,433)</b>	<b>84,094</b>

1.18. The budget for 2023/24 has been updated throughout the year to reflect base budget adjustments, including for re-alignment of service budgets, and the cost of the 2023/24 pay award which was finalised in late 2023.

1.19. The overall budget proposals have allowed for pay inflation of approximately 4% in 2024/25. This is held centrally pending agreement of any pay settlement, following which service budgets will be updated and it is therefore not currently reflected in the table above.

1.20. There are service specific cost pressures for 2024/25 totalling £3.5m which will support the delivery of Council services, with contract inflation accounting for a significant proportion of this. This is more than offset through savings and efficiencies of £4.4m which do not negatively impact the level of service delivery and are considered further in this report.

1.21. There are no cost pressures or savings to report in respect of Corporate service budgets. In respect of services within Resources, the key cost pressures are as follows:

- As a result of inflation being higher for longer, the cost of contractual arrangements across corporate property, IT and transformation (systems) is expected result in increased cost of £1.544m.
- Following a comprehensive review of IT, a series of necessary changes have been identified to ensure a strengthened approach to service delivery, which better enables the organisation. This includes to leadership and security and is expected to cost £0.791m. This is part mitigated through the achievement of savings across the service.
- The Redmond Review of the effectiveness of external audit and transparency of financial reporting in local authorities identified a need to increase external audit scrutiny of local authorities. This will lead to an increase in the external audit cost, which is forecast to be £0.195m.
- The Council continues to make greater use of cloud storage, which is a demand led cost. The expected increase in cost in 2024/25 is £0.231m.
- In order to meet increased demand from across the organisation and its partners, the Commercial service has been supported by reserve funded temporary posts. The budget proposes that the staffing structure be made permanent, costing £0.188m. This will increase the likelihood of filling vacancies, and enable the commercial reserve to be re-purposed.
- In line with the recommendations set out in the “Re-Commissioning of Property Services” report, the budget proposes an adjustment to improve compliance management not covered by the existing contract (£0.195m), through the creation of new posts. In addition, an amalgamation of minor property pressures which further add to the cost base (£0.202m).

1.22. In respect of services within Resources, the key cost reductions and income increases are as follows:

- As a result of the decrease in wholesale energy prices, the cost of energy on Council properties is expected to be lower than the current budget requirement. Accordingly, the budget proposal assumes a £2.088m cost reduction in energy costs.
- There are forecast savings associated with the re-procurement of the customer service centre contract, in addition to savings associated with the customer and digital transformation programme. The budget proposal assumes savings of £0.934m, with further savings assumed in 2025/26. The savings are predicated

on greater use of technology and have a specific monitoring programme to oversee delivery.

- A review of Legal Lincolnshire fee rates and re-alignment of internal costs and income assumptions is expected to provide a net benefit to Legal Services of £0.4m in 2024/25.
- Within IT, the decommissioning of a legacy system is expected to lead to reduction in cost of circa £0.372m. In addition, the service have also identified reductions in other parts of the cost base totalling £0.246m. There are further savings assumed in 2025/26.
- The cost of insurance within property services has reduced by approximately £0.2m following the re-tendering of the corporate contract.

### Capital Programme

- 1.23. A ten year capital programme has been compiled in line with the principles set out in our Capital Strategy, including the principle of affordability.
- 1.24. The full gross programme totals £193.2m for 2023/24 plus a further £139.8m for 2024/25, in addition to planned investment beyond 2024/25. After grants and contributions are taken into consideration, the net programme is £106.2m in 2023/24 plus a further £94.6m in 2024/25.
- 1.25. The current programme has been adjusted to take in to account rephasing and a proposal to distribute the built up contingency balance to fund investment in emergent priority areas. The proposed schemes pertaining to Resources are as follows:
- Waddington Training Centre land purchase (£0.378m)
  - Grantham Fire Station works (£0.469m)
  - Fire door replacement programme (£0.478m)
  - Orchard House B refurbishment (£5m)
  - RAF Woodhall Spa development (£1.6m)
  - County Farms solar schemes (£0.150m)
  - County Farms subsidence (£0.250m)
  - Schools Mobile Replacement (£0.3m)

It is worth noting that some schemes are to be delivered by property services on behalf of other services (e.g. fire schemes). Also, most investment is planned to occur in 2024/25, although some relates to other years.

