


**NORTH LINCOLNSHIRE COUNCIL
OFFICER DECISION NOTICE AND RECORD
(PUBLISHED)**

1. DECISION TAKEN

The Council's Chief Financial Officer is asked, under delegated powers granted as part of the North Lincolnshire Council's 2018/19 budget resolution, to allocate the inflation provision and cross council initiatives to service budgets.

EXECUTIVE		NON-EXECUTIVE	<input checked="" type="checkbox"/>	(Please tick either)
IS THIS A 'KEY DECISION' ? (see definition overleaf)				Yes No
DOES THIS DECISION RELATE TO EXEMPT INFORMATION?				Yes No
EXEMPT PARAGRAPH REFERENCE (NOT TO BE PUBLISHED)				N/A

2. OFFICER DECISION TAKER	NAME	Becky McIntyre
	POSITION/POST	Director of Governance & Partnerships
	SIGNATURE	
	DATE	26/04/2018

3. REASONS FOR THE DECISION (Please ref to any report/minute/background documents attached)	When the Council approved its budget for 2018/19, it agreed that the Council's chief financial officer have authority to allocate the inflation provision and cross council initiatives saving to service budgets in 2018/19. Additionally, the budget is revised to reflect changes in budget management responsibilities between service areas.
	This decision will enable service budgets to be updated from the start of the financial year, and provide clarity on cash-limited budgets.

4. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED (BY DECISION TAKER(S))	The medium term financial planning process identifies and quantifies known pressures including cost pressures. A judgement is made as to how inflation will be funded, through a combination of specific inflation provision for pay and cost increases and service efficiencies.
	Cross-council saving initiatives also need to be allocated to ensure delivery.

TO BE COMPLETED BELOW - ONLY WHEN A DELEGATED OFFICER DECISION REQUIRES PRIOR CONSULTATION WITH A MEMBER (LEADER OF THE COUNCIL, CABINET MEMBER/CHAIRMAN OF A COMMITTEE) IN ACCORDANCE WITH THE 'SCHEME OF DELEGATIONS TO OFFICERS' OR DECISION/MINUTE OF COUNCIL/COMMITTEE OR DECISION/MINUTE OF CABINET/CABINET MEMBER.

5. DECISION REQUIRED TO BE TAKEN IN CONSULTATION WITH RELEVANT MEMBER	COUNCILLOR
	POSITION
	SIGNATURE
	DATE

6. ANY CONFLICT OF INTEREST DECLARED BY ANY EXECUTIVE (CABINET) MEMBER (S) CONSULTED, WHICH RELATES TO THE DECISION, OR (NON-EXECUTIVE) – ANY MEMBER OF THE	
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COMMITTEE THAT DELEGATED THE DECISION TAKEN	
7. WITH REFERENCE TO 6. ABOVE - HAS ANY DISPENSATION BEEN GRANTED TO THE EXECUTIVE (CABINET) MEMBER? (ONLY APPLIES TO EXECUTIVE)	

PLEASE REMEMBER TO ATTACH ANY ACCOMPANYING REPORT.

WHEN COMPLETE, PLEASE SEND TO HEAD OF DEMOCRATIC SERVICES, CIVIC CENTRE, SCUNTHORPE FOR PUBLISHING.

Definition of key decision (Part B Article 13.03 of the Council's constitution)

A **key decision** means an **executive** decision which is likely -

(i) to result in the Council incurring expenditure or the making of savings (including the receipt or loss of income) over £350,000 in any one financial year; or

(ii) to be significant in terms of its effect on communities living or working in an area comprising two or more wards or electoral divisions in the area of the local authority).

NORTH LINCOLNSHIRE COUNCIL

**REPORT TO DIRECTOR OF GOVERNANCE
AND PARTNERSHIPS**

**ALLOCATION OF BUDGET ADJUSTMENTS
FOR THE 2018/19 FINANCIAL YEAR**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To adjust service budgets by allocating inflation provision from contingency and cross-council savings, from the start of 2018/19.
- 1.2 To confirm transfer of budgets between services to reflect management responsibilities.
- 1.3 To retain the pay award and other provision in contingency until the final requirement is known.

2. BACKGROUND INFORMATION

- 2.1 As part of the Council's budget resolution, which was approved on Thursday 1st March 2018, elected members agreed that the Council's chief financial officer be authorised to make the necessary adjustments to service budgets in 2018/19 in respect of inflationary provisions and cross council initiatives.
- 2.2 It is standard practice to distribute resource to mitigate inflation pressures within services, and other budget adjustments are necessary to ensure that the Council's budget is aligned to transformational activity and cross council initiatives. Effecting the changes now will ensure budgets are allocated for the beginning of the 2018/19 financial year.
- 2.3 The report also seeks approval of the changes to budget control totals between service areas to reflect changes in budget management.
- 2.4 This report now seeks chief financial officer approval to effect the adjustments required.

