

Council Budget 2018/19

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1. BUDGET RECOMMENDATIONS

It is recommended that the Council:

1. has due regard to the responses to consultation on the Council's budget proposals as contained in **APPENDIX D** – Budget Consultation Feedback.
2. has due regard to the Section 151 Officer's Statement on the Robustness of the Budget and the Adequacy of Reserves as set out in **Section 11** – Section 151 Officer's Statement on the Robustness of the Budget and Adequacy of Reserves.
3. has due regard to the Impact Analysis relating to increasing the Council Tax by 4.95% in 2018/19 as set out **APPENDIX C** – Impact Analysis relating to increasing the Council Tax by 4.95% in 2018/19.
4. approves:
 - 4.1 the service revenue budgets for 2018/19 contained in **Table 4** – Net Service Revenue Budget 2018/19 and change over previous year;
 - 4.2 the capital programme and its funding contained in **Section 8** – Capital Programme and **APPENDIX N** – Capital Programme;
 - 4.3 the County Council element of the council tax for a Band D property at £1,231.47 for 2018/19 contained in **APPENDIX B** – County Precept 2018/19;as together being the Council's Budget.
5. approves the Council's Financial Strategy contained in **APPENDIX E** – Financial Strategy;
6. approves the Council's Flexible Use of Capital Receipts Strategy contained in the appended Budget Book (**APPENDIX G** – Flexible Use of Capital Receipts Strategy);
7. approves the prudential targets for capital finance and notes the prudential indicators contained in **APPENDIX M** – Prudential Indicators;
8. approves that the minimum revenue provision (MRP) be based on the asset life method, charged on an annuity basis for major infrastructure projects and in equal instalments for all other assets, over the estimated life of the assets acquired through borrowing as set out in **Section 10** – Minimum Revenue Provision.

Councillor M Hill OBE
Leader of the Council

P Moore BA, FCPFA
Executive Director Finance
and Public Protection

2. THE FINANCIAL BACKGROUND

2.1 This report sets out a two year financial plan for revenue and capital budgets to take the Council to the end of the four year funding deal from government. This is the first time in four years the Council has been able to develop budget plans for more than the next financial year. The Council continues to face significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay staff and some contractors the National Living Wage. Uncertainty around government funding beyond the four year funding deal (which runs from 2016/17 to 2019/20) means the Council doesn't consider it practicable, at present, to develop sustainable long term financial plans into the next decade.

2.2 In developing its two year financial plan the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding (including use of reserves and capital receipts) to set a balanced budget.

2.3 All areas of service expenditure have been reviewed to identify cost pressures which must be funded and savings which can be made, through efficiencies and by reducing the level of service provided. The Council remains aware of its high priority areas, but no service has been exempted from helping the Council to deliver its savings target. These high priority areas are:

- Safeguarding children and adults;
- Maintaining and developing highways and infrastructure;
- Managing flood risks;
- Supporting communities to support themselves; and
- Fire and rescue services.

2.4 On an annual basis the Council has the opportunity to review the level of Council Tax. Central government sets thresholds above which a local authority would be required to hold a referendum for Council Tax increases. For 2018/19 and 2019/20 the thresholds have been set at a 3.00% increase for general council tax, plus a further 2.00% for authorities with adult social care responsibilities to deal with pressures in this area including demographic pressures and the impact of the national living wage. A council tax increase of 4.95% (2.95% for general council tax, plus a further 2.00% for the social care 'precept') is proposed in the next financial year.

The Outlook Beyond 2019/20

2.5 On 19 December 2017 the Ministry of Housing, Communities and Local Government released the 'Fair Funding Review – a review of relative needs and resources' to consult interested parties, particularly local government, on the structure of a replacement 'Needs' formula. This consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities. This consultation runs for twelve weeks through to 12 March 2018 and the Council will respond by that date.

2.6 The basis of funding local authorities has not materially changed since the introduction of partial business rate localisation in 2013. It is widely accepted that both absolute and relative changes in demography and other key cost drivers means that the current distribution of resources is no longer a fair reflection of underlying need.

2.7 There are two distinct issues which need to be addressed. Firstly, the issue as to whether the total amount of funding allocated to local government is sufficient given increased service

pressures coupled with ongoing reductions in government funding. Secondly, there is the case for an additional share of the national funding to be allocated to this Council.

2.8 At the July County Council this authority launched a campaign to lobby government to increase the funding coming to the sector and specifically requesting central government look at the distribution of funding to this County Council with a view to addressing past inequalities between authorities, and to address the relative allocations to reflect the needs of this area.

3. THE COUNCIL'S REVENUE FUNDING

Local Government Finance Settlement

3.1 The Local Government Finance Settlement for 2018/19 announced levels of funding for the County Council for the final two years of the four year funding deal and the outcome of business rate pilot bids. The County Council was successful in achieving a pilot bid for 2018/19 along with the seven Lincolnshire District Council's and North Lincolnshire Council. The anticipated impact of this bid has been incorporated into the Council's budgets for 2018/19.

3.2 The business rates pilot has changed how funding will come to the County Council in 2018/19. In 2017/18 the Council receives Business Rates – Baseline Funding, Revenue Support Grant (RSG) and Rural Service Delivery Grant (RSDG) separately. In the pilot year these elements of funding will be incorporated into the Baseline Funding. **TABLE 1** below sets out the funding levels for the next two financial years:

TABLE 1: Final Local Government Settlement Funding

	2017/18 £'m	2018/19 £'m	2019/20 £'m
Business Rates Retention	18.948	77.456	19.824
Business Rates Top Up	85.145	70.663	89.774
Revenue Support Grant	48.292	0.000	20.139
Baseline Funding Level	152.385	148.119	129.737
Rural Service Delivery Grant (*1)	5.565	6.935	5.565
Revenue Support Grant (*1)	48.292	33.964	20.139

(*1) Revenue Support Grant and Rural Services Delivery Grant have been incorporated into Baseline Funding in 2018/19 for the Business Rates Pilot.

3.3 Although Revenue Support Grant (RSG) has been incorporated into the baseline funding for 2018/19 trends in this funding continue to reduce. The Council has seen a reduction of £14.328m or 29.67% in funding between 2017/18 and 2018/19. Taking this forward based on the four year funding deal there will be a reduction between 2018/19 and 2019/20 of £13.825m or 40.70%. Over the four year period there will be a reduction to RSG of 71.37%.

3.4 The final settlement increased the Rural Services Delivery Grant award for 2018/19 to £6.935m. The award for 2019/20 remains at the multi-year settlement level of £5.565m. This funding is given in recognition of the higher costs of providing services in rural areas.

3.5 The final settlement also announced £2.105m Adult Social Care Support Grant for 2018/19. This is the County Council's share of £150m taken from anticipated underspend in existing departmental budgets therefore not affecting existing revenue commitments made to local government.

Other Revenue Government Grants

3.6 The government has also announced the following non-specific grants in addition to those forming part of the multi-year settlement:

- New Homes Bonus Grant of £2.342m for 2018/19 and £2.100m for 2019/20 (actual £3.804m in 2017/18). This reflects the reduction to the number of payment years for the New Homes Bonus from five years for 2017/18 to four years from 2018/19. The grant is now also limited so Councils only receive money from the scheme for homes built above the 0.4% national housing growth baseline.
- Lead Local Flood authority grant has been confirmed for the next two years at £0.118m for 2018/19 and £0.125m in 2019/20.
- Special Education Needs and Disability (SEND) grant award has been announced nationally. The County Council will receive £0.323m for a 15 month period from January 2018. £0.259m has been incorporated into the 2018/19 budget;
- Extended Rights to Free Travel from the Department for Education of £0.639m; and
- Independent Living Fund will continue for the next two years but at a reduced rate: £1.644m in 2018/19 and £1.594m in 2019/20; and
- It is assumed that the Inshore Fisheries Conservation Authorities from the Department for Environment, Food and Rural Affairs will continue at £0.128m for the next two years.

3.7 The Public Health Grant will continue as a separate ring-fenced grant for the next two financial years. Notional allocations from government indicate that the grant will reduce by 2.60% in both finance years in cash terms. On this basis it is estimated that the Public Health Grant will be £32.662m for 2018/19 and £31.800m for 2019/20.

3.8 Better Care Fund comes to the County Council in three streams. An element from the Lincolnshire Clinical Commissioning Groups (CCGs) and two grants coming directly to the Council from central government known as Improved Better Care Fund and the (Supplementary) Improved Better Care Fund. These funding streams combined will provide the Council with £40.044m in 2018/19 and £46.343m in 2019/20 to fund Adult Care Services. Further details on its utilisation are set out below in the Adult Care and Community Wellbeing comments (paragraph 5.17 to 5.36).

Council Tax

3.9 The Secretary of State in the provisional Local Government Finance Settlement announced the referendum threshold for the general Council Tax element would increase for both 2018/19 and 2019/20 to 3.00% (1.00% higher than the referendum threshold in 2017/18). The regulations regarding the Adult Care Precept remain unchanged from the 2017/18 settlement and the Council's budget proposals include a 2.00% increase in this element of the Council Tax in 2017/18, 2018/18 and 2019/20.

3.10 The Government's rationale for allowing the additional increase was twofold. Firstly, it gives local authorities more flexibility in deciding how best to meet a range of local, non-adult care related pressures and, secondly, reflects the fact that general price inflation had risen to around 3% per annum in the past year.

3.11 It is proposed that Council Tax will be increased by 4.95% (2.95% for general council tax and 2.00% for the social care precept) in 2018/19 and 3.95% (1.95% for general council tax and 2.00% for the social care precept) in 2019/20. The Council Tax increase of 4.95% will generate additional income of £12.947m in 2018/19.

3.12 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 principles for 2018/19 have been approved and published and provide for a 3.00% increase in council tax for expenditure on adult social care and a 3.00% increase in council tax for other expenditure. Applying those principles the Executive can determine that this recommended council tax increase is not excessive.

3.13 An Impact Analysis has been completed for this increase in Council Tax and is attached at **APPENDIX C**.

Council Tax Base and Council Tax Collection Fund Surplus

3.14 Figures received from the Lincolnshire District Council's show an increase in the base and hence the tax yield of 2,836.54 band D equivalent properties or 1.27%. This will provide the Council with additional Council Tax income of £3.493m per annum at the current council tax levels.

3.15 All seven of the District Councils have declared the position on the council tax elements of their Collection Funds. There is a net surplus attributable to the County Council of £2.641m. This is a one off addition to income for 2018/19.

Business Rates Pilot and Income

3.16 The provisional Local Government Finance Settlement announced the Council had been successful in securing a business rates pilot for 2018/19. The Business Rates Pilot is with the County Council, the seven Lincolnshire District Council's and North Lincolnshire Council. Any additional funding arising from the pilot is proposed to be split, 40% to the County Council, 60% to the Lincolnshire District Councils and North Lincolnshire would see their local share increase from 49% to 99%. The bid to government included details of proposed schemes to be funded, for this authority additional monies would be channelled to cover two distinct areas of spending:

pressures already identified in Children's Social Care and to fund highways advanced design work to develop the county's infrastructure and encourage economic growth.

3.17 **TABLE 2** below sets out the impact of pooling on the Council's budgets for 2018/19. Calculations of the potential gain from the pilot indicate that the County Council could benefit by £7.480m. With the gain coming from growth in locally retained rates of which the County Council now retains 40%, this increase has also had a knock on effect to the income to be received for the three section 31 compensation grants the Council receives. These estimates have been incorporated in the Council's budget for 2018/19.

TABLE 2: Impact of Business Rates Pilot on Council Resources

	2018/19 Pre-Pilot £'m	2018/19 Post-Pilot £'m
Business Rates Retention	87.884	81.887
Business Rates Top Up	20.483	70.663
Revenue Support Grant	33.964	0.000
Baseline Funding Level	142.331	152.550
Rural Service Delivery Grant	6.935	0.000
Estimated Pooling Gain	2.400	0.000
Section 31 Grant - SBBR	1.917	7.668
Section 31 Grant - Cap Retained Element	0.483	1.713
Section 31 Grant - Cap Top Up Element	1.830	1.445
Baseline Funding Level	155.896	163.376
Change in Resources		7.480

Business Rates Collection Fund Deficit and Section 31 Grant

3.18 The Government confirmed that it will compensate local authorities in full for the continuation of the business rates cap, small business rate relief and rural rate relief would continue through a section 31 grant, as in previous years.

3.19 The value of the section 31 compensation grant is calculated to be £10.826m (£2.753m in 2017/18). This is made up of:

- £1.445m from the RPI cap on the top up element of the business rates. Note the value of this element of the grant is still to be confirmed by central government;
- £1.713m from the RPI cap in the locally retained element of the business rates; and
- £7.668m to cover the small business rates relief and rural reliefs.

3.20 All seven District Councils have reported the business rates elements of the collection funds. This shows a net deficit attributable to the County Council of £0.174m. As with Council Tax any surplus or deficit from business rates collection will only have a one off effect on the 2018/19 budget.

4. THE COUNCIL'S OVERALL REVENUE BUDGET

4.1 The table below (**TABLE 3**) sets out the overall changes in budget, the cost pressures which the Council proposes to fund, the savings to be made and the current proposed use of reserves to bridge the gap between current funding available and service costs.

TABLE 3: Summary Revenue Budget

SUMMARY REVENUE BUDGET	2018/19	2019/20
	£m	£m
EXPENDITURE:		
Base Budget	454.775	457.104
Cost Pressures (<i>including inflation</i>)	30.188	25.314
Savings	-23.175	-13.894
Other Movements (PH Grant & BCF Grant)	-4.684	-5.437
Total Expenditure	457.104	463.087
Use of Reserves	-5.076	-33.998
Transfer to/from General Reserve	-0.800	0.200
Budget Requirement	451.228	429.289
INCOME:		
Business Rates Retention Pilot	163.200	0.000
Business Rates Local Retention	0.000	109.598
Revenue Support Grant	0.000	20.139
Other Grants	7.235	10.414
County Precept	280.793	289.138
Total Income	451.228	429.289

4.2 The Council proposes to allocate £1.684m of resources in 2018/19 and £1.384m in 2019/20 to fund pay inflation. In 2018/19 this provides an allowance of 3.0% for firefighters, plus 1.0% for all employment groups and in 2019/20 1.0% for all employment groups. In addition to this the County Council has set aside £1.200m in 2018/19 and £0.600m in 2019/20 in Other Budgets if the nationally negotiated pay award is in excess of 1.0%. Details on all other cost pressures and savings included within the Council's budget for 2018/19 and 2019/20 are set out in the Commissioning Strategy narratives below.

4.3 The Council's current budget proposals include use of reserves of £5.076m in 2018/19 and £33.998m (£26.498m from the Financial Volatility Reserve and £7.500m from Adult Care Reserves to cover Adult Care service costs) in 2019/20 to balance the budget and keep the Council's general reserves at 3.5% of the Council's total budget. These are one off contributions to the Council's budget shortfall and are planned to smooth the effect of reductions in funding on implementing service changes and reductions.

4.4 To maintain the General Fund balance at 3.5% £0.800m will be released from the reserve in 2018/19 and a contribution of £0.200m to the reserve is required in 2019/20 is required.

4.5 A more detailed analysis of the movement in budget for 2018/19 is shown at **APPENDIX K**.

5. REVENUE BUDGETS

5.1 Revenue budgets for 2018/19 and 2019/20 are shown in **TABLE 4** below together with the actual comparison for 2017/18. The Council services are delivered on the Commissioning Model and as such the budgets are presented on this basis. **APPENDIX S** provides further details of the services undertaken in each Commissioning Strategy.

TABLE 4: Net Service Revenue Budget 2018/19

Commissioning Strategy Revenue Budgets	2017/18 £m	2018/19 £m	2019/20 £m
Readiness for School	4.969	4.785	4.798
Learn & Achieve	33.476	34.024	34.858
Readiness for Adult Life	4.778	6.464	6.510
Children are Safe & Healthy	62.713	65.397	66.893
Adult Safeguarding	4.146	4.167	4.189
Adult Frailty, Long Term Conditions & Physical Disability	120.296	120.598	122.123
Carers	2.304	2.464	2.389
Adult Specialities	62.114	65.510	68.259
Wellbeing	27.131	27.152	26.992
Community Resilience & Assets	9.996	10.082	10.137
Sustaining & Developing Prosperity Through Infrastructure	40.237	43.970	40.136
Protecting & Sustaining the Environment	25.061	24.853	25.124
Sustaining & Growing Business & the Economy	1.274	1.291	1.308
Protecting the Public	22.441	22.921	23.107
How We Do Our Business	8.621	7.424	7.491
Enablers & Support to Council Outcomes	35.747	40.424	41.118
Public Health Grant Income	-33.524	-32.662	-31.800
Better Care Funding	-34.497	-40.044	-46.343
Other Budgets	60.169	50.960	58.474
Schools Block	391.879	410.338	410.338
High Needs Block	79.688	81.133	81.133
Central School Services Block	4.109	4.207	4.207
Early Years Block	36.698	40.503	40.503
Dedicated Schools Grant	-515.050	-538.857	-538.857
Total Net Expenditure	454.776	457.104	463.087
Transfer to/from Earmarked Reserves	-17.870	-5.076	-33.998
Transfer to/from General Reserves	-0.100	-0.800	0.200
Budget Requirement	436.806	451.228	429.289

Children's Services

5.2 Children's Services commissioning strategies include: Readiness for School, Learn and Achieve, Readiness for Adult Life and Children are Safe and Healthy.

5.3 **Readiness for School** strategy is proposing to make savings of £0.196m in 2018/19. There are no savings proposed for 2019/20. The proposed reduction of £0.196m provides the full year effect of the cost savings from the 2017/18 budget decision to commission a new model of delivery based on a single Early Years' Service. The new model of delivery was implemented in July 2017 and combined elements of the Locality Services and Early Years activities in Children's Centre Communities.

5.4 The initial budget proposals for 2016/17 included savings linked to tier three children's centres (£0.421m). At the County Council meeting in February 2016 it was agreed that no saving would be made in this area in 2016/17 and 2017/18. The Council has reconsidered delivering savings in tier three children's centres and is still not proposing any savings in this area in the next two financial years (2018/19 and 2019/20).

5.5 **Learn and Achieve** strategy is proposing to make savings of £0.146m in 2018/19. There are no savings proposed for 2019/20. Within this strategy there are also proposed cost pressures of £0.736m in 2018/19 and £0.749m in 2019/20.

5.6 The proposed reduction of £0.146m relates to the estimated reduction in funding from the government for the Special Education Needs and Disability (SEND) Reform Grant from £0.532m in 2017/18 to £0.386m in 2018/19. The grant funding was to recognise the programmes of change underway in the area of SEND to streamline the system of SEN assessment, support and provision for children and young people 0-25, bringing together the provisions of a variety of Acts covering education, health and care as well as introducing new provisions, statutory implementation of associated duties, regulations and a new SEND Code of Practice. These changes have had a significant impact on the service with a 52% increase (or 247) in pupil assessment compared to the year before implementation (2013/14).

5.7 Within this strategy there are also proposed cost pressures for Home to School/College Transport of £0.736m in 2018/19 and £0.749m in 2019/20. The government's pledge to deliver living wage rises to £9 per hour by 2020 through a continued annual increase from the current rate of £7.50 per hour will have a financial impact on the Home to School/College Transport budget.

5.8 The Home to School/College Transport is a challenging and volatile budget with unfavourable economic conditions, and changing legislation (incorporates new guidelines relating to safety, Disability Discrimination Act (DDA) passenger access and ERO6 emissions standards by 2020), and the impact of school reorganisations. The budget therefore remains a financial risk to the Council.

5.9 **Readiness for Adult Life** strategy is not proposing to make any savings. Within this strategy there is a proposed cost pressure of £1.641m in 2018/19. The cost pressure relates to the Local Authority's legal duty to provide supported accommodation for homeless young people over 16 years. This is due in part to case law, referred to the Southwark judgement, and the complex needs of this age group where parents are refusing to continue to provide care for them and also due to care leavers. The complexity of an individual's needs and an increase in demand has contributed to this pressure.

5.10 A transformational group was established to consider ways of controlling the level of demand through more suitable and cost effective provision to best meet the needs of the young

people. Measures are being implemented, however the budget pressure is to align the budget to anticipated demand and recommended commissioning arrangements.

5.11 **Children are Safe and Healthy** strategy is proposing to make savings of £0.200m in 2018/19. Within this strategy there are also proposed cost pressures of £2.585m in 2018/19 and £1.194m in 2019/20. The proposed reduction of £0.200m in 2018/19 relates to a fall in insurance premiums costs for Children's Services considering historic activity of numbers and value of claims.

5.12 A number of cost pressures exist within children's social care where the Local Authority has a statutory duty to protect children and take action when thresholds are met. Financial shortfalls have been identified for the future years based on the growth trends on the number of looked after children placements and Special Guardianships Orders.

5.13 The national increase in looked after children is currently considered by the sector to be at 8% due to a number of reasons, for example case law, the impact of austerity, and the increasing complex nature of family life as a result of substance misuse, mental health and domestic abuse. Growth of 5% in looked after children has been forecast locally, which identifies a proposed budget pressure of £0.887m in 2018/19, and a further budget pressure of £0.948m in 2019/20.

5.14 The increasingly complex needs looked after children have resulted in a higher demand for out of county specialist placements. The proposed budget pressure of £1.264m in 2018/19 is to rebase the budget to anticipated demand levels (24 placements), and the service is optimistic that they can take measures to contain costs in this area. Lincolnshire remains one of the most successful Local Authorities in providing value for money as evidenced in the CIPFA benchmarking report due to the high percentage of looked after children managed through internal foster carers, which is forecast to continue.