- 1.26. The table on the following page shows the proposed gross capital programme for the Council's Resources directorate.

**TABLE B – RESOURCES CAPITAL PROGRAMME**

		Gross Programme 2023/24 £m	Gross Programme 2024/25 £m	Gross Programme Future Years £m
Capital Programme	Scheme Detail			
<b>PROPERTY</b>				
Property maintenance	To fund the planned and reactive maintenance and improvement programme for council properties	4.632	4.567	22.575
Orchard House B Refurbishment	To develop Orchard House B to increase office capacity on campus	0.500	4.500	-
School Mobile Classroom Replacement	Rolling programme of school mobile classroom replacements	-	1.100	2.200
County Farms Block	Rolling programme of maintenance to County Farms estate	0.531	0.675	2.075
RAF Woodhall Spa	To facilitate land purchase, subject to due-diligence checks	-	1.600	-
Fire Door Replacement	To fund replacement of fire doors to enable statutory compliance	0.311	0.167	-
Grantham Fire Project	To fund works to the fire station	0.469	-	-
Waddington Training Facility	To facilitate land purchase, subject to due-diligence checks	0.378	-	-
Property Area Reviews	Kirton Leisure Centre structural works	0.067	-	-
<b>Total (Property)</b>		<b>6.888</b>	<b>12.609</b>	<b>26.850</b>
<b>INFORMATION TECHNOLOGY</b>				
Infrastructure and Refresh Programme	General IT programmes including: IT development, replacement of PCs, other IT equipment and ICT infrastructure.	2.450	3.711	19.616
Improvement Transformation	To support the Transformation Programme by delivering enabling strategies in line with the Council's IMT strategy	0.350	3.650	-
2023 Device Replacement	Rolling programme of laptops for staff	2.384	-	-
Replacement ERP Finance System	Improvements to the ERP Finance system.	0.127	-	-
Care Management System (CMPP)	Installation of the Mosaic system.	0.014	-	-



ICT Development Fund	Improvements to ICT infrastructure and network.	0.013	-	-
IMT (Cloud Navigator/Windows 10)	Upgrade of hardware to Windows 10 system and development of Cloud Navigator to enable digital transformation of services to citizens.	0.077	-	-
<b>Total (IT)</b>		<b>5.415</b>	<b>7.361</b>	<b>19.616</b>
<b>TOTAL</b>		<b>12.303</b>	<b>19.970</b>	<b>46.466</b>

### Further consultation

- 1.27. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place at the end of January 2024.
- 1.28. The proposals will be publicised on the Council website together with the opportunity for the public to comment.
- 1.29. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 6 February 2024.

## **2. Conclusion**

- 2.1. A thorough review of Council services was carried out during this year's budget process. Cost pressures, income changes and efficiencies have been identified, and the Capital Programme has been reviewed. The budget proposals aim to reflect the Directorate priorities aligned to the councils Corporate Plan whilst operating within the resources available to it..
- 2.2. The budget proposals have been developed alongside, and in accordance with, the draft Medium Term Financial Strategy and a proposed final version of this Strategy will be reported to the Executive in February 2024. Final budget proposals will be reported to the Executive on 6 February 2024.

## **3. Consultation**

### **a) Risks and Impact Analysis**

An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 6 February 2024.

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

#### 4. Background Papers

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

Document title	Where the document can be viewed
Council Budget 2024/25 Executive Report 9 January 2024	Democratic Services

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