5.15 Special Guardianship Orders (SGOs) are increasingly being seen by the Courts as an important option for permanency for children who need to be removed from their birth parents which is endorsed by Officers. The Local Authority is however required to fund SGOs (subject to means testing) so whereas we would once have seen children adopted, we are seeing increased SGO's which must be funded until the child reaches the age of 18 years. The expected increases are based on average numbers of SGO's being granted per month, which identifies a proposed budget pressure of £0.434m in 2018/19, and a further budget pressure of £0.246m in 2019/20.

5.16 The government's direction of travel appears to be placing additional responsibilities onto Local Authorities, however the financial implications to the authority are unclear presently.

Adult Care and Community Wellbeing

5.17 There are five Commissioning Strategies led by Adult Care and Community Wellbeing (AC&CW), these are: Adult Frailty and Long Term Conditions, Specialist Adult Services, Carers, Safeguarding Adults and Wellbeing.

5.18 The Adult Care budget is set in the context of increasing demographic and cost pressures related to service provider fee increases in order to accommodate the increasing cost of employment as a result of the National Living Wage and 'sleep-in' rates. The Council is currently in the process of reviewing fees which will have an impact for the next three years with the challenge of ensuring that the financial impact of any increases are set within the available budget and remove the risk of the Council having to use its own budget.

5.19 The Lincolnshire Better Care Fund (BCF) is a framework agreement between Lincolnshire County Council and the Lincolnshire Clinical Commissioning Groups (CCGs) and looks to pool funds from those organisations to help support the national and local objective of closer integration between the Council and the CCGs. The total pooled amount in 2017/18 was £226m which includes £54.817m that was allocated to the Lincolnshire BCF from the Department of Health. In 2018/19 the total pooled fund will be in the region of £235m with £56.165m being the national allocation to the Lincolnshire BCF. Allocations for 2019/20 are still to be determined although it is anticipated they will be of a similar value to 2018/19.

5.20 Lincolnshire's fund is one of the largest in the country and includes pooled budgets for Learning Disabilities, Children and Adolescence Mental Health Services (CAMHS) and Community Equipment plus 'aligned' Mental Health funds from the County Council and the four Clinical Commissioning Groups (CCGs).

5.21 In addition to the continuation of existing pooled funds, there are a number of other funding streams, these increases result from:

- Inflationary increases in CCG funding and as a result in the CCG funding for the Protection of Adult Care Services;
- The addition of the iBCF funding that was announced in the Chancellor's November 2015 budget totalling £42.126m over three years (£14.249m in 2018/19 and £25.771m in 2019/20); and
- The announcement of iBCF supplementary funding in the Chancellor's March 2017 budget. This provides an additional £28.985m in three years (£9.607m in 2018/19 and £4.111m in 2019/20)

5.22 There is a requirement to ensure that the funding has a positive impact on performance in the areas of Delayed Transfers of Care and Non-Elective Admissions. This has been reflected in our plans with NHS colleagues and thus in the two year BCF Plan.

5.23 The resulting Narrative Plan and the related Planning Templates for the two years 2017-2019 were submitted to NHS England in September 2017 and approved without conditions on 30 October 2017.

5.24 Work continues between the Council and the Lincolnshire CCG's ('The Partners') to agree the overarching Framework Agreement. This agreement sets out the terms on which the Partners have agreed to collaborate and to establish a framework through which the Partners can secure the future position of health and social care services over the two years that the plan is in place.

5.25 The increasing strategic importance of the BCF has meant that the impact to AC&CW now has to be reflected in service finances, with a detailed exercise undertaken over the summer and autumn months to incorporate all schemes funded via the BCF into the AC&CW budget. This reflects the fact that BCF has a growing influence on how AC&CW pressures are funded in the Council with it being the only means in which the vast majority of pressures identified below will be funded over this budgeting period.

5.26 The **Adult Safeguarding** strategy is proposing to make savings of £1.000m related to Deprivation of Liberty Safeguards in 2019/20 (there are no savings proposed for 2018/19). Within this strategy there are also proposed cost pressures of £0.006m in 2018/19 and £1.006m in 2019/20.

5.27 The recent increase in investment within this strategy is as a direct result of the Cheshire West ruling in March 2014 with regards to Deprivation of Liberty Safeguards (DoLs). The assumption has always been that secondary legislation would be passed that would significantly mitigate the impact of the ruling from 2019/20 onwards, however the impact of the recent General Election has meant that such legislation is now less likely to be implemented quickly and as such it is prudent to assume that current levels of activity will now continue beyond 2019/20.

5.28 The **Adult Frailty and Long Term Conditions** strategy is proposing to make savings of £6.471m in 2018/19 and £5.007m in 2019/20. Within this strategy there are also proposed cost pressures of £6.639m in 2018/19 and £6.397m in 2019/20.

5.29 Of the total savings identified in 2018/19 £5.398m reflect the removal of non-recurrent schemes funded via the BCF in 2017/18 and to reflect a reduction in the minimum expected CCG BCF contribution. The remaining £1.073m is a result of increased income derived from increases in service user contributions (£0.853m) and the removal of unallocated budgets (£0.220m).

5.30 2019/20 savings also relate to the removal of non-recurrent schemes funded via the BCF in 2018/19 (£4.635m) and increases in income derived from increases in service user contributions (£0.372m)

5.31 Cost pressures funded in 2018/19 and 2019/20 relate to increased demographic growth and additional pressure on provider unit costs brought about by increases in the National Living Wage, largely impacting upon residential and community based services.

5.32 The **Carers** strategy is proposing to make savings of £0.415m in 2018/19 and £0.075m in 2019/20. Within this strategy there are also proposed cost pressures of £0.575m in 2018/19. Both result from additional non recurrent BCF funding and then the subsequent withdrawal of those funds in the following year.

5.33 The **Adult Specialities** strategy is proposing to make savings of £0.647m in 2018/19 and £2.656m in 2019/20. Within this strategy there are also proposed cost pressures of £3.994m in 2018/19 and £5.354m in 2019/20.

5.34 Of the total savings identified in 2018/19, £0.547m is a result of increased income derived from increases in service user contributions (£0.227m) and the removal of one off BCF funds (£0.320m). £0.100m relates to reduction in waking nights and sleep in costs via the increased use of assistive technology in service users homes.

5.35 Pressures funded in 2018/19 and 2019/20 relate to increased demographic growth and additional pressure on provider unit costs brought about by raises in the National Living Wage for residential and community based services.

5.36 An element of the cost pressures for the Adult Frailties and Adult Specialities strategies relate to an increase in contract costs for Social Care Transport services, which have a direct relationship to National Living Wage levels. There are proposed cost pressures of £0.075m in both financial years to meet the Council's obligation to pay staff and some contractors the central government set national living wage.

5.37 The **Wellbeing** strategy is proposing to make savings of £0.181m in 2019/20 (there are no savings proposed for 2018/19). Savings identified in 2019/20 are based on assumed savings following a proposed redesign and procurement of Housing related support services.

Environment and Economy

5.38 Environment and Economy commissioning strategies include: Community Resilience and Assets, Sustaining and Developing Prosperity through Infrastructure, Protecting and Sustaining the Environment and Sustaining and Growing Business and the Economy.

5.39 **Community Resilience and Assets**, within this strategy there are proposed cost pressures of £0.073 in 2018/19 which relate to on-going commitments within the Library service (£0.012m) and a pressure with the Chance to Share agreement with North Kesteven District Council (this SLA is due to finish in March 2021). Cost pressures of £0.042m in 2019/20 will meet committed inflationary increases in the Library Service contract.

5.40 The approved model of delivery for the Library Service agreed to support Community Groups with an annual revenue grant for period of four years. The Council is not proposing to remove the funding for the Community Hubs as a saving.

5.41 **Sustaining and Developing Prosperity through Infrastructure** strategy is proposing to make savings of £0.186m in 2018/19 and £4.319m in 2019/20. Within this strategy there are also proposed cost pressures of £3.750m in 2018/19 and £0.312m in 2019/20.

5.42 Due to the Department for Transport re-designation of Lincoln as a 'PTE like' area, there is an expected increase in the cost of concessionary fares of £0.100m in 2018/19 rising by £0.045m in 2019/20 to give a full year effect. There is a proposed saving of £0.060m in 2018/19 from the removal of temporary funding supporting the Lincoln to Nottingham Rail Service.

5.43 An element of the cost pressures for this strategy (mainly within the Transport activity) relates to an increase in contract costs, which have a direct relationship to national living wage levels. There are proposed cost pressures of £0.250m in 2018/19 and £0.267m in 2019/20 to meet the Council's obligation to pay staff and some contractors the central government set national living wage.

5.44 Recent weather conditions have increased the deterioration of the roads in the county; therefore the Highways Asset Maintenance activity has a cost pressure of £3.300m in 2018/19. This is required to improve the roads in Lincolnshire.

5.45 It is proposed to fund a cost pressure of increased rates costs on revalued Heritage sites (£0.100m). The Heritage service is moving towards a self-financing model of delivery and this increase of rates costs, will in turn increase the expected savings from the service which have been included in the budget proposals for 2019/20 (£1.019m)

5.46 Winter maintenance vehicles are currently supplied under a lease arrangement. As these leases expire, there is a proposal to move to a capital purchase of these vehicles. This proposed saving in 2018/19 (£0.126m) for four vehicles is reliant upon the approval of the appropriate capital programme spend which is included in these budget proposals. Further budget savings can be realised in line with further lease expiry dates, the majority of which are in 2020 and beyond.

5.47 As part of the initial budget proposals for 2016/17 a potential saving of £2.235m was identified by removing bus subsidies and the saving was profiled as £1.200m in 2016/17 and £1.035m in 2017/18. When the Executive made its budget proposals for the 2016/17 year, the saving of £1.200m for bus subsidies was included. At this time, it was highlighted that the delivery of this saving, was likely to result in a cost shunt to Children's Services of an estimated

£0.750m as provision would need to be made for school children travelling on public service routes. At the County Council meeting in February 2016 it was agreed to defer the saving of £1.200m and the subsequent £1.035m for two years. The Council has reconsidered delivering savings on bus subsidies and is still not proposing any savings in this area in the next two financial years (2018/19 and 2019/20).

5.48 Protecting and Sustaining the Environment strategy is proposing to make savings of £0.518m in 2018/19 and £0.041m in 2019/20. In 2018/19, these savings are proposed to be delivered from; removing the one-off funded cost pressure required due to the delay in developing the new Boston Household Waste Recycling Centre (£0.300m); reduction in business rates costs relating to waste sites (£0.050m), and a reduction in funding for the natural and built environment partnership grants and projects (£0.045m).

5.49 Like the winter maintenance vehicles, the JCB's used in the waste transfer stations are also currently supplied under a lease arrangement. As these leases expire there is a proposal to move to a capital purchase to replace them. The savings generated in 2018/19 (£0.123m) and in 2019/20 (£0.041m) are reliant upon the approval of the appropriate capital programme spend which is included in these budget proposals.

5.50 Within this strategy there are also cost pressures of £0.270m in 2018/19 and £0.272m in 2019/20. These pressures relate wholly to waste disposal costs in the increase in volumes of waste being collected for disposal and the inflationary increases of the waste management contract.

5.51 Sustaining and Growing Business and the Economy there are no savings or cost pressures for 2018/19 and 2019/20.

Finance and Public Protection

5.52 Finance and Public Protection commissioning strategies include: Protecting the Public, How We Do Our Business and Enablers and Support to Council's Outcomes.

5.53 Protecting the Public strategy is proposing to make savings of £0.114m in 2018/19 and £0.100m in 2019/20. In 2018/19 this saving is proposed from the Fire and Rescue Service, by withdrawing funding for the Group Manager post supporting the Blue Light project, and reducing the use of 'bank' operational staff to support Retained Duty System availability. In 2019/20 the saving is to recognise the new model of delivery for the Coroners Service (£0.100m)

5.54 Within this strategy there are also proposed cost pressures of £0.085m in 2018/19 within the Fire and Rescue Service relating to increased rates costs of fire stations and in 2019/20 for Emergency Services Network costs (£0.029m). There are also cost pressures in 2019/20 within Trading Standards relating to the increased costs of product safety testing (£0.020m) and safeguarding checks required for scams on vulnerable victims (£0.040m).

5.55 How we do our Business strategy is proposing to make savings of £1.263m in 2018/19, there are no proposed savings for 2019/20. The large proportion of this saving is the removal of the budget required to conduct the County Council elections (£1.100m) which was added to the budget in 2017/18 as a one off pressure.

5.56 Other savings in this strategy include the removal of the funding to pay the Local Government Association (LGA) subscription (£0.067m) as appropriate notice has been given to withdraw support to the LGA. A saving has been identified on the Finance Contract relating to a

reduced volume of expected Adult Care payments processing (£0.050m) and from the flexible retirement of the County Finance Officer (£0.045m).

5.57 Enablers and Support to Council's Outcomes strategy is proposing to make savings of £0.842m in 2018/19 and £0.015m in 2019/20. Within this strategy there are also proposed cost pressures of £5.305m in 2018/19 and £0.493m in 2019/20.

5.58 Property Strategy and Support are proposing a saving in 2018/19 of £0.482m and 2019/20 of £0.015m through the continued rationalisation of the Council's property portfolio, a reduction in the general maintenance budget for Council owned travellers sites, removal of exit costs budget for facilities management and a reduction to the Council's dilapidations budget.

5.59 An element of the cost pressures for Property Strategy and Support relates to an increase in contract costs, which have a direct relationship to national living wage levels. There are proposed cost pressures of £0.309m in 2018/19 and £0.391m in 2019/20 to meet the Council's obligation to pay staff and some contractors the central government set national living wage. There are also cost pressures relating to increasing property rates and utility costs (£0.165m in 2018/19 and an additional £0.181m in 2019/20) and a one off pressure for concluding archaeological costs of West Deeping minerals site (£0.321m).

5.60 People Management activity is proposing to make savings of £0.360m in 2018/19. The proposed budget savings relate to a reduction in activity-led budgets to match the current levels of expenditure (£0.250m), and the legacy savings of the 2016/17 budget decisions to end the graduate programme for new entrants and cessation of the leadership management development programme (£0.110m).

5.61 There are cost pressures in 2018/19 within Strategic Communications relating to increasing costs of the Lincolnshire Show (£0.015m), the publication and delivery of County News (£0.040m) and the development of the Council's digital platform (£0.020m).

5.62 Information Management Technology (IMT) have cost pressures in 2018/19 of £4.436m and £0.200m in 2019/20. These pressures relate to increasing Open Text and other license costs (£1.388m); the requirement for a Data Protection Officer to ensure compliance with the General Data Protection Regulation (£0.048m); additional Technical Architect and Business Analyst posts (£0.200m) and the improvement of the technology enablers to improve the IMT supporting the Council's services (£3.000m).

Schools

5.63 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2018/19, the DSG will comprise of four blocks: schools, central school services, high needs, and early years block. Each of the four blocks of the DSG will be determined by a separate national funding formula.

5.64 Lincolnshire's DSG allocation for 2018/19 is £538.837m, and will be used to support all schools in Lincolnshire including local authority schools and academies. Over half of Lincolnshire pupils attend academy schools; therefore the DSG figure for the Schools block will be revised down for the academy schools budget share allocations. The DSG is a ring-fenced grant and the actual split between academies and local authority schools has no financial risk to the Council from the DSG schools delegated budget perspective.

5.65 The government is to implement a national funding formula in 2018/19 to ensure a fairer settlement for each school. The government however plan to transition to the national funding formula through a 'soft' approach in 2018/19 and 2019/20, whereby Local Authorities will continue to be responsible for calculating schools' funding allocations.

5.66 For 2018/19, the Schools block that is used for the purposes of funding all mainstream schools budget shares will be determined by aggregating the schools' notional allocations under the national funding formula determined by the government. Through the introduction of the national funding formula the government has provided additional investment in 2018/19 and 2019/20. This will ensure all schools notional allocations will receive at least 0.5% per pupil increase in 2018/19 and at least 1% per pupil by 2019/20 in respect of all schools compared to their 2017/18 baselines, and gains of up to 3% per-pupil in 2018/19, and then up to a further 3% in 2019/20 depending on each schools' circumstance.

5.67 Local Authorities are encouraged to move towards the national funding formula so that schools' allocations are on a sensible trajectory towards the move to a 'hard' national funding formula from 2020/21. Lincolnshire schools overall are gaining through the introduction of the national funding formula compared to the government's historic funding that was used for the current local funding formula. A consultation exercise has taken place with schools on the proposed 2018/19 funding formula (ending 22 November 2017), and this will be considered by committee and Schools Forum before approval by the Executive Councillor in early January 2018.

5.68 The government is also moving to a basis for distributing funding to Local Authorities for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending. Local Authorities will be protected under the formula by seeing a minimum increase of 0.5% per head in 2018/19 and 1% per head in 2019/20, on their planned high needs spending levels from their 2017/18 DSG.

5.69 Lincolnshire's pupil premium allocation for 2018/19 is £30.601m. Pupil premium funding nationally is at £2.399 billion, and will grow for increases in pupils meeting the eligibility criteria. Similarly to the DSG, the pupil premium allocation for Lincolnshire covers both the allocations for Local Authority schools and academy schools. The Education and Skills Funding Agency will continue to allocate pupil premium for academy schools, so the grant will be reduced accordingly. However, this has no financial risk to the Council.

Other Budgets

5.70 Other Budgets includes: Capital Financing Charges, Other Budgets and Contingency budgets.

5.71 **Capital financing charges**, within other budgets have been set at a level to reflect the revenue implications of the revised capital programme set out below (paragraphs 8.1 to 8.5). The revenue implications of the capital programme are estimated to cost the Council £41.626m in 2018/19 and £47.967m in 2019/20. The overall affordability of the capital programme has been reviewed to ensure the impact on the revenue budget remain affordable. The Council is also budgeting for £1.000m of receipts from investment of cash balances in 2018/19 and £1.500m in 2019/20.

5.72 The Council also proposes the following savings from **other budgets**:

- A reduction of £8.240m to £0.500m per annum is proposed in relation to National Living Wage. This is following allocation of budgets to the various strategies to meet the Council's obligation to pay staff and some contractors the central government set national living wage;
- A reduction of £0.500m to the Council's redundancy budget to £1.500m for both financial years. This budget funds any redundancies arising from the Council reshaping services;
- The creation of a £0.400m income budget in both 2018/19 and 2019/20 to reflect the Council's estimated dividend from its investment in ESPO; and
- A reduction of £2.054m in 2018/19 on employers pensions secondary payment to pension fund to £5.503m to reflect the advice from the actuary, Hymans Robertson, upon receipt of additional schools pensionable payroll information. This budget will then see an increase of £1.007m in 2019/20 to take the budget for that year to £6.510m.

5.73 The following cost pressures are proposed within **other budgets**:

- Creation of £1.200m budget in 2018/19 and a further £0.600m in 2019/20 to cover further pay inflationary increases which may arise in the event that the central government remove pay cap; and
- Two small increases to the Apprentice Levy Budget (£0.006m in both financial years) and to the Eastern Inshore Fisheries and Conservation Association (EIFCA) precept budget (£0.002m in 2018/19 and £0.059m in 2019/20).

5.74 The Council's **contingency budget** for 2018/19 and 2019/20 will remain at £3.000m. This budget is available to fund any pressures which arise during the financial year.

5.75 The Autumn Statement 2016 and the Provisional Local Government Settlement of that year provided local authorities with some flexibilities around the use of capital receipts in 2016/17 and for the following two financial years. Under previous regulations these were required to be utilised to fund capital expenditure, or pay down debt. Under these new flexibilities the Council will be able to use capital receipts to fund the cost of transformation of which the key criteria is the expenditure will generate ongoing revenue savings to the authority.

5.76 It is currently proposed that an amount of £8.000m will be used from income generated from capital receipts to fund these types of schemes in 2018/19. Details of the schemes to be funded and the Council's updated Efficiency Plan can be found at **Section 7** below and at **APPENDIX G**.

6. RESERVES

6.1 The Council's current financial strategy is to maintain general reserves within a range of 2.5% to 3.5% of the Council's total budget, at 31 March 2017 the balance stood at £15.300m. General reserves, at 31 March 2018, are estimated to be £15.800m which is 3.5%. To maintain the Council's general fund balance at 3.5% at 31 March 2019 requires a balance of £15.000m.

6.2 In 2018/19, this will require £0.800m to be released from the general fund to maintain this level. To continue to maintain the general fund balance at 3.5% at 31 March 2020 a balance of £15.200m is needed, which will require £0.200m to be added to the general fund in 2019/20.

7. FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

7.1 In September 2016 County Council approved the Council's Efficiency Plan and flexible use of capital receipts to fund transformation for the three year period from 2016/17 to 2018/19. This plan allowed the Council to sign up the four year funding deal offered by government for the period 2016/17 to 2019/20. The Efficiency Plan included the Council's Flexible Use of Capital Receipts Strategy. Under a Direction issued pursuant to sections 16 and 20 of the Local Government Act 2003 the Council is directed to treat as capital, expenditure that is designed to generate ongoing revenue savings or transform services to reduce costs and is properly incurred for the financial years commencing on 1 April 2016, 2017 and 2018.

7.2 It has been acknowledged by the government that the Council operates in a society that is constantly changing. Therefore in December 2017, the government set out further measures to support the Councils to deliver services. One of these measures is the extension on the use of capital receipts to help meet the revenue costs of transformation for a further 3 years to April 2022.

7.3 The Council is required to have regard to Guidance issued by the Secretary of State which states that Councils should prepare at least one Flexible Use of Capital Receipts Strategy for each of the above financial years. The proposed Flexible use of Capital Receipts Strategy for 2018/19 and 2019/20 is attached at **APPENDIX G** and sets out how it plans to use capital receipts flexibility for transformation and the impact this has on the Council's Prudential Indicators. This Strategy complies with the Guidance.

8. CAPITAL PROGRAMME

8.1 The proposed capital programme matches the revenue budget and runs until 2019/20, plus major schemes which stretch into future years. Schemes comprise: a number of major highways schemes, the rolling programme of renewal and replacement of fire fleet vehicles, and the new rolling programmes to replace the gritters fleet and equipment and vehicles at the Waste Transfer Stations. The gross programme is set at £322.647m from 2018/19 onwards, with grants and contributions of £132.088m giving a net programme of £190.559m to be funded by the County Council.

8.2 The overall capital programme and its funding are shown in **TABLE 5** below.

TABLE 5 – Capital Programme

	2017/18 £m	2018/19 £m	2019/20 £m	Future Years £m
Gross Capital Programme				
Gross Capital Programme	141.871	158.688	106.313	57.646
Less: Grants and Contribution	-96.576	-74.012	-29.038	-29.038
Net Programme Funded by LCC	45.295	84.676	77.275	28.608
Funded by:				
Revenue Funding	0.850	0.600	0.600	0.000
Borrowing	36.548	84.076	76.675	28.608
Use of Capital Grants Unapplied	5.456	0.000	0.000	0.000
Use of Reserves	2.441	0.000	0.000	0.000
Total Funding by LCC	45.295	84.676	77.275	28.608

8.3 The following additions have been made to the net capital programme in 2018/19 and 2019/20 as part of the budget setting process:

- Developments Capital Contingency budgets of £7.500m for both years, to fund any emerging schemes identified in these financial years;
- The maintenance of existing property assets and essential property works linked to Asbestos, work place regulations and disabled access: £3.200m in both years;
- The ICT infrastructure and IT refresh programme: £0.600m in both years;
- A new rolling programme to replace the gritters fleet following decision to purchase these vehicles: £0.420m in 2018/19 and £5.088m spread over 8 years from 2020/21; and
- A new rolling programme for the replacement of equipment and vehicles which operate at the Waste Transfer Station: £0.441m in 2018/19, £0.138m in 2019/20 and £0.957m spread over 6 years from 2020/21.

8.4 The Council receives government grant funding to support large parts of the capital programme, including schools and roads maintenance. The following grants have been announced and incorporated into the capital programme for 2018/19, 2019/20 and future years:

- An indicative award of £24.995m per annum for three years, 2018/19 to 2020/21, Highways Asset Protection Maintenance Block;
- An indicative three year award for Integrated Transport Grant of £3.312m per annum from 2018/19 to 2020/21;
- An award of £2.000m in 2018/19 from the National Productivity Investment Fund. This is for the A46 Lincoln Road, Welton, Lincoln scheme, which will convert the priority "T" junction to a roundabout to cater for extra traffic from proposed local housing developments;
- The second year award for Provision of Schools Place Basic Need Grant £11.026m in 2018/19. This will allow the Council to plan strategically for the places needed in schools; and

- A new three year award of Special Provision Fund allocations £0.771m per annum from 2018/19 to 2020/21, total of £2.314m. This will allow the Council to make capital investments in provision for pupils with special education needs and disabilities. This can be invested in new places and improvements to facilities for pupils with education, health and care (EHC) plans in mainstream and special schools, nurseries, colleges and other provision.

8.5 The Council funds the net capital programme primarily from borrowing £84.076m in 2018/19, £76.675m in 2019/20, and revenue contribution of £0.600m for both years.

9. PRUDENTIAL INDICATORS

9.1 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 targets are set out in **APPENDIX M**.

9.2 One of the key targets in the Council's Financial Strategy, 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 increase to 7.00% by 2020/21 from 5.33% in 2017/18.

10. MINIMUM REVENUE PROVISION

10.1 The Council has a duty to set a minimum revenue provision (MRP) which "it considers prudent". The aim is to ensure that debt is repaid over a period reasonably commensurate with the period over which the capital expenditure funded by borrowing provides benefits.

10.2 The Council's current policy is to apply the asset life method for calculating MRP. For pre 2008 debt this is based on a standard asset life of 50 years equating to a 2% flat charge. For 2009/10 debt onwards, asset life of differing categories of assets is estimated and a charge based on an annuity method is used for major infrastructure projects, where the benefit of these assets are expected to increase in later years. A charge based on Equal Instalments of Principal is used for all other categories of assets. The Council will not charge MRP until assets become operational. This is a prudent approach which is consistent with the Council's Financial Strategy and will apply from 2016/17 onwards.

11. SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF RESERVES

11.1 The Local Government Act 2003 includes a statutory duty for the Council's Section 151 officer to report to the Council when it is calculating the council tax on "the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves." The Council has a statutory duty to "have regard to the report when making decisions about the calculations."

11.2 The Financial Strategy requirement in relation to reserves is based on a full assessment of the Council's potential financial risks last undertaken in October 2017, informed by estimates of future Government funding for the Council included within the four year funding deal and the savings identification work undertaken by the CMB and Executive during the summer/autumn of 2017. A key aspect of that Strategy is that Council will maintain its general reserves within a range of 2.5% to 3.5% of its annual budget requirement.

11.3 Currently the Council's projected year end general reserve stands at £15.800m or 3.5% of the budget requirement (i.e. towards the top of the target range). There is a proposal to reduce the general reserves by £0.800m as part of the 2018/19 budget. This reflects future changes in the Council's overall budget. There are proposals to apply a portion of earmarked reserves in 2018/19 (£5.076m) to deliver a balanced budget in preparation for ongoing government funding restraint in the remainder of the period covered by the four year funding deal (i.e. up to the end of 2019/20).

11.4 The new business rate funding regime for local authorities commenced in April 2013 as did revised arrangements for funding local welfare benefits related to the Council Tax. These measures have introduced an element of volatility into the income base of the Council which, acting prudently has required the establishment of an earmarked reserve to assist with the management of funding risk. That reserve is estimated to be £53.541m at 31st March 2018.

11.5 The October 2017 risk assessment encompassed a full assessment of the potential financial risks facing the Council included the following:

The realism of budget estimates for –

- Pay awards
- Price increases
- Income, including higher risk areas such as capital receipts
- Savings
- Provision for demand led services including: children's services, waste disposal, adult care, certain aspects of public health, home to school transport, concessionary fares, adverse weather, support for the council tax, etc

Financial management arrangements including –

- The recent history of financial management performance

Potential Losses including –

- Claims against the Council
- Bad debts or failure to collect income
- Major emergencies or disasters
- Failure to deliver budget savings
- Default on loans made by the Council for cash management purposes

11.6 An assessment was also made of the provision against these financial risks including:

- A provision in the form of a contingency budget to deal with pressures related to real or potential legislative change or other unforeseen impacts upon the Council. The general contingency was modestly increased for 2015/16 and retained at the higher level for 2016/17. That change in part reflects that no general level of price inflation has been provided for within the service budgets. The contingency budget has underspent for the last two years and on that basis its level was reduced by £1m to £3m for 2017/18. The £3m level of the contingency budget is retained for 2018/19.
- Specific provisions in the accounts and earmarked reserves.
- Provision for the funding of capital which provides modest additional financial flexibility.
- The potential for slippage and underspending of the capital programme.
- The level of the Council's general reserves.

11.7 The conclusion from the financial risk assessment is that the Council has retained an adequate level of general reserve in light of an assessment of the risks faced and the range of funding sources available to deal with those risks. That conclusion was supported by the Overview and Scrutiny Management Board at their meeting on 26th October 2017.

11.8 The four year funding deal from government continues to place significant additional funding pressures on the County Council when compared to recent years – revenue support grant reduces by £14.3m (30%) between the two years. The grant continues to fall materially over the following year to be at £20.1m by 2019/20.

11.9 The scale of revenue support grant reductions in future in tandem with escalating cost pressures from such issues as demographic growth in adult and children's care clients and the new national minimum living wage present an unprecedented and ongoing challenge to the Council in balancing its finances. Savings next year are now predominately in the form of the full year effect of service reductions agreed last year as part of the earlier budgets. Such an approach increases the risk of service failure despite such risks being factored into the decision making process that derived the reduction in the first place. The need to make further base budget savings from April 2020 onwards only adds to that risk. The magnitude of such savings is presently unknown and will be critically dependent on the outcome of the Government's Fairer Funding Review of local authority finances which is presently underway.

11.10 As in previous years, close monitoring of the delivery of savings will be undertaken and, if necessary, corrective action will be initiated to examine alternative options should this be necessary. The delivery of the planned savings will be monitored and reported regularly to senior management teams and to Executive councillors as part of the formal, published reports.

11.11 Financial management remains an important consideration. The introduction of the new Agresso accounting system in April 2015 presented a number of significant challenges to the Council. Budget monitoring activity improved during 2016/17 and has operated normally during 2017/18 broadly in line with the aspirations set when the Agresso system was procured. A significant upgrade to the system will be in place for April 2018 and will provide the platform to facilitate a range of improvement initiatives on the functionality and usability of the system going forward.

11.12 Spending pressures continue to arise in Adult Care relating to a range of factors such a demographic growth of the client base. The new national minimum living wage introduced from April 2016, and increasing by annual amounts for the following 4 years, will add around £4m pa to the cost of the Adult Care service. It also adds a further £1m pa pressure on other service area budgets. Adult Care pressures have, however, been substantially funded by a combination of the adult care precept element of council tax and the Better Care Fund in its various forms.

Children's Services remains an ongoing and escalating funding pressure area as a consequence of demand and legislative issues. In combination close to £4m has been added to the budget for next year in that regard.

11.13 Budget pressures have emerged broadly as expected during 2017/18. An underspend on the revenue budget for the current year has been predicted by monitoring activity undertaken during the year. Consequently there is no anticipated need to apply the available general reserve this year.

11.14 In relation to the 2018/19 budget, Service Areas have provided brief notes on the realism of their proposed budgets and their ability to manage within these budgets. In that context the following points are relevant:

- All Service Areas are aware that the savings target that has been set is a significant one and will demand sustained and rigorous management action to ensure it is delivered on target. All have affirmed their commitment to achieving the demanding targets set with appropriate caveats as necessary.
- Funding pressures will continue to exist in a number of service areas. The key pressure areas are as follows:

(i) Adult Care – ongoing issues, listed below, continue to place pressure on the service.

Increasing demographic and cost pressures related to service provider fee increases in order to accommodate the increasing cost of employment as a result of the National Living Wage and 'sleep-in' rates. The council is currently in the process of reviewing residential care fees which will have an impact for the next three years with the challenge of ensuring that the financial impact of any increases are set within the available budget and remove the risk of the Council having to use its own budget.

In addition, the cost of adult care services will rise materially over the next 2 years in line with the new national minimum living wage. The service is now substantially reliant on income from the Health Service by means of the locally negotiated Better Care Fund (BCF) allocation. All BCF funding has to be agreed with the 4 Clinical Commissioning Groups and the Health and Wellbeing Board. At present the various strands of the BCF funding cease in March 2020. It is anticipated that the Adult Care Green Paper expected in the summer of 2018 will establish the basis for future adult care funding.

(ii) Council Tax Support Schemes – local schemes were established by all the District Councils from April 2013. The County Council is, in effect, responsible for around 75% of the financial liability arising from these schemes. Whilst a great deal of work has been undertaken with the Districts to establish financially robust arrangements there remain financial risks to the County Council from their operation. These comprise a general demand risk for local support should we enter a recessionary environment and a risk that the combined impact of above inflation increases in council tax along with reduced entitlement to State funded welfare benefits may result in more people meeting the eligibility criteria. Experience in 2017/18 has been that demand for this support has reduced modestly as a result of general improvements in the economic environment offset by council tax rises at, or above, inflation. However, above inflation increases in council tax are inevitable going

forward and the present Government plan to reduce spending on welfare benefits. These will result in an increased entitlement to this benefit going forward.

(iii) Business Rates – Since April 2013 the Council has had a financial reliance on business rate income both from Central Government and directly from a share of local rate income collected by the Lincolnshire District Councils. This income has the potential to be volatile should major business ratepayers relocate into or out of the county area. The Council has operated a business rate pool with a number of Lincolnshire District Councils since April 2013. However, for 2018/19 the County Council, North Lincs Council and the seven Lincolnshire District Councils have successfully applied to be a pilot area for 100% localisation of business rates. The pilot will operate in a manner analogous to be business rate pilot but with the additional of a 'no detriment' clause from Government protecting the participants from being worse off financially as a consequence of operating the pilot. The amount of one-off gain to the Council next year from operating the pilot is estimated as £7.480m. That gain has been allocated equally to fund children's services cost pressures and to provide an advance design budget for future highway schemes.

(vi) Children's Services – there remain significant pressures in children's social care in relation to a rise in the number of children looked after with numbers of children rising by 5% again over the next year. A further pressure relates to the provision of supported accommodation to homeless 16-17 year olds. This service area is also impacted by a cost pressure relating to the National Living Wage which impacts on the cost of the home to school transport service and will continue to do so as long as nationally set increases apply to this wage level. Additional resources have been made available to deal with these pressures.

11.15 The capital programme has been reviewed as part of the current budget cycle and only minor changes are envisaged to the programme for 2018/19. Revenue budget pressures mean there is little additional scope for adding to future capital schemes above those already committed in the existing programme. Significant commitments, relating in particular to major infrastructure schemes, already exist in the period beyond next financial year. A £7.5m capital contingency has been established the use of which will be the subject of business case bids from service areas. The fund can be used as a source of matched funding in respect of external bids for capital funding.

11.16 Taking into account all these factors the Section 151 officer is satisfied that the budget is realistic and that the level of reserves is adequate but notes that the assessment relies heavily on:

- Achievement of expected savings that rely on the timing of the delivery of initiatives arising from the fundamental budget review and financial challenge initiatives. The increased risk of challenge with respect to savings initiatives has the potential to result in implementation delays.
- Given that a significant medium term funding shortfall still exists as indicated by the ongoing use of reserves, further work is essential in terms of deriving a sustainable revenue budget and capital programme to be in place for 2020/21 onwards.

12. CONSULTATION

12.1 Individual Scrutiny Committees have received a report and presentation on their respective budget and have had chance to comment on its appropriateness. The Overview and Scrutiny

Management Board also considered the proposals as a whole. These comments were collated and presented to the Executive when it considered the Council's final budget.

12.2 Businesses, Trade Unions and other public organisations were consulted at a meeting on 26 January 2018. Comments made at this meeting were collated and presented to the Executive when it considered the Council's final budget.

12.4 The Council also invited the public to comment (via the Council's Website) on the Council's budget proposals outlined in the 19 December 2017 Executive report.

12.5 A summary of all comments received via the consultation process can be found at **APPENDIX D**.

REVENUE EXPENDITURE

LINE REF	2017/18 BUDGET £	REVENUE BUDGETS	2018/19 BUDGET CHANGES £	2018/19 ORIGINAL ESTIMATE £
COMMISSIONING STRATEGIES				
1	4,968,807	Readiness for School	-183,617	4,785,190
2	33,476,355	Learn & Achieve	547,255	34,023,610
3	4,777,746	Readiness for Adult Life	1,686,626	6,464,372
4	62,712,917	Children are Safe & Healthy	2,683,901	65,396,818
5	4,145,660	Adult Safeguarding	21,726	4,167,386
6	120,296,255	Adult Frailty, Long Term Conditions and Physical Disability	301,328	120,597,583
7	2,304,492	Carers	160,000	2,464,492
8	62,113,814	Adult Specialities	3,396,682	65,510,496
9	27,130,812	Wellbeing	21,307	27,152,119
10	9,996,283	Community Resilience & Assets	85,871	10,082,154
11	40,236,719	Sustaining & Developing Prosperity Through Infrastructure	3,733,385	43,970,104
12	25,060,827	Protecting & Sustaining the Environment	-208,144	24,852,683
13	1,273,831	Sustaining & Growing Business & the Economy	17,026	1,290,857
14	22,440,590	Protecting the Public	479,947	22,920,537
15	8,621,014	How We Do Our Business	-1,196,746	7,424,268
16	35,747,397	Enablers & Support to Council Outcomes	4,676,694	40,424,091
17	-33,524,000	Public Health Grant Income	862,000	-32,662,000
18	-34,497,494	Better Care Funding	-5,546,323	-40,043,817
19	397,282,025	TOTAL COMMISSIONING STRATEGIES	11,538,918	408,820,943
SCHOOLS BUDGETS				
20	391,878,898	Schools Block	18,459,356	410,338,254
21	79,687,706	High Needs Block	1,445,605	81,133,311
22	4,108,625	Central School Services Block	98,714	4,207,339
23	36,698,475	Early Years Block	3,804,142	40,502,617
24	-515,049,619	Dedicated Schools Grant	-23,807,817	-538,857,436
25	-2,675,915	TOTAL SCHOOLS BUDGETS	0	-2,675,915
OTHER BUDGETS				
26	3,000,000	Contingency	0	3,000,000
27	39,723,716	Capital Financing Charges	901,799	40,625,515
28	17,445,278	Other	-10,112,234	7,333,044
29	60,168,994	TOTAL OTHER BUDGETS	-9,210,435	50,958,559
30	454,775,104	TOTAL NET EXPENDITURE	2,328,483	457,103,587
31	-17,869,584	Transfer to/from Earmarked Reserves	12,794,044	-5,075,540
32	-100,000	Transfer to/from General Reserves	-700,000	-800,000
33	436,805,520	BUDGET REQUIREMENT	14,422,527	451,228,047
MET FROM:				
34	0	Business Rates Retention Pilot	163,200,407	163,200,407
35	106,960,813	Business Rates Local Retention	-106,960,813	0
36	48,291,641	Revenue Support Grant	-48,291,641	0
37	16,685,213	Other Non Specific Grants	-9,450,720	7,234,493
38	264,867,853	County Precept	15,925,294	280,793,147
39	436,805,520	TOTAL MET FROM	14,422,527	451,228,047

COUNTY PRECEPT 2018/19

Council Tax Requirement	£
Total Budget Requirement	451,228,047.30
less Government Support	170,434,900.23
County Precept	<u>280,793,147.07</u>
less Net Surplus on Council Tax element of District Council Collection Funds	2,641,067.42
Council Tax Requirement	<u>278,152,079.65</u>

Precepts to be levied on District Councils	Number of Band D Equivalent Properties	Council Tax Requirement £	Council Tax Collection Fund +Surplus/ -Deficit £	County Precept £
City of Lincoln	23,942.97	29,485,049.27	134,850.00	29,619,899.27
Boston	18,713.57	23,045,200.05	561,531.00	23,606,731.05
East Lindsey	43,468.00	53,529,537.96	489,966.73	54,019,504.69
West Lindsey	29,224.12	35,988,627.06	463,890.00	36,452,517.06
North Kesteven	36,700.00	45,194,949.00	0.00	45,194,949.00
South Kesteven	46,519.30	57,287,122.37	501,314.40	57,788,436.77
South Holland	27,302.00	33,621,593.94	489,515.29	34,111,109.23
Total	225,869.96	278,152,079.65	2,641,067.42	280,793,147.07

**County Council Element of Council Tax
by Property Band**

Property Band	Proportion of Band D	Council Tax per Property £
Band A	6 / 9	820.98
Band B	7 / 9	957.81
Band C	8 / 9	1,094.64
Band D	9 / 9	1,231.47
Band E	11 / 9	1,505.13
Band F	13 / 9	1,778.79
Band G	15 / 9	2,052.45
Band H	18 / 9	2,462.94

Equality Impact Analysis to enable informed decisions

The purpose of this document is to:-

- I. help decision makers fulfil their duties under the Equality Act 2010 and
- II. for you to evidence the positive and adverse impacts of the proposed change on people with protected characteristics and ways to mitigate or eliminate any adverse impacts.

Using this form

This form must be updated and reviewed as your evidence on a proposal for a project/service change/policy/commissioning of a service or decommissioning of a service evolves taking into account any consultation feedback, significant changes to the proposals and data to support impacts of proposed changes. The key findings of the most up to date version of the Equality Impact Analysis must be explained in the report to the decision maker and the Equality Impact Analysis must be attached to the decision making report.

****Please make sure you read the information below so that you understand what is required under the Equality Act 2010****

Equality Act 2010

The Equality Act 2010 applies to both our workforce and our customers. Under the Equality Act 2010, decision makers are under a personal duty, to have due (that is proportionate) regard to the need to protect and promote the interests of persons with protected characteristics.

Protected characteristics

The protected characteristics under the Act are: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

Section 149 of the Equality Act 2010

Section 149 requires a public authority to 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 relevant protected characteristics and persons who do not share those characteristics
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The purpose of Section 149 is to get decision makers to consider the impact their decisions may or will have on those with protected characteristics and by evidencing the impacts on people with protected characteristics decision makers should be able to demonstrate 'due regard'.

Decision makers duty under the Act

Having had careful regard to the Equality Impact Analysis, and also the consultation responses, decision makers are under a personal duty to have due regard to the need to protect and promote the interests of persons with protected characteristics (see above) and to:-

- (i) consider and analyse how the decision is likely to affect those with protected characteristics, in practical terms,
- (ii) remove any unlawful discrimination, harassment, victimisation and other prohibited conduct,
- (iii) consider whether practical steps should be taken to mitigate or avoid any adverse consequences that the decision is likely to have, for persons with protected characteristics and, indeed, to consider whether the decision should not be taken at all, in the interests of persons with protected characteristics,
- (iv) consider whether steps should be taken to advance equality, foster good relations and generally promote the interests of persons with protected characteristics, either by varying the recommended decision or by taking some other decision.

Conducting an Impact Analysis

The Equality Impact Analysis is a process to identify the impact or likely impact a project, proposed service change, commissioning, decommissioning or policy will have on people with protected characteristics listed above. It should be considered at the beginning of the decision making process.

The Lead Officer responsibility

This is the person writing the report for the decision maker. It is the responsibility of the Lead Officer to make sure that the Equality Impact Analysis is robust and proportionate to the decision being taken.

Summary of findings

You must provide a clear and concise summary of the key findings of this Equality Impact Analysis in the decision making report and attach this Equality Impact Analysis to the report.

Impact – definition

An impact is an intentional or unintentional lasting consequence or significant change to people's lives brought about by an action or series of actions.

How much detail to include?

The Equality Impact Analysis should be proportionate to the impact of proposed change. In deciding this asking simple questions “Who might be affected by this decision?” “Which protected characteristics might be affected?” and “How might they be affected?” will help you consider the extent to which you already have evidence, information and data, and where there are gaps that you will need to explore. Ensure the source and date of any existing data is referenced.

You must consider both obvious and any less obvious impacts. Engaging with people with the protected characteristics will help you to identify less obvious impacts as these groups share their perspectives with you.

A given proposal may have a positive impact on one or more protected characteristics and have an adverse impact on others. You must capture these differences in this form to help decision makers to arrive at a view as to where the balance of advantage or disadvantage lies. If an adverse impact is unavoidable then it must be clearly justified and recorded as such, with an explanation as to why no steps can be taken to avoid the impact. Consequences must be included.

Proposals for more than one option If more than one option is being proposed you must ensure that the Equality Impact Analysis covers all options. Depending on the circumstances, it may be more appropriate to complete an Equality Impact Analysis for each option.

The information you provide in this form must be sufficient to allow the decision maker to fulfil their role as above. You must include the latest version of the Equality Impact Analysis with the report to the decision maker. Please be aware that the information in this form must be able to stand up to legal challenge.

Background Information

Title of the policy / project / service being considered	Increase in the council tax for financial year 2018/19	Person / people completing analysis	David C Forbes – County Finance Officer
Service Area	All Council Services	Lead Officer	Pete Moore – Director of Finance & Public Protection
Who is the decision maker?	Full Council	How was the Equality Impact Analysis undertaken?	Desktop Exercise
Date of meeting when decision will be made	23/02/2018	Version control	1.0
Is this proposed change to an existing policy/service/project or is it new?	Existing policy/service/project	LCC directly delivered, commissioned, re-commissioned or de-commissioned?	Directly delivered
Describe the proposed change	<p>Each February the County Council sets a budget for the forthcoming financial year part of which includes a decision on the amount of Council Tax to be levied in that year. For 4 of the past 7 years the decision taken has been to freeze the level of Council tax and to accept a time-limited grant from Government for so doing. However, the level of that grant has now fallen and it is to cease by the end of the decade. Increasing service pressures and costs means the Council needs to establish a more robust and sustainable income base going forward.</p> <p>The council tax system requires each billing authority (i.e. district council) to establish and maintain a local council tax support scheme which is a means tested system to allow those on low income to gain financial support to meet their council tax bill either in part or in full. Schemes vary within the county but some schemes positively favour certain classes of council tax payers with protected characteristics (e.g. disability). These schemes are themselves the subject of equality impact assessments undertaken by the individual district council concerned. The County Council is consulted each autumn by the Districts on any changes to their council tax support schemes.</p> <p>Over the past 7 years the local council tax has increased by just under 11% whereas general price inflation has been close to 21%.</p>		

Evidencing the impacts

In this section you will explain the difference that proposed changes are likely to make on people with protected characteristics. To help you do this first consider the impacts the proposed changes may have on people without protected characteristics before then considering the impacts the proposed changes may have on people with protected characteristics.

You must evidence here who will benefit and how they will benefit. If there are no benefits that you can identify please state 'No perceived benefit' under the relevant protected characteristic. You can add sub categories under the protected characteristics to make clear the impacts. For example under Age you may have considered the impact on 0-5 year olds or people aged 65 and over, under Race you may have considered Eastern European migrants, under Sex you may have considered specific impacts on men.

Data to support impacts of proposed changes

When considering the equality impact of a decision it is important to know who the people are that will be affected by any change.

Population data and the Joint Strategic Needs Assessment

The Lincolnshire Research Observatory (LRO) holds a range of population data by the protected characteristics. This can help put a decision into context. Visit the LRO website and its population theme page by following this link: <http://www.research-lincs.org.uk> If you cannot find what you are looking for, or need more information, please contact the LRO team. You will also find information about the Joint Strategic Needs Assessment on the LRO website.

Workforce profiles

You can obtain information by many of the protected characteristics for the Council's workforce and comparisons with the labour market on the [Council's website](#). As of 1st April 2015, managers can obtain workforce profile data by the protected characteristics for their specific areas using Agresso.

Positive impacts

The proposed change may have the following positive impacts on persons with protected characteristics – If no positive impact, please state '*no positive impact*'.

Age	Increasing the council tax adds a permanent and sustainable income stream to the funding of the Council. In so doing it thereby assists in limiting what would otherwise be more significant cuts in service provision over the wide range of services provided by the Council. Many of those services provided key support to those with protected characteristics.
Disability	As for Age above.
Gender reassignment	As for Age above.
Marriage and civil partnership	As for Age above.
Pregnancy and maternity	As for Age above.
Race	As for Age above.
Religion or belief	As for Age above.
Sex	As for Age above.
Sexual orientation	As for Age above.

If you have identified positive impacts for other groups not specifically covered by the protected characteristics in the Equality Act 2010 you can include them here if it will help the decision maker to make an informed decision.

The benefits outlined above in terms of limiting wider service reductions apply to all those who use Council services and not just to those with protected characteristics.

Adverse/negative impacts

You must evidence how people with protected characteristics will be adversely impacted and any proposed mitigation to reduce or eliminate adverse impacts. An adverse impact causes disadvantage or exclusion. If such an impact is identified please state how, as far as possible, it is justified; eliminated; minimised or counter balanced by other measures.

If there are no adverse impacts that you can identify please state 'No perceived adverse impact' under the relevant protected characteristic.

Negative impacts of the proposed change and practical steps to mitigate or avoid any adverse consequences on people with protected characteristics are detailed below. If you have not identified any mitigating action to reduce an adverse impact please state 'No mitigating action identified'.

Age	The proposed increase in the council tax of 4.95% will impact on all council tax payers who are responsible for the council tax levied on their property. The level of income of the council tax payer and their ability to afford the increase in the annual charge will be the key issue. To the extent to which those with a protected characteristic are council tax payers then they will be potentially impacted by this change. The existence of a protected characteristic is really a secondary rather than a primary consideration in this case. Clearly if the protected characteristic in question has a direct impact on income generating capacity this will have a more direct effect. As mentioned earlier financial support is available from schemes operated by district councils to assist in meeting council tax bills for low income individuals.
Disability	As for Age above.
Gender reassignment	As for Age above
Marriage and civil partnership	As for Age above
Pregnancy and maternity	As for Age above
Race	As for Age above
Religion or belief	As for Age above
Sex	As for Age above
Sexual orientation	As for Age above

If you have identified negative impacts for other groups not specifically covered by the protected characteristics under the Equality Act 2010 you can include them here if it will help the decision maker to make an informed decision.

The ability to afford the proposed council tax increase applies to all individuals who are responsible for paying a council tax bill.

Stakeholders

Stake holders are people or groups who may be directly affected (primary stakeholders) and indirectly affected (secondary stakeholders)

You must evidence here who you involved in gathering your evidence about benefits, adverse impacts and practical steps to mitigate or avoid any adverse consequences. You must be confident that any engagement was meaningful. The Community engagement team can help you to do this and you can contact them at consultation@lincolnshire.gov.uk

State clearly what (if any) consultation or engagement activity took place by stating who you involved when compiling this EIA under the protected characteristics. Include organisations you invited and organisations who attended, the date(s) they were involved and method of involvement i.e. Equality Impact Analysis workshop/email/telephone conversation/meeting/consultation. State clearly the objectives of the EIA consultation and findings from the EIA consultation under each of the protected characteristics. If you have not covered any of the protected characteristics please state the reasons why they were not consulted/engaged.

Objective(s) of the EIA consultation/engagement activity

The proposed council tax increase is simply one, but an important, proposal in a set of measures to enable the Council to set a balanced budget for 2018/19. The other key aspects are a range of across the board savings totalling £23m and the use of reserves of £1.8m to avoid further service reductions. The Council has undertaken a public engagement/consultation exercise on the budget proposals. This included articles in the County News magazine seeking feedback from the public. There will also be more formal consultation with the Scrutiny Committees of the Council and with key stakeholders such as business, public sector partners and trade unions.

Who was involved in the EIA consultation/engagement activity? Detail any findings identified by the protected characteristic

Age	The details of public and wider consultation/engagement are described above. This is undertaken at the level of the whole suite of budget proposals rather than specific concentration on one aspect such as the proposed council tax increase. The nature of this proposal combined with the mitigation available through local council tax support schemes means there is no particularly differential impact between those exhibiting different protected characteristics.
Disability	As for Age above
Gender reassignment	As for Age above
Marriage and civil partnership	As for Age above
Pregnancy and maternity	As for Age above
Race	As for Age above
Religion or belief	As for Age above
Sex	As for Age above
Sexual orientation	As for Age above
Are you confident that everyone who should have been involved in producing this version of the Equality Impact Analysis has been involved in a meaningful way? The purpose is to make sure you have got the perspective of all the protected characteristics.	Yes The proposal has received extensive publicity and has been undertaken to invite feedback from all key stakeholders. The main mitigation of the impact of the proposal rests in the Council Tax Support Schemes operated by District Councils. These scheme themselves are the subject of equality impact assessments undertaken by the District concerned.
Once the changes have been implemented how will you undertake evaluation of the benefits and how effective the actions to reduce adverse impacts have been?	Feedback is received periodically from the Districts on the take up of the County Tax Support Schemes not least because the County Council funds around 75% of the cost of such schemes.

Further Details

Are you handling personal data?	<p>No</p> <p>If yes, please give details.</p>
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Actions required Include any actions identified in this analysis for on-going monitoring of impacts.	Action	Lead officer	Timescale
	NONE		
Signed off by	David C Forbes	Date	31/01/2018

BUDGET CONSULTATION FEEDBACK

This appendix sets out the feedback from a range of budget consultation events occurring during January 2018. These include:

- Reports and presentations to Scrutiny Committees;
- Public Consultation on budget proposals via the Council's website; and
- Meeting with businesses, trade unions and other public bodies.

These comments have been considered by the Executive in recommending the budget for approval by County Council.

Budget Comments from Scrutiny Committees

Adults and Community Wellbeing Scrutiny Committee – 10 January 2018

The Adults and Community Wellbeing Scrutiny Committee considers regular budget monitoring reports as part of its work programme. On 10 January, the Committee's regular budget monitoring report indicated that Adult Care and Community Wellbeing was anticipating an overall underspend of £0.221m for its outturn projection for 2017/18. This is in the context of a net budget of £216.229m. The Committee also recorded a view that this service was a people based service.

The Committee gave detailed consideration to the budget analysis for each service area within Adult Care and recorded its appreciation to officers for their work in delivering in effect a balanced budget, noting this was now the sixth year in succession in which such an achievement had been made.

The Committee also considered the budget proposals for Adult Care and Community Wellbeing for both 2018/19 and 2019/20, and gave its support to overall net budgets of £219.891m and £226.952m respectively. The Committee recognised that the budget had the potential for considerable demand-led cost pressures, which might be outside the Council's control.

Children and Young People Scrutiny Committee – 19 January 2018

The Children and Young People Scrutiny Committee considered the revenue and capital budget proposals for 2018/19 and 2019/20 for the four commissioning strategies under Children's Services.

The Committee's primary focus was on the Home to School Transport Budget, and in particular the current policy for transport to grammar schools. The Committee was advised that any changes to the Home to School Transport Policy would only impact in the long term, beyond the two year budget under the Committee's consideration. This is because the Council's Home to School Transport Policy needs to be known to enable parents and pupils to make decisions about applications for school places. The Home to School Transport Policy remains on the Committee's work programme.

Reference was also made to the discretionary power of district councils to exempt care leavers from the Council Tax. East Lindsey District Council had already exercised its power in this way and other district councils were encouraged to do so.

The Children and Young People Scrutiny Committee supported the revenue and capital budget proposals for 2018/19 and 2019/20.

Environment and Economy Scrutiny Committee – 16 January 2018

The Environment and Economy Scrutiny Committee considered budget implications for the commissioning strategies Protecting and Sustaining the Environment and Sustaining and Growing Business and the Economy.

The Committee supported the announcement for Lincolnshire to retain 100% of its business rates growth in a government pilot and noted that this has the potential to result in a £14m increase in funding across Lincolnshire County Council, the seven district councils and North Lincolnshire Council.

The Committee highlighted that Sustaining & Growing Business and the Economy whilst a small budget area 'packs a punch' in supporting business growth. The Committee supported a greater focus in this area due to the effects of Brexit, the need to continue to attract external funding and promote continued development of skills and training within Lincolnshire.

The Committee highlighted the budget pressures in relation a waste disposal costs as a key area for review in the coming year to ensure budgets remained effective. This was due, in part, to future concerns in the capacity at the Energy from Waste (EfW) facility and the need to consider alternative markets' following China's waste import ban.

The Committee endorsed the overall proposed revenue and capital budget proposals for 2018/19 and 2019/20 and supported the public consultation process on the potential greater increase in Council Tax.

Highways and Transport Scrutiny Committee – 22 January 2018

The Highways and Transport Scrutiny Committee considered budget implications for the commissioning strategy 'Sustaining and Developing Prosperity through Infrastructure'.

The Committee highlighted support for the current Highways weed spraying single-spray policy to be reviewed and consideration given to increase the number of treatments as part of the budget setting process for 2018/19. The Committee acknowledged current budget limitations but highlighted the relatively small cost (£0.130m) of the service and the identified budget pressure of £0.020m due to the increased delivery costs associated with the single-spray policy. The Committee recommended that this be considered against the risk of potential higher maintenance costs in the future; owing to the impact of increased weed growth could have on structural damage to the Highway.

The Committee noted the referendum threshold for the general Council Tax element would increase for both 2018/19 and 2019/20. The Committee supported increasing Council Tax by an additional 1% to better enable a balanced budget, fund the identified budget pressures and enable an increase in ongoing revenue rather than relying on the use of reserves alone.

The Committee highlighted the success of the Lincoln to Nottingham Rail Service and supported the removal of temporary funding, as from 2018 onwards this service will be funded through a new direct award negotiated between the operator and Department for Transport.

The Committee endorsed the proposed revenue and capital budget proposals for 2018/19 and 2019/20.

Public Protection and Communities Scrutiny Committee – 23 January 2018

The Public Protection and Communities Scrutiny Committee considered budget implications for the commissioning strategies Community Resilience and Assets, Protecting the Public and Heritage Services.

The Committee endorsed the reduction of the use of 'bank' operational staff to support Retained Duty System (RDS) availability given assurances from officers that this would not put communities at increased risk, due to a reported increase in RDS recruitment and overall smarter working practices within the service.

The Committee supported the announcement for Lincolnshire to retain 100% of its business rates growth in a government pilot and noted that this has the potential to result in a £14m increase in funding across Lincolnshire County Council, the seven district councils and North Lincolnshire Council.

The Committee highlighted the need for additional information in relation to the proposed transition for the Heritage service moving towards a self-financing model of delivery. The Committee endorsed the principle of the proposed changes, including a focus on effective management of Heritage assets going forward.

The Committee endorsed the proposed revenue and capital budget proposals for 2018/19 and 2019/20.

Overview and Scrutiny Management Board – 25 January 2018

The Overview and Scrutiny Management Board met on 25 January 2018 and considered a report concerning Council Budget 2018/19. The Committee supported the recommendations contained within the report.

In addition, the Committee has made the following comments;

- A member commented that it made sense to increase Council Tax by the maximum allowed without holding a referendum (4.95%) to protect the level of reserves;
- A member supported a request from the Highways and Transport Scrutiny Committee for the Council to fund an increase in the frequency of weed spraying;
- In answer to concern expressed by a member of the Board about cuts to the grant to the Citizens Advice Bureaux (CAB), officers confirmed that it had been agreed to allocated £0.277m to support the CAB for their core services; and
- A member stressed the importance of keeping reserves healthy to respond to any future cost pressures.
- In answer to concern raised by a member of the Board about the decision to end the graduate programme for new entrants and the Leadership Management Development Programme, the Board was advised that the Council's focus was now on apprenticeships. The Local Authority currently paid an apprenticeship levy and there

were opportunities to claw some of the levy back through approved apprenticeship programmes. These apprenticeships were available at all levels of development, not just school leavers; and

- While it was generally accepted that there was a need to fundamentally review the Council's Information Technology (IT) Strategy, and earmark funds for investment in IT, it was commented by members of the Board that there would be a need in the future to provide a business case and more detail to justify the budget of £3m, highlighted in the report. Members were reminded that a Scrutiny Panel was reviewing the situation and would be reporting back to the Executive later this year.
- Councillor R L Foulkes (Chairman of the Children and Young People Scrutiny Committee) requested clarification of which District Councils had implemented a council tax scheme where District Councils could use their discretionary powers to waive council tax for care leavers up to the age of 21. The Board supported this and officers were asked to confirm which District Councils, if any, had implemented this type of scheme for the 2018/19 financial year.

Public Consultation – Comments received from Members of the Public

We have received a number of responses to the budget proposals consultation from members of the public.

The main points from the responses received are as follows:

- Concern expressed in relation to reduced funding to the Citizens Advice Bureaux.

Consultation Meeting with External Stakeholders Comments

A Budget Consultation meeting was held with external stakeholders on 26 January 2018.

The Leader welcomed everyone to the meeting stating that the purpose of the meeting was to hear the views of non-domestic ratepayers, business groups, Trade Unions and District Councils on the County Council's budget proposals for the next two financial years based on the four year funding deal announced by Government as part of the 2016/17 Local Government Financial Settlement. The results of this consultation would be reported to the Executive on 6 February 2018 and then to the full Council budget meeting on 23 February 2018.

Councillor M A Whittington gave a brief explanation of how the budget would be scrutinised by the Council.

The meeting received a presentation by officers on the budget proposals and issues highlighted on the various headings in the presentation included:

- "The Council's service priorities" – these were 4 years old but still relevant to the Council going forward.
- "Background information on spending" – children's social care was becoming a significant service/cost pressure.
- "Background information on spending" – this highlighted increased outsourcing of Council services in recent years.

- "Background information on spending" – the noticeable reduction in the funding received from the Revenue Support Grant and the expanding Council Tax. Only £20m, of the £106.8m, from Business Rates was generated in Lincolnshire, the remaining coming from Government Top Up.
- "Local Authority Current Spend (England)" – the noticeable reduction in spend on local authority services as a proportion of Gross Domestic Product (GDP).
- "English Local Authority Under/Overspends by Service Area" - the noticeable trend since 2011/12 of local authorities going from underspend to overspend on services.
- "The Four Year Deal" – the trend since 2016/17 of the reduction in the Revenue Support Grant from the Government and the increase in the Top Up Grant (part of the Business Rate allocated to the Council).
- "Current Budget Strategy" – the continuation by the Council to use a blend of savings and the prudent use of reserves to offset cost pressures and reduced government funding.
- "Recent Trends" – demographic changes (increase in the elderly) and pay (increase in the National Living Wage) were cost pressures which the Council could not control. The use of Reserves in each year has been less than originally anticipated.
- "National Funding Gap 2019/20" – all local authorities were affected by a reduction in government income and increased expenditure.
- "Provisional Local Government Grant Settlement" – the settlement was in accordance with what the Council had anticipated. The Council welcomed the maintenance of the level of Rural Services Delivery Grant at the current year level.
- "Revenue Budget Projections for 2018/19 and 2019/20" – much had changed since the Executive meeting in December 2017 with the biggest change being the reduction in the proposed use of Reserves (down from £29.8m to £14.2m) partly due to the tax base growth identified following information received from the District Councils.
- "Revenue Budget – Service Area Impact" – cost pressures driven by increases in the number of elderly and the National Living Wage. There were cost implications of outsourced contracts whose charges would be required to be uplifted by the National Living Wage increase; an increase in the cost of Children Looked After because of changes in legislation and the implications of an increase in pay inflation due to a 2% increase being offered in the next pay round.
- "Net Addition to Reserves by English Local Authority type" – it was noticeable in the period from 2011/12 to 2014/15 local authorities were adding to reserves but since 2015/16 local authorities were drawing down reserves to pay for the delivery of Adult Social Care.
- Capital Programme – it was noted that the £11m for the Boston Barrier was now for schemes related to the Barrier.
- Business Rate Localisation Pilot Bid – it was noted that the 75% localisation was now proposed by Government but pilots will remain at the 100% localisation level; the Council's share of the expected £14m from the localisation of the business rate was

estimated at £4.3m. It was required that the Council would allocate half of this to children services and half to advanced highway design as indicated in its bid. The business rate pilot was a one year project.

Comments and responses, included:

- The opportunities to borrow money in a period of low interest rates. Officers explained the Council's borrowing strategy and the cost effective method of borrowing money through the Public Loans Board. Examples were provided of the Council's current capital programme.
- Why was the budget increasing for Children Looked After? Officers stated that expenditure on Children Looked After was due, in part, to changes in legislation (the age which these children had to be looked after had increased from 18 years to 25 years) and society was demanding higher standards of care.
- Was it planned to replenish the Reserves at some stage? The meeting was informed that the Government's Bellwin scheme was there to cover costs arising from major emergencies. The Council would wish to rebuild its reserves in future should circumstances permit.
- Which local authority had the highest and lowest Council Tax? Northamptonshire County Council had the lowest Council Tax but was experiencing budget problems. The highest Council Tax shire area is Nottinghamshire.
- There were issues of asset stripping by Academies. The meeting was informed that this was an issue for all local authorities with education responsibilities as they had responsibility for managing the debts of those schools which had become academies.
- What was the projection for the increase in debt for the Council? The Council's debt was well managed and within the guidelines and the Council received Government grants to offset the need to borrow in many key service areas.
- The meeting was informed of the Council's budget situation following the liquidation of Carillion. The main impact was on the construction of the Lincoln Eastern Bypass but a new contractor had been appointed in the short term to undertake the work carried out by Carillion.
- The meeting was informed that the Council borrowed for capital schemes, e.g. the Energy from Waste project, instead of PFI contracts and this had been the Council's preferred method as it allowed more flexibility.
- The meeting was informed that in the past the Council had outsourced many of its services with substantial savings. However, savings from outsourcing were not now as much as they had been and the Council was bringing some services back in house.
- The impact of Brexit on businesses because of the reduction in immigration. Officers stated that Brexit was unlikely to affect the number of immigrants or the level of the Council Tax and that the fall in the value of the pound was likely to have a more detrimental effect on immigration.
- Was business likely to have more involvement in the budgetary process especially in view of the changes to the Business Rate? The meeting was informed that businesses

would likely be more involved in this process if the new pilot project was implemented permanently.

- The meeting was informed that the Council had got sufficient reserves for three years and the proposed budget allowed the Council to prudently plan ahead.
- The meeting was informed that the Government was consulting local authorities on a fairer funding regime and the Council hoped that by 2020 the financial formula would be amended in its favour. However, if nothing changed then there could be problems in 2020/21 and beyond.
- The meeting was informed that the Better Care Fund had provided crucial additional funding for Adult Social Care.
- What strategy was proposed to achieve economic growth? The meeting was informed that Council's strategy was to grow the local economy in conjunction with the Local Enterprise Partnership (LEP) but it was still behind the growth of the national economy.

Attendees:

Name	Organisation
Richard Wyles (Assistant Director for Finance)	South Kesteven District Council
Shaun McGarry (Commercial & Finance Director)	Calders and Grandidge
Russell Stone	North Kesteven District Council
R J Brearley	RJB Consultants
Councillor M J Hill OBE	Leader of Lincolnshire County Council (LCC)
Councillor M A Whittington	LCC
Councillor A Newton	Leader of the Independent Group, (LCC)
Councillor A Austin	LCC
Steve Galjaard	Lincolnshire Co-op
Matt Corrigan	Lincolnshire Business Improvement Group
Peter Isaac	Oldrids and Downtown
Ken Rustidge	Lincolnshire National Education Union
Councillor B Young	Executive Councillor for Community Safety and People Management, (LCC)
Marc Jones	Police Crime Commissioner
Pete Moore	LCC Finance
David Forbes	LCC Finance
Michelle Grady	LCC Finance
Claire Machej	LCC Finance

FINANCIAL STRATEGY**1 Spending and council tax**

1.1 Resources will be allocated in revenue and capital budgets to support and promote achievement of the Council's Business Plan and statutory responsibilities.

1.2 Total spending and the council tax will be set with regard to:

- the impact on Lincolnshire service users;
- the impact on Lincolnshire council tax payers;
- the impact on the local economy;
- government requirements, in particular likely council tax referendum thresholds or other government constraints; and
- the impact on the County Council of local council tax support schemes set by the District Council's in Lincolnshire.

The Council will aim to keep the level of council tax one of the lowest in the country and remain in the lowest quartile of all English county councils.

1.3 The Council will implement a planned programme of major improvement, efficiency and transformation projects derived directly from key strategies such as the commissioning council model.

The programme will aim to achieve substantial savings to keep the Council's spending within the funding available from government grants and the council tax, and to allow modest development and improvement of priority services where possible.

Savings will be achieved through improved efficiency wherever possible.

The Council will seek to identify and assess appropriate opportunities to engage in partnership/shared services initiatives with other partners in the public, voluntary and private sectors where this will result in tangible efficiency improvements.

1.4 Revenue and capital budgets, typically covering at least three years, will be prepared and set realistically, taking into account the Council's key strategies. However, in setting budget timeframes, close regard will be given to the current programme of comprehensive spending reviews undertaken by the incumbent Government.

2 Financial standing

2.1 The Council will maintain its general reserves within a range of 2.5% to 3.5% of its annual budget requirement.

The Overview and Scrutiny Management Board will consider the adequacy of the Council's reserves each Autumn by reviewing a financial risk assessment of the overall financial standing of the Council.

2.2 A number of earmarked reserves will be maintained where considered prudent to do so. A specific earmarked reserve will be maintained to assist the Council in dealing with the inherent volatility now present in the funding regime for local government.

All Earmarked Reserves will be reviewed on a periodic basis. Any reserves no longer required for their original purpose will be transferred into general balances.

- 2.3 The Council will implement its Risk Management Strategy and keep it under review, including the maintenance and regular review of a Corporate Risk Register.
- 2.4 The Council will annually review and report on its governance arrangements including the system of internal control and address any significant governance issues.
- 2.5 The Audit Committee will monitor the effectiveness of risk management and governance arrangements.
- 2.6 The Council will maintain an internal audit function operating in accordance with the CIPFA Code of Practice.
- 2.7 The Council will operate a combination of internal and external insurance arrangements. The balance between internal and external insurance will be reviewed at each insurance tender, and on each occasion the opportunity will be taken to examine the cost effectiveness of alternative combinations of internal and external insurance. The Council's external insurance needs will be tendered at the end of each Long Term Agreement, which is usually between five and seven years.

3 Financial management standards

- 3.1 Training and information will be provided which is appropriate for the financial skills required of councillors, including treasury management.

A finance seminar for councillors will typically be held each Autumn to brief councillors on the overall financial standing of the Council, the latest developments in local government funding and key issues relating to the upcoming budget setting process.

- 3.2 A comprehensive continual profession development programme covering all the key aspects of financial competencies will be delivered to ensure officers accountable for finance are able to carry out their role effectively.
- 3.3 The County Finance Officer must ensure that appropriate training and development in financial competencies is provided to meet agreed needs.
- 3.4 He/she must also ensure that appropriate, specialist financial expertise is available to provide good quality financial advice to the Council and to manage its financial affairs.
- 3.5 He/she will seek actively to improve financial performance in any poorer performing areas of the Council.

4 Financial decision making

- 4.1 The Executive Director of Finance and Public Protection will provide comments on financial implications, compliance and value for money as necessary for all

decisions to be taken by the Council, Executive or Executive Councillors.

- 4.2 Business cases and option appraisals, in a format agreed by the County Finance Officer, will be completed and agreed before all major revenue and capital projects, developments and change programmes are commenced.

5 Budget management

- 5.1 The Executive and officers discharging executive functions must manage within approved budgets.

- 5.2 Executive Directors and budget holders must:

- Monitor and report financial performance monthly;
- Control expenditure and income within their area against approved budgets; and
- Take any action necessary to avoid exceeding approved budgets.

- 5.3 Executive Members will monitor financial performance on a monthly basis.

The Overview and Scrutiny Management Board and the Executive will:

- Receive detailed periodic reports on performance and spending;
- Seek detailed explanations from executive directors where expenditure is not being managed within approved budgets; and
- Review financial performance at each year end.

- 5.4 The Council's organisational arrangements will reflect the principles of good financial management. They will:

- Promote budget ownership;
- Establish clear responsibility and accountability; and
- Recognise budget management as an essential part of good management.

6 Budget changes

- 6.1 The Council's Constitution requires that decisions can only be taken in line with the Council's approved budget. Decisions which would be contrary to, or not wholly in accordance with the budget approved by full Council will only be taken by full Council following a recommendation from the Executive, subject to the budget reallocation rules set out at paragraph 6.3 below.

- 6.2 Changes to the budget which increase the Council's total expenditure and require either the use of the Council's general reserves or increased borrowing must be referred by the County Finance Officer to the Executive for consideration before being referred to the full Council for approval.

- 6.3 Subject to the above, budgets can be reallocated between service headings as follows:

- Reallocations of up to £250k may be approved by the relevant Executive Director and should be notified to the Executive Director Finance and Public

Protection;

- Reallocations of between £250k and £500k may be approved by the relevant Executive Councillor/s in consultation with the County Finance Officer and the relevant Executive Directors; and
- Reallocations over £500k will be considered by the Executive and must be approved by the full Council.

Budget reallocations within service headings will be made in line with Directorate Schemes of Authorisation.

7 Carry forward of over and under spendings

- 7.1 All under and overspendings on service revenue budgets of up to 1% will be carried forward without exception.

The use of all underspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

- 7.2 All under and overspendings on the following budgets will be carried forward without exception:

- All capital budgets;
- Dedicated Schools Budgets;
- All specific grants; and
- Revenue budgets relating to formally constituted shared services will be carried forward reflecting the joint ownership of such funds.

Earmarked Reserves will be maintained for areas where expenditure is uneven in its nature (for example: insurance and Adverse Weather). Each year any under spendings on these revenue budgets will be transferred into the reserve, and any over spendings funded from the reserve, up to the maximum available in the reserve.

8 Expenditure

- 8.1 The Council will acquire goods and services to achieve best value in accordance with Procurement Lincolnshire's Sustainable Procurement Strategy in order to:

- Deliver year on year efficiencies but not at the cost of quality; and
- Develop and embrace socially responsible procurement that delivers value for money, promotes the local economy, and takes into account the social and environmental impact of spending decisions.

- 8.2 Undisputed invoices will be paid in line with either contracted terms or within 30 days on a reasonable endeavours basis.

The Council will seek actively to resolve disputed invoices.

- 8.3 Procurement and payment processes will utilise available technology where appropriate including e-procurement and the use of procurement cards.

9 Income

- 9.1 The Council will review its policies on fees and charges for discretionary services bearing in mind the impact on both service users and council tax payers.

- 9.2 The Council will aim to collect all the income owed to it, to collect it promptly, and to take effective action to pursue non-payment, taking into account the circumstances of the individual debtor.

- 9.3 Income collection processes will utilise available technology where appropriate including the use of the on-line payments and credit cards.

- 9.4 The Council will not seek to use the discretionary power to set a Supplementary Business Rate unless there is general support from Lincolnshire businesses.

10 External funding and partnerships

- 10.1 The Council will work with partners and national bodies to ensure that Lincolnshire receives appropriate levels of government grant.

- 10.2 The Council will consider annually as part of the budget setting process the merits and risks associated with pooling business rates with all or some of the Lincolnshire District Councils.

- 10.3 The Council will consider annually as part of the budget setting process the merits and risks associated with pooling resources with Clinical Commissioning Groups or other regional health bodies in relation to the potential integration of services.

- 10.4 In deciding whether or not to make a bid for external funding or enter into a pooled funding arrangements Directors, Executive Councillors or the Executive must ensure that:

- The project or fund contributes to the Council's corporate objectives;
- Matched funding is available within existing budgets;
- Partner contributions are confirmed;
- Risks are assessed and minimized including:
 - Where funding is linked to the achievement of specific outcomes or

- identified performance measures.
- Where success relies on others.
- The Council has the capacity to deliver the outcomes and timescales required; and
- There is a clear exit strategy where external funding is for a limited period.

And must consider:

- The probability of success in obtaining funding, particularly in relation to the resource costs of preparing bids;
- Co-ordination of bids and initiatives within the Council and with partners; and
- Whether the project represents value for money.

10.5 Approval for external funding bids should be sought from:

- the appropriate Executive councillor or the Executive – for projects costing more than £250,000;
- officers authorised to bid for external funding under directorate Schemes of Authorisation – for projects costing less than £250,000.

10.6 The County Finance Officer must ensure that:

- Costs, benefits and risks are assessed fully before partnership agreements are made;
- Governance, accountability and reporting arrangements are appropriate and clear; and
- Financial arrangements are appropriate and safeguard the Council's interests.

11 Funding the capital programme

11.1 The Council will actively dispose of surplus assets where appropriate in order to reinvest in capital assets.

11.2 Capital spending will be funded largely through long-term borrowing in accordance with government policy.

Consideration will be given as part of developing the annual treasury management strategy to the use of the Council's existing cash resources to delay the need to undertake external borrowing, known as internal borrowing.

11.3 Annual provision will be made for the repayment of long term borrowing. The amount repaid will be related directly to the useful life of the assets acquired through borrowing so that debt is not outstanding after an asset's useful life.

11.4 Provision for the repayment of long term borrowing including interest will not exceed a long term limit of 10% of annual income from general government grants, and council tax.

12 Accounting and financial processes

- 12.1 Strong financial controls will be maintained with the County Finance Officer responsible for determining or agreeing all financial processes, systems and financial records used by the Council.
- 12.2 Accounting policies will comply fully with International Financial Reporting Standards and statutory regulations as set out in the CIPFA Code of Practice on Local Authority Accounting in the UK. The annual statement of accounts will give a true and fair view of the financial position and transactions of the Council in the opinion of its external auditor.

13 Treasury management

- 13.1 The Council will comply at all times with the CIPFA Code of Practice on Treasury Management and related locally determined statements, strategies and practices.

The Council will provide a treasury management service to its Pension Fund.

- 13.2 The Council will employ external treasury management advisors and will outline the service received and the arrangements in place with the advisors within the Annual Treasury Management Strategy. The overall responsibility for risk management and control of the treasury operation rests with the Council.
- 13.3 The committee responsible for the scrutiny of the treasury management function is the Overview and Scrutiny Management Board, which will receive the Treasury Management Strategy and Annual Report on an annual basis and also quarterly monitoring reports throughout the year that will compare activity against approved strategy. Quarterly monitoring reports will also be made to the Pensions Committee in respect of the management of its cash resources.

Members and officers will receive appropriate training to assist them in discharging their roles regarding treasury management.

- 13.4 The Council will finance long term debt relating to capital expenditure at periods and interest rate levels that minimise the cost to the Council. The total level of long term debt will be managed within prudential levels pre-determined by the Council. The maturity profile of long term debt will also be managed with the aim of achieving an even maturity structure.
- 13.5 The Council will actively pursue debt rescheduling to the extent that it will generate financial savings without adding significantly to the overall debt burden.
- 13.6 The Council will operate a lending strategy in line with best professional practice that seeks to minimise the risk of capital loss while maximizing the income return to the Council. Priority will be given to security and liquidity over return within the lending strategy at all times.
- 13.7 When making investments, the Council will make use of a wide range of information, including credit ratings, financial press, market data and other relevant information, when determining an appropriate counterparty creditworthiness policy. Limits which diversify investments over country, sector and counterparty group will be applied.

14 Performance measures and targets

- 14.1 Implementation of the Financial Strategy will be monitored and managed with reference to the measures of financial health and performance set out in the **APPENDIX F**.
- 14.2 The Financial Strategy will be reviewed at least every four years at the start of each new Council or when circumstances suggest an earlier review would be advisable.
- 14.3 Further details and guidance can be found in the Council's Financial Procedures.

KEY FINANCIAL PERFORMANCE MEASURE: FINANCIAL HEALTH AND PERFORMANCE

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 27 county councils).	Yes	Yes	Yes
2	Government grants	Lobby for annual increases in general government grants to be above the county average.	Yes	Yes	Yes
3	Capital receipts	At least £8.0m per annum from 2017/18.	£6.357m	£8.000m	£8.000m
4	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	5.33%	5.62%	6.65%
5	Accounting	Unqualified external audit opinion.	Yes	Yes	Yes
6	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requirement net of Dedicated Schools Grant.	Within range 3.5%	Within range 3.5%	Within range 3.5%
7	Internal control	None of the processes audited receive a "no assurance" opinion from internal audit.	Yes	Yes	Yes
8	Income collection	Overall top quartile performance compared with other counties (100 = top quartile).	85.0	85.0	85.0
9	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days.	Less than 90.0%	Less than 90.0%	Less than 90.0%
10	Treasury management	Risk adjusted return comparison.	Weighted Benchm'k	Weighted Benchm'k	Weighted Benchm'k

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY FOR 2018/19 & 2019/20

Background

The Local Government Finance Settlement for 2016/17 announced additional flexibilities for local authorities to be able to use capital receipts, from the sale of Council assets for revenue transformation projects. Previously these receipts were required to be used to fund new capital assets or to repay debt from the purchase of assets. These new flexibilities currently apply for a three year period from 2016/17 to 2018/19. In December 2017, the government extended this period for a further 3 years to April 2022 in the provisional finance settlement for 2018/19.

To qualify to use capital receipts in this way the Council must prepare, at least annually a Flexible Use of Capital Receipts Strategy (required in Statutory Guidance issued under section 15 of the Local government Act 2003).

The guidance requires the Strategy to:

- Document how the new flexibilities in the use of capital receipts will be used; and
- Show the effect on Prudential Indicators for the period of capital receipt flexibilities.

Flexible Use of Capital Receipts

Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

"Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

TABLE A sets out the Council's current estimated spend on transformation projects to be funded by the use of capital receipts.

TABLE A – Planned Flexible Use of Capital Receipts

	2017/18 £'m	2018/19 £'m	2019/20 £'m
Planned use of capital receipts	8.000	8.000	
Anticipated use of capital receipts			8.000

TABLE B sets out details of the schemes which will be delivered from 2017/18 to 2019/20.

TABLE B – Schemes to be funded using Capital Receipts

Transformational Work	2017/18 Proposed £'m	2018/19 Proposed £'m	2019/20 Proposed £'m	Savings Generated
Service changes and reductions (including redundancies)	2.400	1.500	1.500	The Council tracks the payback period for redundancy costs. It is estimated that for every £1 spent on redundancy costs within a 9 month period the Council saves £1.25.
Collaborating with Other Public Bodies	1.000	1.000	1.000	Savings here relate to shared accommodation and delivering work jointly and in collaboration.
Property rationalisation	1.000	0.500	0.500	Savings here relate to reductions in rent and associated property costs. This programme of work will also contribute to the generation of capital receipts.
Efficiencies through contracting and procurement	1.600	1.600	1.600	Savings here are about reducing contract costs but also keeping future contract costs as low as possible (i.e. ensuring that growth in costs is kept to a minimum).
Transforming information technology	1.800	3.180	3.180	Improvements and efficiencies here may not easily convert directly into a reduction in spending, however, they will increase capacity and allow other savings to be delivered across other areas of the Council.
Preventing and detecting fraud	0.200	0.220	0.220	Again it is difficult to convert this work into a cashable saving, however this work protects the Council's finances.
TOTAL	8.000	8.000	8.000	

This Strategy will be kept under review during the period, which the Council can utilise capital receipts to fund revenue transformation projects. Actual spending will be reported as part of the Council's Financial Performance Report in September each financial year.

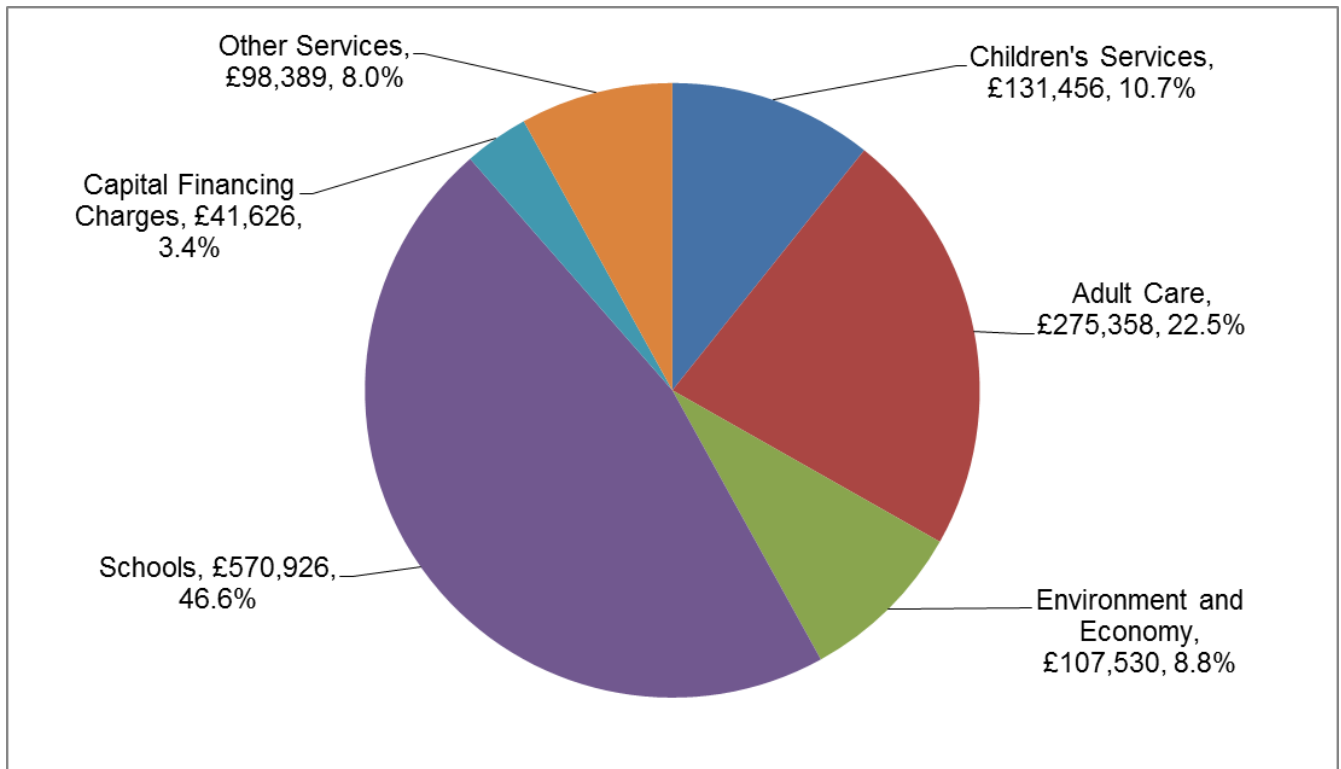
Impact on Prudential Indicators

Up to 1 April 2016 it has been the Council's policy to utilise all capital receipts generated in any financial year to fund the capital programme in that financial year (thus allowing the Council to keep the need for borrowing to a minimum). With the change in policy allowing utilisation of capital receipts to fund revenue spending on transformational projects the Council will stop using all capital receipts to fund the capital programme.

Diverting this money away from the capital programme does have a financial impact for the Council. Details on the Council's Prudential Indicators are set out at **APPENDIX G** to this report. The Prudential Indicators demonstrate that the capital programme and associated financing remain affordable for the County Council.

GRAPHICAL REPRESENTATION OF THE REVENUE BUDGET 2018/19

Gross Expenditure on Services £'000k (£1,225,285k)



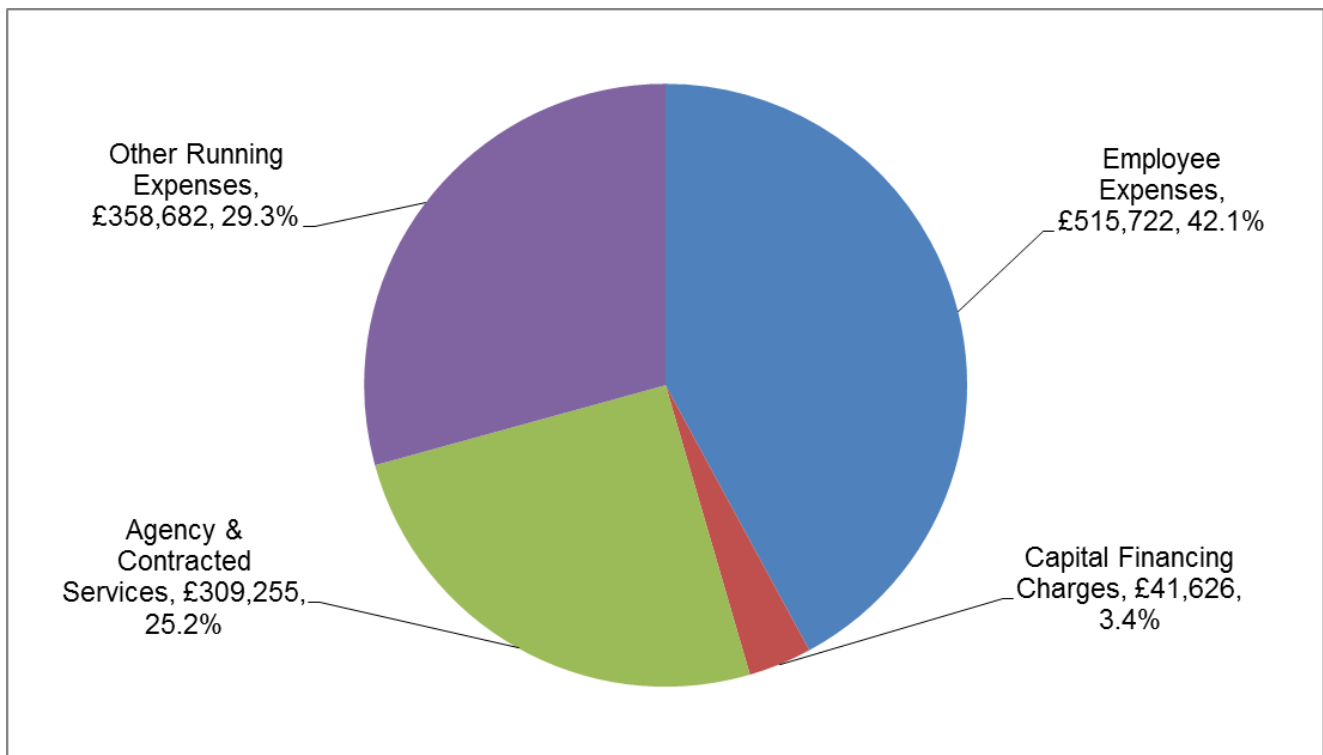
Children's Services includes: Readiness for School, Learn and Achieve, Children are Safe & Healthy and Readiness for Adult Life.

Adult Care Includes: Adult Safeguarding, Adult Frailty, Long Term Conditions and Physical Disability, Carers, Adult Specialities and Wellbeing.

Environment and Economy includes: Sustaining & Developing Prosperity Through Infrastructure, Protecting & Sustaining the Environment, Sustaining & Growing Business & the Economy and Community Assets and Resilience.

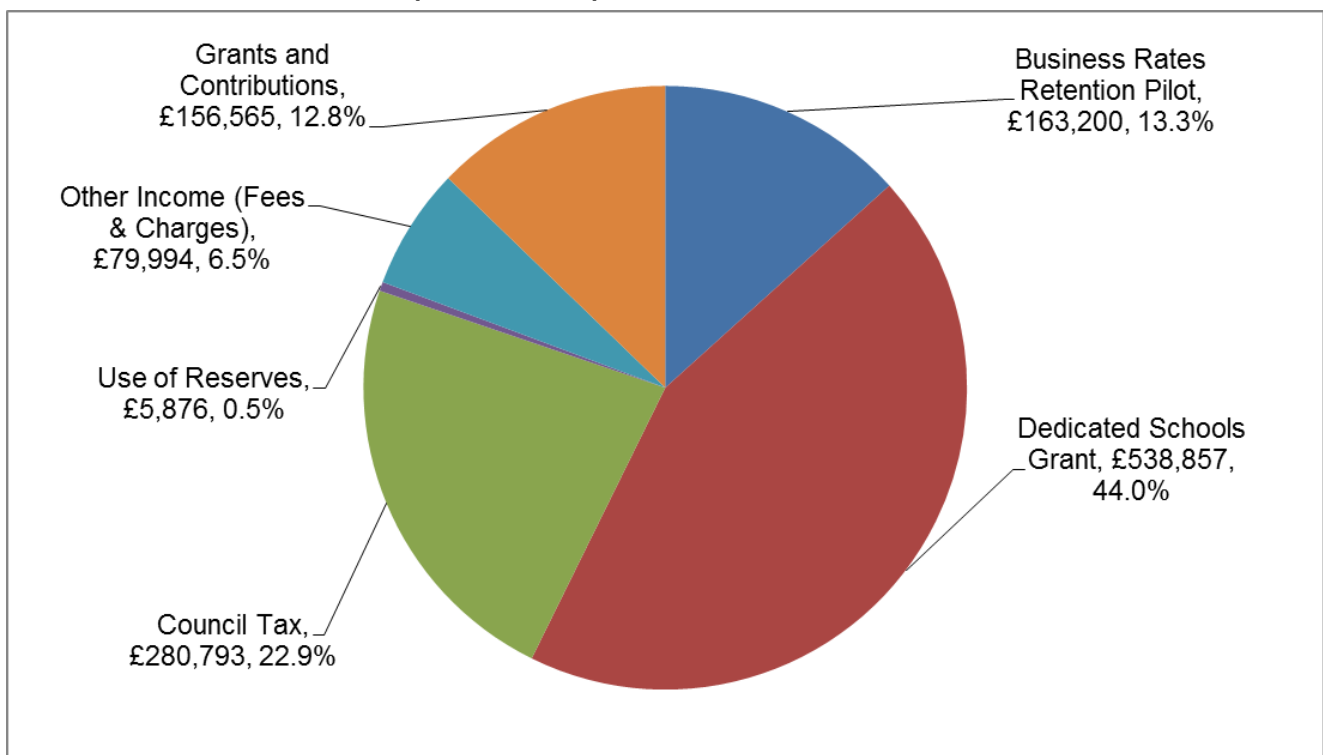
Other Services includes: Protecting the Public, How We Do Our Business and Enablers & Support to Council's Outcomes, Contingency and Other Budgets.

Gross Expenditure Subjective Analysis £'000k (£1,225,285k)



The distribution of budgets differs significantly between different services. For example employee expenses comprise 61% of budgeted expenditure in schools, for other (non-schools) budgets it is only 26% of budgeted expenditure.

Sources of Finance £'000k (£1,225,285k)



In 2018/19 Business Rates Retention Pilot includes: Revenue Support Grant and the Rural Service Delivery Grants, in addition to Business Rates income.

Dedicated Schools Grant. Lincolnshire has been awarded £538.857m, which is for all schools in Lincolnshire including local authority schools and Academies. Approximately half of all pupils attend academy schools. Therefore, it is expected that this figure will be revised down by half for

funding to academy schools. DSG is a ring-fenced grant that is passed directly through to schools.

REVENUE GOVERNMENT GRANTS 2018/19

The revenue budget for 2018/19 includes the following Government Grants which have been allocated to the County Council:

	£'000
Council's Non-Specific Grants	
Adult Social Care Support Grant	2,105
New Homes Bonus Grant	2,342
SEND Implementation Local Allocation	259
Extended Rights to Free Travel	639
Inshore Fisheries Conservation Authorities	128
Independent Living Fund	1,644
Lead Local Flood Authorities Grant	118
Schools Budgets	
Dedicated Schools Grant (ring-fenced) (*1)	538,857
Pupil Premium (*2)	30,601
PE and Sport Grant	3,547
Private Finance Initiative Grant	1,158
Service Budgets	
Public Health Grant (ring-fenced)	32,662
Better Care Fund - Improved Element	14,249
Better Care Fund - Supplementary Improved Element	15,266
Total Revenue Grants	643,575

(*1) Dedicated Schools Grant. Lincolnshire has been awarded £538.857m, which is for all schools in Lincolnshire including local authority schools and Academies. Approximately half of all pupils attend academy schools, therefore it is expected that this figure will be revised down by half for funding to academy schools. DGS is a ring-fenced grant that is passed directly through to schools.

(*2) Pupil Premium. Similarly to the DSG, the pupil premium allocation for Lincolnshire covers both the allocations for local authority schools and academy schools. The figure for 2018/19 (£30.601m) is currently an estimate, based on the grant expected to be received in 2017/18, as there have been no changes to grant allocation methodology. The final allocation for 2018/19 is not expected to be announced until later in 2018.

REVENUE BUDGET COST PRESSURES AND SAVINGS BY COMMISSIONING STRATEGY

	2018/19 Cost Pressures (*1) £'000	2018/19 Savings £'000	2019/20 Cost Pressures (*1) £'000	2019/20 Savings £'000
Readiness for School	12	-196	12	0
Learn & Achieve	820	-273	834	0
Readiness for Adult Life	1,687	0	46	0
Children are Safe & Healthy	2,884	-200	1,496	0
Adult Safeguarding	22	0	1,022	-1,000
Adult Frailty, Long Term Conditions & Physical Disability	6,773	-6,471	6,532	-5,007
Carers	575	-415	0	-75
Adult Specialities	4,043	-647	5,405	-2,656
Wellbeing	21	0	22	-181
Community Resilience & Assets	86	0	55	0
Sustaining & Developing Prosperity Through Infrastructure	3,920	-186	484	-4,319
Protecting & Sustaining the Environment	310	-518	313	-41
Sustaining & Growing Business & the Ec	17	0	17	0
Protecting the Public	594	-114	286	-100
How We Do Our Business	66	-1,263	66	0
Enablers & Support to Council Outcomes	5,519	-842	709	-15
Total Commissioning Strategy Budgets	27,349	-11,125	17,299	-13,394
Other Budgets	2,839	-12,050	8,015	-500
Total Expenditure	30,188	-23,175	25,314	-13,894

(*1) Please note that cost pressures also include inflation.

CHANGES IN BUDGET BETWEEN FINANCIAL YEARS

	Impact on budget		Impact on budget	
	£'000	%	£'000	%
COST PRESSURES:				
Pay Inflation	1,684	0.37%	1,384	0.31%
Learn and Achieve	736	0.16%	749	0.17%
Readiness for Adult Life				
Supported Accommodation for homeless young people over 16 years	1,641	0.36%	0	0.00%
Children are Safe & Healthy				
Increasing trends for Looked after Children, Special Guardianship Orders & Out of County Placements	2,585	0.57%	1,194	0.26%
Adult Safeguarding				
Termination Deprivation of Liberty Safeguards Funding	0	0.00%	1,000	0.22%
Adult Safeguarding - Other Cost Pressures	6	0.00%	6	0.00%
Adult Frailty, Long Term Conditions and Physical Disability				
Demographic Growth and National Living Wage Cost Pressures	6,503	1.44%	6,329	1.40%
Adult Frailty, Long Term Conditions and Physical Disability - Other Cost Pressures	136	0.03%	68	0.02%
Carers	575	0.13%	0	0.00%
Adult Specialities				
Demographic Growth and National Living Wage Cost Pressures	3,141	0.70%	2,922	0.65%
Additional Pressures from Waking Nights legislation	0	0.00%	1,000	0.22%
Adult Specialities - Other Cost Pressures	853	0.19%	1,432	0.32%
Community Resilience & Assets	73	0.02%	42	0.01%
Sustaining & Developing Prosperity Through Infrastructure				
Additional funding to Improve Road Conditions	3,300	0.73%	312	0.07%
Sustaining & Developing Prosperity Through Infrastructure- Other Cost Pressures	450	0.10%	0	0.00%
Protecting & Sustaining The Environment	277	0.06%	279	0.06%
Protecting the Public	85	0.02%	89	0.02%
Enablers & Support to Council Outcomes				
IMT - additional revenue cost to improve IMT support to the Council's services	3,000	0.66%	0	0.00%
IMT - increase costs from Open Text and other licences	1,388	0.31%	0	0.00%
Pressures	917	0.20%	493	0.11%
Other Budgets				
Pay Negotiations and National Pay Spine	1,200	0.27%	600	0.13%
Capital Financing Charges	1,402	0.31%	6,342	1.41%
Employers Pension Contribution Increase	0	0.00%	1,007	0.22%
Other Budgets - Other Cost Pressures	236	0.05%	66	0.01%
TOTAL COST PRESSURES:	30,188	6.69%	25,314	5.61%
SAVINGS:				
	£'000	%	£'000	%
Readiness for School	-196	-0.04%	0	0.00%
Learn and Achieve	-273	-0.06%	0	0.00%
Readiness for Adult Life	0	0.00%	0	0.00%
Children are Safe & Healthy	-200	-0.04%	0	0.00%
Adult Safeguarding				
Removal of Deprivation of Liberties Funding	0	0.00%	-1,000	-0.22%

SAVINGS:	£'000	%	£'000	%
Adult Frailty, Long Term Conditions and Physical Disability				
Removal of one off funding for Delayed Transfer of Care	-3,226	-0.71%	0	0.00%
Reduction to one off funding for Mosaic & Information Systems	-1,500	-0.33%	-1,000	-0.22%
Removal of one off funding for Market Stabilisation	0	0.00%	-1,000	-0.22%
Adult frailty, Long Term Conditions and Physical Disability - Other Savings	-1,745	-0.39%	-3,007	-0.67%
Carers	-415	-0.09%	-75	-0.02%
Adult Specialities				
Removal of funding for Waking Nights, based on the assumption that legislation will change	0	0.00%	-1,500	-0.33%
Adult Specialities - Other Savings	-647	-0.14%	-1,156	-0.26%
Wellbeing	0	0.00%	-181	-0.04%
Community Resilience & Assets	0	0.00%	0	0.00%
Sustaining & Developing Prosperity Through Infrastructure	-186	-0.04%	-1,019	-0.23%
Removal of one-off additional funding for Road Improvements	0	0.00%	-3,300	-0.73%
Protecting & Sustaining The Environment	-518	-0.11%	-41	-0.01%
Protecting the Public	-114	-0.03%	-100	-0.02%
How We Do Our Business				
Removal of funding for May 2017 County Council Elections	-1,100	-0.24%	0	0.00%
How We Do Our Business - Other Savings	-163	-0.04%	0	0.00%
Enablers and Support to Council Outcomes	-842	-0.19%	-15	0.00%
Other Budgets				
National Living Wage	-8,240	-1.83%	0	0.00%
Employers Pension Contribution Decrease	-2,054	-0.46%	0	0.00%
Other Budgets - Other Savings	-1,756	-0.39%	-500	-0.11%
TOTAL SAVINGS:	-23,175	-5.14%	-13,894	-3.08%
Other Movements:	£'000	%	£'000	%
Use of Earmarked Reserve (change over previous year)	12,794	2.84%	-28,922	-6.41%
Release of Funding from the General Fund Balance (change over previous year)	-700	-0.16%	1,000	0.22%
Other Movements (PH Grant & BCF Grant)	-4,684	-1.04%	-5,437	-1.20%
TOTAL OTHER MOVEMENTS:	7,410	1.64%	-33,359	-7.39%
TOTAL CHANGE IN BUDGET REQUIREMENT:	14,423	3.20%	-21,939	-4.86%
General Funding:	£'000	%	£'000	%
Business Rates Retention Pilot (2018/19)	163,200	36.17%	-163,200	-36.17%
Business Rates Local Retention	-106,961	-23.70%	109,598	24.29%
Revenue Support Grant	-48,292	-10.70%	20,139	4.46%
Increase in other council general grants	15	0.00%	5,572	1.23%
Reduction in other council general grants	-9,464	-2.10%	-2,393	-0.53%
Increase in Council Tax Base and Council Tax Collection Fund Surplus	15,925	3.53%	8,345	1.85%
TOTAL CHANGE IN GENERAL GRANT AND COUNCIL TAX INCOME:	14,423	3.20%	-21,939	-4.86%

EARMARKED RESERVES

	Actual Balance as at 31 March 2017 £'000	Planned Use / Contribution in 2017/18 £'000	Estimated Balance as at 31 March 2018 £'000	Planned Use / Contribution in 2018/19 £'000	Estimated Balance as at 31 March 2019 £'000	Planned Use / Contribution in 2019/20 £'000	Estimated Balance as at 31 March 2020 £'000
Balances from dedicated schools budget including those held by Schools under a scheme of delegation	24,395	-8,062	16,333		16,333		16,333
Other Earmarked Reserves							
Other Services	3,144	-3,144	0		0		0
Adverse Weather	500	0	500		500		500
Insurances	4,487	0	4,487		4,487		4,487
Schools Sickness Insurance Scheme	1,103	0	1,103		1,103		1,103
Museum Exhibits	133	0	133		133		133
Development - Economic Development Reserve	268	0	268		268		268
Health and Wellbeing	914	-96	818		818		818
Health and Wellbeing Operating Cost Reserve	0	96	96		96		96
Development - Lincs Coastal Country Park	357	0	357		357		357
Legal	1,651	-730	921		921		921
Procurement	959	0	959		959		959
Salix Carbon Management	233	-78	155		155		155
Safer Communities Development Fund	833	0	833		833		833
Co-Responders Services	150	0	150		150		150
Financial Volatility Reserve - Budget Shortfall	17,870	-12,794	5,076	21,422	26,498	-26,498	0
Financial Volatility Reserve	32,339	16,126	48,465	-23,498	24,967	3,000	27,967
Teal Park	50	0	50		50		50
Youth Service Positive Activities Development Fund	20	0	20		20		20
Corby Glen/South Lincolnshire Sports Fund	171	0	171		171		171
Youth Offending Service	512	0	512		512		512
Domestic Homicide Reviews	100	0	100		100		100
Civil Parking Enforcement	910	0	910		910		910
Support Service Contract Reserve (FDSS)	800	0	800		800		800
Roads Maintenance Reserve	2	0	2		2		2
Adoption Reform Reserve	35	0	35		35		35
Community Advisors Reserve	156	0	156		156		156
Local Welfare Provision Reserve	15	0	15		15		15
Property Management	130	0	130		130		130
Energy from Waste Lifecycles	3,669	0	3,669		3,669		3,669
Broadband Project	135	0	135		135		135
Broadband Clawback	157	0	157		157		157
Flood and Water Risk Management	527	-105	422		422		422
Young People in Lincolnshire	226	78	304		304		304
Lincoln Eastern Bypass (LEB)	500	0	500		500		500
Families Working Together	599	0	599		599		599
Enterprise Schemes	108	0	108		108		108
Asbestos Pressure	50	0	50		50		50
DAAT Pooled Budget	248	0	248		248		248
Street Lighting Earmarked Reserve	100	0	100		100		100
Heritage Services Earmarked Reserve	880	0	880		880		880
Homcastle Salt Barn	495	-495	0		0		0
Corporate Property Business Case	100	0	100		100		100
Agresso Milestone 6 Finance Staffing	100	0	100		100		100
Contract Development	1,000	0	1,000		1,000		1,000
Highways Advanced Design	2,000	0	2,000		2,000		2,000
Environmental Improvement and Sustainability	5,000	0	5,000		5,000		5,000
Music Service Reserve (carry forward)	0	234	234		234		234
Other Earmarked Reserves	83,736	-908	82,828	-2,076	80,752	-23,498	57,254
Revenue Grants and Contributions Unapplied	50,698	-10,919	39,779	0	39,779	-7,500	32,279
Total Earmarked Reserves	158,829	-19,889	138,940	-2,076	136,864	-30,998	105,866

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATORS		2016-17 Actual	2017-18 Original Estimate	2017-18 Updated Estimate	2018-19 Estimate	2019-20 Forecast	2020-21 Forecast
Prudence Indicators:							
1) Capital Expenditure & Financing							
The Council will set for the forthcoming year and the following two financial years estimates of its capital expenditure plans and financing:							
Capital Expenditure	£m	103.088	138.291	141.870	158.689	106.314	49.162
Capital Financing							
Borrowing	£m	15.774	48.844	36.548	84.076	76.675	20.124
Grants & Contributions	£m	84.309	88.847	102.031	74.012	29.038	29.038
Capital Receipts, Reserves & Revenue	£m	3.005	0.600	3.291	0.600	0.600	0.000
Total Capital Financing	£m	103.088	138.291	141.870	158.689	106.314	49.162
2) Capital Financing Requirement							
The Council will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years:							
Opening CFR	£m	559.558	592.440	557.773	576.535	640.034	692.193
Add Additional Borrowing	£m	15.774	48.844	36.548	84.076	76.675	20.124
Add Additional Credit Liabilities (PFI & Finance Leases)	£m	0.000	0.040	0.040	0.000	0.000	0.000
Less Revenue Provision for Debt Repayment (MRP)	£m	17.560	19.475	17.826	20.578	24.516	27.087
Capital Financing Requirement	£m	557.773	621.849	576.535	640.034	692.193	685.231
3) Gross Borrowing and the Capital Financing Requirement							
The Council will ensure that gross long term borrowing does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional capital financial requirement for the current and next two financial years. This is to ensure that over the medium term borrowing will only be for a capital purpose.							
Medium Term Forecast of Capital Financing Requirement	£m	640.034	666.599	692.193	685.231	659.390	637.385
Forecast of Long Term External Borrowing and Credit Arrangements	£m	478.195	508.057	462.832	526.898	579.656	573.353
Headroom	£m	161.839	158.542	229.361	158.333	79.734	64.032
4) External Debt							
The Council will set for the forthcoming year and the following two financial years an authorised limit and operational boundary for its total gross external debt, gross of investments, separately identifying borrowing from other long term liabilities:							
Authorised Limit for External Debt							
Borrowing	£m	555.958	583.007	569.390	651.751	669.217	658.200
Other Long Term Liabilities	£m	14.193	13.701	13.613	12.984	12.238	11.473
Total Authorised Limit	£m	570.151	596.708	583.003	664.735	681.455	669.673
Operational Boundary for External Debt							
Borrowing	£m	531.958	559.007	554.390	636.751	654.217	643.200
Other Long Term Liabilities	£m	12.193	11.701	11.613	10.984	10.238	9.473
Total Operational Boundary	£m	544.151	570.708	566.003	647.735	664.455	652.673
Affordability Indicators:							
5) Financing Costs & Net Revenue Stream							
The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream (NRS), including dedicated schools grant (DSG). The Council will also set the following voluntary indicator limit: minimum revenue provision and interest not to exceed 10% of net revenue stream (NRS) including dedicated schools grant (DSG).							
Proportion of Financing Costs to NRS (Incl DSG)	%	5.20%	5.28%	5.33%	5.62%	6.65%	7.00%
Proportion of MRP & Interest Costs to NRS (Incl DSG) -Limit 10% (Voluntary Indicator)	%	5.29%	5.35%	5.34%	5.72%	6.82%	7.26%

PRUDENTIAL INDICATORS		2016-17 Actual	2017-18 Original Estimate	2017-18 Updated Estimate	2018-19 Estimate	2019-20 Forecast	2020-21 Forecast
Treasury Indicators							
6) Interest Rate Exposures (Variable)							
The Council will set for the forthcoming year and the following two financial years, an upper limits to its exposure to effects of changes in interest rates on variable rate borrowing and investments. (Voluntary Indicator).							
Upper limit for variable interest rate exposures							
Net principal exposure (Borrowing less Investments)	£m	-45.122	205.569	205.569	205.569	205.569	205.569
Borrowing	%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Investments	%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
7) Total Principal Sums Invested							
The Council will set an upper limit for each forward year period for the maturing of investments longer than 365 days.							
Upper limit for total principal sums invested for over 365 days (per maturity date)							
	£m	5.214	40.000	40.000	40.000	40.000	40.000
8) Maturity Structure of borrowing							
The Council will set for the forthcoming financial year and the following two years both upper and lower limits with respect to the maturity structure of its borrowing: (Fixed & Variable Rate Borrowing).							
Upper limit							
Under 12 months	%	3.20%	25.00%	25.00%	25.00%	25.00%	25.00%
12 months and within 24 months	%	7.50%	25.00%	25.00%	25.00%	25.00%	25.00%
24 months and within 5 years	%	10.50%	50.00%	50.00%	50.00%	50.00%	50.00%
5 years and within 10 years	%	10.50%	75.00%	75.00%	75.00%	75.00%	75.00%
10 years and above	%	68.30%	100.00%	100.00%	100.00%	100.00%	100.00%
Lower limit							
All maturity periods	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9) Borrowing in Advance of Need							
The Council will set for the forthcoming financial year and the following two years upper limits to any borrowing undertaken in advance of need.							
Borrowing in advance of need limited to percentage of the expected increase in CFR over 3 year budget period	%	0.00%	25.00%	25.00%	25.00%	25.00%	25.00%
(Voluntary Indicator)	£m	0.000	11.188	28.915	11.299	-8.201	-11.961

CAPITAL PROGRAMME

	Revised Net Programme	Grants and Contributions	Gross Programme	Revised Net Programme	Grants and Contributions	Gross Programme
	2017/18 £'000	2017/18 £'000	2017/18 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000
Children's Services						
<u>Readiness for School</u>						
Other Readiness for School	136	0	136	0	0	0
Sub Total	136	0	136	0	0	0
<u>Learn and Achieve</u>						
Devolved Capital	0	1,213	1,213	0	1,213	1,213
Provision of School Places (Basic Need)	0	8,914	8,914	0	11,026	11,026
Schools Modernisation / Condition Capital	0	4,867	4,867	0	4,867	4,867
SEND Provision Capital Funding for Pupils with EHC Plans	0	0	0	0	771	771
Academy Projects	1,040	0	1,040	0	0	0
Other Learn and Achieve	454	0	454	1,075	0	1,075
Sub Total	1,494	14,994	16,488	1,075	17,878	18,953
<u>Readiness for Adult Life</u>						
Other Readiness for Adult Life	3	0	3	0	0	0
Sub Total	3	0	3	0	0	0
<u>Children are Safe and Healthy</u>						
Other Children are Safe and Healthy	220	0	220	477	0	477
Sub Total	220	0	220	477	0	477
Adult Care & Community Wellbeing						
<u>Adult Frailty, Long Term Conditions and Physical Disability</u>						
Better Care Fund - Disabled Facility Grants	0	5,291	5,291	0	0	0
Sub Total	0	5,291	5,291	0	0	0
Environment and Economy						
<u>Sustaining and Developing Prosperity Through Infrastructure</u>						
Highways Asset Protection	5,516	32,705	38,221	0	24,955	24,955
Integrated Transport	642	3,312	3,954	0	3,312	3,312
Lincoln Eastern Bypass	-416	20,658	20,242	27,227	13,115	40,342
Lincoln East-West Link	-1,766	0	-1,766	0	0	0
Spalding Relief Road (Phase I)	0	0	0	8,000	0	8,000
Grantham Southern Relief Road	632	14,250	14,882	4,470	12,753	17,223
Transforming Street Lighting	293	0	293	500	0	500
National Productivity Investment fund	0	5,366	5,366	0	2,000	2,000
Grantham Growth Point	0	0	0	2,264	0	2,264
Lincolnshire Enterprise Partnership Contribution	0	0	0	2,537	0	2,537
Network Resilience	0	0	0	480	0	480
Historic Lincoln	-1,442	0	-1,442	0	0	0
Other Sustaining and Developing Prosperity	638	0	638	0	0	0
Sub Total	4,097	76,291	80,388	45,478	56,135	101,613
<u>Protecting and Sustaining the Environment</u>						
Flood Defence	1,100	0	1,100	1,100	0	1,100
Flood & Water Risk Management	1,060	0	1,060	0	0	0
Boston Barrier	0	0	0	11,000	0	11,000
Boston Household Recycling Centre	1,705	0	1,705	0	0	0
Equipment & Vehicles for Waste Transfer Stations	0	0	0	441	0	441
Energy from Waste	112	0	112	0	0	0
Other Environment and Planning	-23	0	-23	138	0	138
Sub Total	3,954	0	3,954	12,679	0	12,679
<u>Sustaining and Growing Business and the Economy</u>						
Skegness Countryside Business Park	823	0	823	0	0	0
Teal Park, Lincoln	265	0	265	0	0	0
Other Sustaining and Growing Business and the Economy	3,770	0	3,770	600	0	600
Sub Total	4,859	0	4,859	600	0	600
<u>Community Resilience and Assets</u>						
Libraries	403	0	403	200	0	200
Sub Total	403	0	403	200	0	200
Finance and Public Protection						
<u>Protecting the Public</u>						
Registration Celebratory & Coroners Service	0	0	0	120	0	120
Fire & Rescue and Emergency Planning	561	0	561	2,249	0	2,249
Fire Fleet Vehicles and Associated Equipment	390	0	390	2,116	0	2,116
Sub Total	951	0	951	4,485	0	4,485
<u>Enablers and Support to Council's Outcomes</u>						
Broadband	5,500	0	5,500	3,485	0	3,485
Infrastructure and Refresh Programme	1,297	0	1,297	1,115	0	1,115
Replacement ERP Finance System	1,904	0	1,904	0	0	0
Care Management System (CMPP)	72	0	72	0	0	0
ICT Development Fund	690	0	690	2,000	0	2,000
Property	2,765	0	2,765	5,333	0	5,333
Property Rationalisation Programme	2,113	0	2,113	250	0	250
Lancaster House	2,511	0	2,511	0	0	0
New Eastgate Centre, Sleaford	2,188	0	2,188	0	0	0
Sub Total	19,040	0	19,040	12,183	0	12,183
Other programmes						
New Developments Capital Contingency Fund	10,139	0	10,139	7,500	0	7,500
Sub Total	10,139	0	10,139	7,500	0	7,500
TOTAL	45,295	96,576	141,871	84,676	74,012	158,688

Capital Programme (2017/18 plus Future Years)	Revised Net Programme	Grants and Contributions	Gross Programme	Revised Net Programme	Grants and Contributions	Gross Programme
	2019/20	2019/20	2019/20	Future Years	Future Years	Future Years
	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services						
<u>Readiness for School</u>						
Other Readiness for School	0	0	0	0	0	0
Sub Total	0	0	0	0	0	0
<u>Learn and Achieve</u>						
Devolved Capital	0	0	0	0	0	0
Provision of School Places (Basic Need)	0	0	0	0	0	0
Schools Modernisation / Condition Capital	0	0	0	0	0	0
SEND Provision Capital Funding for Pupils with EHC Plans	0	771	771	0	771	771
Academy Projects	0	0	0	0	0	0
Other Learn and Achieve	0	0	0	0	0	0
Sub Total	0	771	771	0	771	771
<u>Readiness for Adult Life</u>						
Other Readiness for Adult Life	0	0	0	0	0	0
Sub Total	0	0	0	0	0	0
<u>Children are Safe and Healthy</u>						
Other Children are Safe and Healthy	0	0	0	0	0	0
Sub Total	0	0	0	0	0	0
Adult Care & Community Wellbeing						
<u>Adult Frailty, Long Term Conditions and Physical Disability</u>						
Better Care Fund - Disabled Facility Grants	0	0	0	0	0	0
Sub Total	0	0	0	0	0	0
Environment and Economy						
<u>Sustaining and Developing Prosperity Through Infrastructure</u>						
Highways Asset Protection	0	24,955	24,955	0	24,955	24,955
Integrated Transport	0	3,312	3,312	0	3,312	3,312
Lincoln Eastern Bypass	15,422	0	15,422	0	0	0
Lincoln East-West Link	0	0	0	0	0	0
Spalding Relief Road (Phase I)	2,000	0	2,000	0	0	0
Grantham Southern Relief Road	24,900	0	24,900	17,103	0	17,103
Transforming Street Lighting	0	0	0	0	0	0
National Productivity Investment fund	0	0	0	0	0	0
Grantham Growth Point	0	0	0	0	0	0
Lincolnshire Enterprise Partnership Contribution	13,206	0	13,206	2,261	0	2,261
Network Resilience	0	0	0	5,028	0	5,028
Historic Lincoln	0	0	0	0	0	0
Other Sustaining and Developing Prosperity	0	0	0	0	0	0
Sub Total	55,528	28,267	83,795	24,392	28,267	52,659
<u>Protecting and Sustaining the Environment</u>						
Flood Defence	0	0	0	0	0	0
Flood & Water Risk Management	0	0	0	0	0	0
Boston Barrier	0	0	0	0	0	0
Boston Household Recycling Centre	0	0	0	0	0	0
Equipment & Vehicles for Waste Transfer Stations	138	0	138	957	0	957
Energy from Waste	0	0	0	0	0	0
Other Environment and Planning	0	0	0	0	0	0
Sub Total	138	0	138	957	0	957
<u>Sustaining and Growing Business and the Economy</u>						
Skegness Countryside Business Park	0	0	0	0	0	0
Teal Park, Lincoln	0	0	0	0	0	0
Other Sustaining and Growing Business and the Economy	0	0	0	0	0	0
Sub Total	0	0	0	0	0	0
<u>Community Resilience and Assets</u>						
Libraries	0	0	0	0	0	0
Sub Total	0	0	0	0	0	0
Finance and Public Protection						
<u>Protecting the Public</u>						
Registration Celebratory & Coroners Service	0	0	0	0	0	0
Fire & Rescue and Emergency Planning	0	0	0	0	0	0
Fire Fleet Vehicles and Associated Equipment	10,310	0	10,310	3,258	0	3,258
Sub Total	10,310	0	10,310	3,258	0	3,258
<u>Enablers and Support to Council's Outcomes</u>						
Broadband	0	0	0	0	0	0
Infrastructure and Refresh Programme	600	0	600	0	0	0
Replacement ERP Finance System	0	0	0	0	0	0
Care Management System (CMPP)	0	0	0	0	0	0
ICT Development Fund	0	0	0	0	0	0
Property	3,200	0	3,200	0	0	0
Property Rationalisation Programme	0	0	0	0	0	0
Lancaster House	0	0	0	0	0	0
New Eastgate Centre, Sleaford	0	0	0	0	0	0
Sub Total	3,800	0	3,800	0	0	0
Other programmes						
New Developments Capital Contingency Fund	7,500	0	7,500	0	0	0
Sub Total	7,500	0	7,500	0	0	0
TOTAL	77,275	29,038	106,313	28,608	29,038	57,646

SUMMARY OF CAPITAL SCHEMES FROM THE 2018/19 PROGRAMME

The Council's Capital Programme includes the following schemes which are due to be undertaken in 2018/19:

Children's services:

- Programme of expansion and new build construction of school buildings to meet the statutory responsibility for provision of educational places.
- Programme to improve the condition of the school estate, for example roofing, boiler replacements and window replacements.

Environment and Economy:

- Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.
- Integrated transport schemes across the County including minor capital improvements, rights of way, road safety, public transport and town/village enhancements.
- Major new road projects such as the Lincoln Eastern Bypass and the Grantham Southern Relief Road.
- Boston Barrier Scheme - investment in infrastructure around the Environment Agency flood risk scheme.
- Replacement programme for vehicles and plant used for winter maintenance and in waste transfer stations.

Finance and Public Protection:

- New fire station builds at Sleaford and maintenance and improvement programme to ensure fire properties remain fit for purpose.
- Replacement of fire-fighters' personal protective equipment.
- Rolling programme for the replacement of fire and rescue fleet vehicles and associated equipment.
- Repairs, maintenance and improvement to council properties.
- Property rationalisation programme, projects throughout the County.
- General IT programmes including: IT development; Replacement of PC's and other IT equipment and ICT infrastructure.

Other Programmes:

- A council wide budget has been created to fund any schemes that are currently in the development stage. This funding will be awarded to these schemes on the approval of their business cases throughout 2018/19.

CAPITAL GOVERNMENT GRANTS 2018/19

The Capital Programme includes the following Government Grants which have been allocated to the County Council:

	2018/19
	£'000
Highways Asset Maintenance	24,955
Highways Integrated Transport	3,312
National Investment Productivity Fund	2,000
Schools Basic Needs	11,026
Schools Condition Allocation	4,867
Schools Devolved Formula Capital	1,213
SEND Provision Capital Funding for Pupils with EHC Plans	771
Total Capital Grants	48,144

Further grants included in the programme will be received on a claim or bid basis as spend is incurred.

SUMMARIES OF COMMISSIONING STRATEGY REVENUE ESTIMATES

REVENUE EXPENDITURE - READINESS FOR SCHOOL

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	4,968,807		
	BUDGET CHANGES:			
2.0	Inflation	12,249	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
4.0	<u>Savings</u>			
4.1	Early Years Service	- 195,866	Ref 4.1	Full year effect of new model of delivery based on commissioning a single Early Year's service combining elements of the Locality Services and Early Years activities in Children's Centres.
5.0	2018/19 BUDGET	4,785,190		
	BUDGET CHANGES:			
6.0	Inflation	12,372	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
8.0	<u>Savings</u>			
9.0	2019/20 BUDGET	4,797,562		

REVENUE EXPENDITURE - READINESS FOR ADULT LIFE

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	4,777,746		
	BUDGET CHANGES:			
2.0	Inflation	45,626	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Supported Accommodation	1,641,000	Ref 3.1	The complex needs and an increase in the demand to provide supported accommodation for 16-17 year olds and care leavers at risk of homelessness.
4.0	<u>Savings</u>			
5.0	2018/19 BUDGET	6,464,372		
	BUDGET CHANGES:			
6.0	Inflation	46,083	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
8.0	<u>Savings</u>			
9.0	2019/20 BUDGET	6,510,455		

REVENUE EXPENDITURE - READINESS FOR ADULT LIFE

(1) Line No	(2) Description	(3) 2017/18 Budget £	(4) Budget Changes £	(5) 2018/19 Original Estimate £	(6) Budget Changes	(7) 2019/20 Original Estimate £
1.0	14 - 19 EDUCATION/TRAINING & APPRENTICESHIPS	0	0	0	0	0
2.0	CAREER GUIDANCE	19,140	17,560	36,700	0	36,700
3.0	POSITIVE ACTIVITIES FOR YOUNG PEOPLE	1,364,236	11,463	1,375,699	8,740	1,384,439
4.0	SUPPORTED ACCOMMODATION/LODGINGS	1,589,955	1,640,530	3,230,485	0	3,230,485
5.0	LINCS SECURE UNIT	-679,212	28,655	-650,557	23,831	-626,726
6.0	REDUCING YOUTH OFFENDING	713,588	11,947	725,535	12,067	737,602
7.0	LEAVING CARE	1,770,039	-23,529	1,746,510	1,445	1,747,955
8.0	NET TARGET BUDGET	4,777,746	1,686,626	6,464,372	46,083	6,510,455

REVENUE EXPENDITURE - CHILDREN ARE SAFE AND HEALTHY

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	62,712,917		
	BUDGET CHANGES:			
2.0	Inflation	298,901	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Out of County placements	1,264,000	Ref 3.1	Increasing complex needs of looked after children leading to a higher demand for specialist placements. This is to align the budget to anticipated demand levels.
3.2	Special Guardianship orders	434,000	Ref 3.2	Expected increase in numbers of special guardianship orders which the courts recognise as an important option for children looked after which are funded until the child reaches the age of 18.
3.3	Looked After Children	887,000	Ref 3.3	Growth of 5% in looked after children has been forecast in Lincolnshire due to the increasing complex nature of family life, case law and the impact of austerity. This compares to an expected increase nationally of 8%.
4.0	<u>Savings</u>			
4.1	Insurance Premiums	- 200,000	Ref 4.1	Reduction in the number and value of 3rd party liability claims.
5.0	2018/19 BUDGET	65,396,818		
	BUDGET CHANGES:			
6.0	Inflation	301,890	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
7.1	Special Guardianship orders	246,480	Ref 7.1	Anticipated increase in numbers of special guardianship orders which the courts recognise as an important option for children looked after which are funded until the child reaches the age of 18.
7.2	Looked After Children	948,000	Ref 7.2	Anticipated growth of 5% in Lincolnshire due to the increasing complex nature of family life, case law and the impact of austerity.
8.0	<u>Savings</u>			
9.0	2019/20 BUDGET	66,893,188		

REVENUE EXPENDITURE - CHILDREN ARE SAFE AND HEALTHY

(1) Line No	(2) Description	(3) 2017/18 Budget £	(4) Budget Changes £	(5) 2018/19 Original Estimate £	(6) Budget Changes	(7) 2019/20 Original Estimate £
1.0	0 - 19 HEALTH SERVICES	10,975,798	-1,040,519	9,935,279	1,434	9,936,713
2.0	CHILD PROTECTION (CONTACT, REF & ASSESS)	16,808,617	-13,849	16,794,768	292,452	17,087,220
3.0	TARGETED SUPPORT - YOUNG PEOPLE	7,370,351	521,716	7,892,067	68,471	7,960,538
4.0	LOOKED AFTER CHILDREN	3,576,628	190,260	3,766,888	23,776	3,790,664
5.0	FOSTERING AND ADOPTION	12,360,859	1,487,498	13,848,357	1,032,413	14,880,770
6.0	RESIDENTIAL HOMES	7,417,043	1,650,601	9,067,644	36,910	9,104,554
7.0	CHILD AND ADOLESCENT MENTAL HEALTH SERVICES (SECTION 75)	824,589	0	824,589	0	824,589
8.0	UNACCOMPANIED CHILDREN	0	0	0	0	0
9.0	FAMILY SUPPORT	-562,331	-152,114	-714,445	5,144	-709,301
10.0	COMMISSIONING SUPPORT FOR ALL CHILDREN'S STRATEGIES	3,941,363	40,308	3,981,671	35,770	4,017,441
11.0	NET TARGET BUDGET	62,712,917	2,683,901	65,396,818	1,496,370	66,893,188

REVENUE EXPENDITURE - ADULTS SAFEGUARDING

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	4,145,660		
	BUDGET CHANGES:			
2.0	Inflation	15,577	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Other cost pressures	6,149	Ref 3.1	Other cost pressures in year
4.0	<u>Savings</u>			
5.0	2018/19 BUDGET	4,167,386		
	BUDGET CHANGES:			
6.0	Inflation	15,733	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
7.1	Other cost pressures	6,210	Ref 7.1	Other cost pressures in year
7.2	DoLs funding for a further year	1,000,000	Ref 7.2	Deprivation of Liberty funding on the assumption that the legislation will now not change in 18/19
8.0	<u>Savings</u>			
8.1	DoLs funding change in legislation	- 1,000,000	Ref 8.1	Deprivation of Liberty original saving set when the legislation was expected to change in 18/19
9.0	2019/20 BUDGET	4,189,329		

REVENUE EXPENDITURE - ADULT FRAILTIES, LONG TERM CONDITIONS AND PHYSICAL DISABILITIES

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	120,296,255		
	BUDGET CHANGES:			
2.0	Inflation	133,895	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Demography and National living wage	1,371,762	Ref 3.1	Demographic Pressures in Adults and increase and National Living Wage Community Supported Living
3.2	Demography and National living wage	4,139,203	Ref 3.2	Demographic Pressures in Adults and increase and National Living Wage Residential and Nursing Care
3.3	Demography	991,590	Ref 3.3	Demographic Pressures in Adults for Direct Payments
3.4	Other cost pressures	114,306	Ref 3.4	Contractual cost pressures
3.5	Transport	21,837	Ref 3.5	National Living wage transport contracts pressure
4.0	<u>Savings</u>			
4.1	Mosaic and Information system	- 1,500,000	Ref 4.1	BCF - withdrawal of one off funding
4.2	DTOC	- 2,000,000	Ref 4.2	BCF - withdrawal of one off funding
4.3	BCF	- 1,226,168	Ref 4.3	withdrawal of one off funding
4.4	Income growth	- 853,079	Ref 4.4	Income Growth - Additional demographic and inflationary increases
4.5	Other savings	- 672,018	Ref 4.5	Adhoc savings within the service
4.6	Telecare	- 120,000	Ref 4.6	Reprocurement of contract of existing Telecare services savings
4.7	Staff savings	- 100,000	Ref 4.7	Business support staffing customer service centre now delivered through Serco
5.0	2018/19 BUDGET	120,597,583		
	BUDGET CHANGES:			
6.0	Inflation	135,234	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
7.1	Demography and National living wage	1,428,119	Ref 7.1	Demographic Pressures in Adults and increase and National Living Wage Home Care
7.2	Demography and National living wage	3,849,888	Ref 7.2	Demographic Pressures in Adults and increase and National Living Wage Residential and Nursing Care
7.3	Demography	1,051,085	Ref 7.3	Demographic Pressures in Adults for Direct Payments
7.4	Other cost pressures	45,927	Ref 7.4	Contractual cost pressures
7.5	Transport	21,837	Ref 7.5	National Living wage transport contracts pressure
8.0	<u>Savings</u>			
8.1	Mosaic and Information system	- 1,000,000	Ref 8.1	BCF - withdrawal of one off funding
8.2	Market Stabilisation	- 2,635,290	Ref 8.2	BCF - withdrawal of one off funding
8.3	Safeguarding	- 1,000,000	Ref 8.3	Removal of funding for DoLs assuming legislation changes
8.4	Income growth	- 371,867	Ref 8.4	Income Growth - Additional demographic and inflationary increases
9.0	2019/20 BUDGET	122,122,516		

REVENUE EXPENDITURE - ADULT FRAILTIES, LONG TERM CONDITIONS AND PHYSICAL DISABILITIES

(1) Line No	(2) Description	(3) 2017/18 Budget £	(4) Budget Changes £	(5) 2018/19 Original Estimate £	(6) Budget Changes	(7) 2019/20 Original Estimate £
1.0	LONG AND SHORT TERM RESIDENTIAL CARE	51,651,200	4,533,551	56,184,751	2,815,249	59,000,000
2.0	HOME BASED CARE SERVICES	21,485,015	-1,310,464	20,174,551	554,751	20,729,302
3.0	DIRECT PAYMENTS	13,282,051	2,429,399	15,711,450	288,550	16,000,000
4.0	DAY CARE SERVICES	249,000	254,056	503,056	0	503,056
5.0	REABLEMENT SERVICES	4,234,835	-200,000	4,034,835	0	4,034,835
6.0	HIRED AND CONTRACTED SERVICES	890,000	-890,000	0	0	0
7.0	FIELDWORK TEAM	13,828,229	96,764	13,924,993	75,007	14,000,000
8.0	COMMISSIONING SUPPORT	14,675,925	-4,611,978	10,063,947	-2,208,624	7,855,323
9.0	NET TARGET BUDGET	120,296,255	301,328	120,597,583	1,524,933	122,122,516

REVENUE EXPENDITURE - ADULT SPECIALTIES

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	62,113,814		
	BUDGET CHANGES:			
2.0	Inflation	49,835	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Demography and National living wage	1,860,267	Ref 3.1	Demographic Pressures in Adults and increase and National Living Wage Community Supported Living
3.2	Demography and National living wage	1,280,305	Ref 3.2	Demographic Pressures in Adults and increase and National Living Wage Residential and Nursing Care
3.3	Demography	633,245	Ref 3.3	Demographic Pressures in Adults for Direct Payments
3.4	Other cost pressures	166,254	Ref 3.4	Contractual cost pressures
3.5	Transport	53,463	Ref 3.5	National Living wage transport contracts pressure
4.0	<u>Savings</u>			
4.1	Income growth	- 226,687	Ref 4.1	Income Growth - Additional demographic and inflationary increases
4.2	Other savings	- 320,000	Ref 4.2	Adhoc savings within the service
4.3	Waking nights	- 100,000	Ref 4.3	Reduction in waking night costs through investment in assistive technology
5.0	2018/19 BUDGET	65,510,496		
	BUDGET CHANGES:			
6.0	Inflation	50,333	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
7.1	Demography and National living wage	1,515,951	Ref 7.1	Demographic Pressures in Adults and increase and National Living Wage Community Supported Living
7.2	Demography and National living wage	1,406,288	Ref 7.2	Demographic Pressures in Adults and increase and National Living Wage Residential and Nursing Care
7.3	Demography	669,995	Ref 7.3	Demographic Pressures in Adults for Direct Payments
7.4	Other cost pressures	708,609	Ref 7.4	Contractual cost pressures
7.5	Transport	53,463	Ref 7.5	National Living wage transport contracts pressure
7.6	National Living wage	1,000,000	Ref 7.6	To fund Waking nights national living wage increases in year from base
8.0	<u>Savings</u>			
8.1	Income growth	- 434,125	Ref 8.1	Income Growth - Additional demographic and inflationary increases
8.2	Waking nights	- 1,500,000	Ref 8.2	BCF - Withdrawal of one off funding of waking nights
8.3	Market Stabilisation	- 722,000	Ref 8.3	BCF - Withdrawal of one off funding
9.0	2019/20 BUDGET	68,259,010		

REVENUE EXPENDITURE - SUSTAINING & DEVELOPING PROSPERITY THROUGH INFRASTRUCTURE

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	40,236,719		
	BUDGET CHANGES:			
2.0	Inflation	170,107	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Transportation	327,000	Ref 3.1	Increases in the national living wage of £227k and national concessionary fares of £100k
3.2	Highways	3,322,700	Ref 3.2	Additional highway asset maintenance required to improve road conditions (£3,300k) and an increases in the national living wage of (£22.7k)
3.3	Heritage	100,000	Ref 3.3	Increase in business rates at the Collection
4.0	<u>Savings</u>			
4.1	Highways	- 186,422	Ref 4.1	Reduction in funding for the Lincoln / Nottingham rail service of £60k and the capital purchase of winter gritters leading to a saving on lease costs of £126,422
5.0	2018/19 BUDGET	43,970,104		
	BUDGET CHANGES:			
6.0	Inflation	171,808	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
7.1	Transportation	290,700	Ref 7.1	Increases in the national living wage of £245.7k and national concessionary fares of £45k
7.2	Highways	21,700	Ref 7.2	Increases in the national living wage of £21.7k
8.0	<u>Savings</u>			
8.1	Heritage	- 1,018,571	Ref 8.1	Move to self funding model in 2019/20
8.2	Highways	- 3,300,000	Ref 8.2	Removal of one-off funding for road improvements in 2018/19.
9.0	2019/20 BUDGET	40,135,741		

REVENUE EXPENDITURE - PROTECTING & SUSTAINING THE ENVIRONMENT

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	25,060,827		
	BUDGET CHANGES:			
2.0	Inflation	33,160	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	Flood Risk Management	6,996	Ref 3.1	Continuation of the Lead Local Flood Authority Grant
3.2	Waste Management	270,000	Ref 3.2	Growth in waste disposal volumes of £105k and inflationary increase in waste management contract of £165k
4.0	<u>Savings</u>			
4.1	Protecting and enhancing the natural & built environment including carbon emissions	- 45,300	Ref 4.1	Reduction in partnership grants of £30k and a reduction in local works and partnership projects of £15.3k
4.2	Waste Management	- 473,000	Ref 4.2	Removal of the cost pressure due to the delay in opening the Boston HWRC of £300k, business rate reductions of £50k and a saving on the leasing of waste vehicles and plant of £123k
5.0	2018/19 BUDGET	24,852,683		
	BUDGET CHANGES:			
6.0	<u>Inflation</u>	33,490	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
7.1	Flood Risk Management	6,960	Ref 7.1	Continuation of the Lead Local Flood Authority Grant
7.2	Waste Management	272,304	Ref 7.2	Growth in waste disposal volumes of £105k and inflationary increase in waste management contract of £167,304
8.0	<u>Savings</u>			
8.1	Waste Management	- 41,000	Ref 8.1	Saving on the leasing of waste vehicles and plant of £41k
9.0	2019/20 BUDGET	25,124,437		

REVENUE EXPENDITURE - PROTECTING THE PUBLIC

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	22,440,590		
	BUDGET CHANGES:			
2.0	Inflation	508,947	Ref 2.0	An allocation for inflation
3.0	<u>Cost Pressures</u>			
3.1	Preventing & Tackling Fires & Emergencies	85,000	Ref 3.1	Increased business rates costs at retained and whole time fire stations.
4.0	<u>Savings</u>			
4.1	Preventing & Tackling Fires & Emergencies	- 114,000	Ref 4.1	Savings to be made by withdrawing funding for the Group Manager supporting the Blue Light Project and reducing the use of 'bank' operational staff to support the Retained Duty System.
5.0	2018/19 BUDGET	22,920,537		
	BUDGET CHANGES:			
6.0	Inflation	197,135	Ref 6.0	An allocation for inflation
7.0	<u>Cost Pressures</u>			
7.1	Preventing & Tackling Fires & Emergencies	29,038	Ref 7.1	Increased costs of the Emergency Services Network (Airwave replacement)
7.2	Protecting The Public Through Trading Stds	20,000	Ref 7.2	Pressure relating to increasing volumes of product safety testing (which has further increased following the Grenfell Incident)
7.3	Protecting The Public Through Trading Stds	40,000	Ref 7.3	Safeguarding checks required for scams on vulnerable victims
8.0	<u>Savings</u>			
8.1	Registration, Celebratory & Coroners Service	- 100,000	Ref 8.1	Coroners Service move to a new model of service delivery
9.0	2019/20 BUDGET	23,106,710		

REVENUE EXPENDITURE - HOW WE DO OUR BUSINESS

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	8,621,014		
	BUDGET CHANGES:			
2.0	Inflation	65,754	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
4.0	<u>Savings</u>			
4.1	Budget & Policy Framework - Finance & Audit	- 50,000	Ref 4.1	A saving generated from the Serco contract due to a reduced volume of expected Adult Care payments processing.
4.2	Budget & Policy Framework - Finance & Audit	- 45,000	Ref 4.2	A saving due to the flexible retirement of the County Finance Officer.
4.3	Corporate Standards & Culture including Chief Executive	- 67,500	Ref 4.3	This reduction results from the Council's cessation of its subscription to the Local Government Association.
4.4	Decision Making including Democratic Processes	- 1,100,000	Ref 4.4	The removal of the allocation for the County Council May 2017 Elections.
5.0	2018/19 BUDGET	7,424,268		
	BUDGET CHANGES:			
6.0	Inflation	66,412	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
8.0	<u>Savings</u>			
9.0	2019/20 BUDGET	7,490,680		

REVENUE EXPENDITURE - ENABLERS AND SUPPORT TO COUNCIL'S OUTCOMES

Ref No	Main Area of Expenditure	2018/19 Estimate £		Notes
1.0	2017/18 BUDGET	35,747,397		
	BUDGET CHANGES:			
2.0	Inflation	213,977	Ref 2.0	An allocation for Inflation
3.0	<u>Cost Pressures</u>			
3.1	IMT Strategy & Support	4,435,879	Ref 3.1	The cost of increases in Open Text and other license costs, the requirement for a Data Protection Officer to ensure compliance with the General Data Protection Regulation, and the improvement of the technology enablers to improve the IMT supporting the Council's services
3.2	Property Strategy & Support - Other	794,321	Ref 3.2	Increases in national living wage levels, property rates and utility costs and concluding archaeological costs of West Deeping minerals site
3.3	Strategic Communications	75,000	Ref 3.3	Increased costs of the Lincolnshire Show, County News and the Council's digital platform
4.0	<u>Savings</u>			
4.1	Property Strategy & Support - Other	- 482,109	Ref 4.1	Continued rationalisation of the Council's property portfolio, a reduction in general maintenance for Council owned travellers sites and removal of the exit costs budget for facilities management
4.2	People Management Strategy & Support	- 360,374	Ref 4.2	Savings resulting from a review of all activity-led budgets and the cessation of the graduate programme for new entrants and leadership management development programme
5.0	2018/19 BUDGET	40,424,091		
	BUDGET CHANGES:			
6.0	Inflation	216,114	Ref 6.0	An allocation for Inflation
7.0	<u>Cost Pressures</u>			
7.1	IMT Strategy & Support	200,000	Ref 7.1	Additional Technical Architect and Business Analyst posts to support the IMT service
7.2	Property Strategy & Support - Other	293,210	Ref 7.2	Increases in national living wage levels, higher property rates and utility costs, partly offset by the cessation of archaeological works.
8.0	<u>Savings</u>			
8.1	Property Strategy & Support - Other	- 15,000	Ref 8.1	Continued rationalisation of the Council's property portfolio
9.0	2019/20 BUDGET	41,118,415		

GLOSSARY OF FINANCIAL TERMS

Budget carry forward - The actual under/overspending at the end of the financial year compared with the revised budget target which is allowed to be carried forward into the next financial year.

Budget requirement - Net revenue expenditure to be financed from Business Rates, Revenue Support Grant, other non-ring fenced Government Grants and Council Tax Income.

Budget Target - A corporately determined spending limit for an individual service.

Capital Grants - Government grants received that contribute towards capital expenditure incurred on a particular service or project e.g. Highways Asset Protection Grant received from the government which contributes towards planned capital expenditure on roads.

Capital Receipts - Proceeds received from the sale of property and other fixed assets (assets which have a value beyond one financial year). These can be used to contribute towards the cost of capital expenditure, generally not revenue expenditure.

Central support - A charge to a service which is the service's share of the cost of the central administration and professional departments which support direct service provision.

Contingency - A sum of money set aside to provide for foreseen but unquantifiable commitments and for unforeseen expenditure that may occur at any time in the future.

County precept - The income which District Councils collect on the County Council's behalf from Council Tax payers.

Capital financing charges - Charges to the revenue account which fund capital expenditure. Such charges comprise debt charges, direct revenue financing and leasing payments.

Dedicated Schools Grant (DSG) - The main grant paid by central government to support schools within the county. This must all be spent on supporting schools.

Education Services Grant – New grant from 2013/14 non ring fenced grant paid by central government to local authorities. This grant is to cover central services costs of providing services to schools, e.g. admissions policy and administration.

Revenue Support Grant (RSG) - The main grant paid by central government to local authorities to support the provision of all services, except for schools.

Interest on revenue balances - The money earned or paid in relation to the temporary investment of, or temporary borrowing to support, the County Council's cash balances.

Local retention of business rates – Business rates set by central government and levied on business properties. This is collected by District Councils who pay this income over to the County Council.

Precept - An amount levied by one body on another e.g. the Environment Agency precepts on the County Council.

Reserves - The revenue reserves available to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Specific grants - Grants made to a local authority by central government for a particular project or service e.g. Private Finance Initiative.

Total Expenditure - Budget requirement plus expenditure financed by drawing from balances (or the budget requirement less contributions to balances).

APPENDIX S

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
Readiness for School	Children Centres - and commissioned services	This commissioning strategy aims to ensure all children will be ready to learn when they start school enabling them to achieve their full potential.
	Early Years sufficiency and support to the Private, Voluntary and Independent sector	
	Birth to 5 Service	
Learn & Achieve	School Support Services	This commissioning strategy aims to ensure all children and young people will learn and achieve, enabling them to reach their potential.
	School Improvement	
	Statementing process and interventions (to be replaced with new health, education and social care plan)	
	Home to school/college transport	
	Children with Disabilities	
Readiness for Adult Life	Careers Service	This commissioning strategy aims to ensure all young people will be prepared and ready for adult life.
	Positive activities for young people	
	Teenage Pregnancy	
	Supported accommodation/lodgings	
	Supported employment	
	Lincs Secure Unit	
	Reducing youth offending	
Leaving Care Service		
Children are Safe and Healthy	School Nursing	This commissioning strategy aims to ensure all children and young people will be safe and healthy.
	Healthy schools & healthy child	
	Child protection (contact, referral and assessment)	
	Targeted Support - young people	
	Looked after Children	
	Fostering and adoption	
	Residential homes	
	Child and Adolescent Mental Health Services	
	Family support	
	Commissioning Support for all Children's Strategies	
	Adult Frailty, Long Term Conditions and Physical Disability	
Physical disability		
Dementia		
Carers	Adult & Young carers	This commissioning strategy aims to ensure that carers feel respected and are able to balance their caring roles and maintain their quality of life.
Adult Specialities	Supporting Adults with learning disability	This commissioning strategy aims to improve outcomes for adults with mental health, learning disabilities and/or autism.
	Mental health	
	Autism	
Adult Safeguarding	Adult Safeguarding (including Mental Capacity Act)	This commissioning strategy aims to ensure all vulnerable adults rights are protected to live in safety and free from abuse and neglect.

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
Community Resilience and Assets	Advice, information and support services from community and voluntary sector infrastructure organisations	This commissioning strategy aims to assist communities in the county to support themselves. It will also include the community response to emergencies.
	Financial Inclusion	
	Library and information services	
	Customer Service Centre	
Wellbeing	Health Improvement, prevention and self management	This commissioning strategy aims to assist improvements in the health and wellbeing of the population as a whole, it covers advice, information and preventative services.
	Public Health statutory service	
	Wellbeing Service (including specialist equipment, assistive technology and Disabled Facility Grants)	
	Sexual Health	
	Housing related support	
	Prevention and treatment of substance misuse	
Protecting the Public	Preventing and reducing crime	This commissioning strategy will cover all of the work required in order to protect the communities in Lincolnshire.
	Tackling domestic abuse	
	Preventing and tackling fires & emergency response	
	Protecting the public through trading standards	
	Protecting the public by planning for and responding to emergencies	
	Improving road safety	
	Registration, Celebratory and Coroners service	
Sustaining & Developing Prosperity Through Infrastructure	Transportation including concessionary fares and other government grants etc	This commissioning strategy facilitates growth and prosperity through encouraging investment and enhancing the economic potential of the county.
	Highway asset maintenance	
	Highway network management	
	New transport investments including highways improvements and bypasses, growth corridors and programmes	
	Heritage & tourism operation and development	
Protecting & Sustaining the Environment	Reducing carbon emissions	This commissioning strategy covers how the Council will protect, enhance and balance our environmental needs.
	Flood risk management	
	Protecting and enhancing the natural & built environment	
	Waste management	
	Sustainable Planning	
Sustaining & Growing Business & the Economy	Improving skills and employability	This commissioning strategy covers how the council will help businesses to be the drivers of economic growth through supporting a climate in which they are able to invest, enhance their business performance, and offer attractive jobs to a skilled workforce.
	Encourage enterprise through support to business and our growth sectors	
	Attracting and expanding business investment	
	Lobbying and attracting funding for Lincolnshire	

COMMISSIONING STRATEGY	COMMISSIONING ACTIVITIES	DEFINITION OF COMMISSIONING STRATEGY
How We Do Our Business	Budget & Policy Framework - Finance & Audit Chief Executive's Office Decision making, including the democratic processes and elections Monitoring Officer requirements Eastern Inshore Fisheries & Conservation Authority - Levy	This commissioning strategy will include the overarching governance and standards for the Council, including decision making through the democratic process.
Enablers & Support to Council's Outcomes	Information Management & Technology Strategy & support Property Strategy & support (including County Farms) People Management Strategy & support Legal Advice Commissioning Strategy & Support Business Support Strategic Communications	This commissioning strategy will include the enablers required to support the delivery of the Council's agreed outcomes.
Enablers & Support to Key Relationships	Partnership engagement & support	This commissioning strategy encompasses the Council's corporate strategies and the support to our relationships with the public, service users, partners and outside bodies.

**CONTACT INFORMATION FOR COMMISSIONING STRATEGY BUDGET
DETAIL**

The information on revenue budgets provided in this booklet summarises the detailed estimates approved by individual Commissioning Strategies. If you require further detail please contact:-

Email – finance@lincolnshire.gov.uk