3. OPTIONS FOR CONSIDERATION

- 3.1 As part of the Council's medium term financial plan, some budget adjustments in respect of inflationary adjustments and cross council initiatives have been held in contingency whilst the most appropriate method of distribution is confirmed. This work has now been completed, and these items can now be distributed to services.
- 3.2 For 2018/19, the Council has provided for a number of **inflationary provisions** in the budget resolution appendix B1. These need distributing to services now so that the anticipated inflationary pressure to services is mitigated. Each item is identified in turn below:

3.2.1 Pay Inflation (+ £2.800m)

The Government has acknowledged that flat 1% pay awards are no longer sustainable, and has outlined a minimum 2% pay increase for staff in 2018/19, with staff paid on lower scales receiving much higher increases, up to 9.28% for employees on grade 1. Consequently, the proposed pay award for 2018/19 will cost significantly more than recent pay awards.

The workings which support the allocation of the pay inflation set aside to services have been completed, based on the current pay award offer. However, the pay offer was not accepted in advance of the new financial year by all trade unions, and therefore the pay inflation set aside cannot be allocated to services. If it is allocated in advance of the increased pay costs being incurred, there is a risk the resource will be used to support pressures elsewhere.

Therefore, the pay inflation set aside will be distributed via budget transfer when the pay award has been confirmed. For now, it is proposed that the full value be held in the in-year contingency.

3.2.2 Net Contract Inflation (+ £0.500m)

The Council sets aside resource to fund contract inflation of approximately 2% (£0.950m), with an expectation that services simultaneously increase income budgets (-£0.450m). Inflation has been tracking higher than 2%, and therefore the net contract inflation (£0.500m) set aside is unlikely to cover inflationary pressures in full.

As services have made significant price increase assumptions in setting their budgets, it has reduced the amount of income inflation that can be realistically allocated. Consequently the net provision available for contract inflation is reduced.

This provides services with an incentive to manage inflationary pressures, through regular contract reviews and not committing to excessive annual inflationary increases to contracts.

3.2.3 Energy Inflation (+ £0.200m)

It is proposed that this be distributed during 2018/19 as required, where the greatest need is identified; to be held in the in-year contingency for now.

3.3 As part of the budget resolution, the Council approved making a series of budget adjustments and transformational savings through **cross council initiatives**. These now need allocating, to ensure that the budgets and savings are allocated for delivery. There are two overarching cross council initiatives, which are identified in turn below:

3.3.1 Service Re-Design (- £1.100m)

This transformational initiative anticipates integration between services primarily relating to Children, Families, Adults particularly focussing on enabling, developing community assets and meeting needs at the lowest level.

3.3.2 One Council Support Team (- £0.597m)

This transformational initiative supports the Council's goal of being sustainable, progressive, commercial and enabling and making sure that our business systems are efficient, done once and done well.

3.4 A summary of the budget adjustments required is shown in appendix 1.

4. ANALYSIS OF OPTIONS

- 4.1 Approval of the adjustments to the approved budget will ensure that inflationary provisions and cross council initiatives are allocated at the start of the financial year. The distribution of cross-council savings may change as transformation initiatives are realised.
- 4.2 Allocating contingency provision at the start of the year will help services to manage inflationary pressures more effectively. Therefore the pay contingency will also be allocated as soon as possible following confirmation of the pay settlement. The allocation of the cross council transformation savings ensures that there is buy-in to their delivery across the council.
- 4.3 The change to service control totals to reflect transfer of budget management responsibilities and therefore brings the revised budget in line with functional accountabilities.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 Financial – These are discussed in section 3 and summarised in appendix 1.
- 5.2 Staffing – None.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 Not applicable.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTEREST DECLARED

- 7.1 Not applicable.

8. RECOMMENDATIONS

- 8.1 That the budget adjustments detailed in section 3 and summarised in appendix 1 be approved.

HEAD OF FINANCIAL SERVICES

Author: Adam Hopley/Robert Turner

Date: 9th April 2018

Background Papers used in the preparation of this report:

Council budget resolution, 1st March 2018

Allocation of Inflationary Provisions & Cross Council Initiatives 2018/19

Appendix 1

MEDIUM TERM FINANCIAL PLAN	Approved Budget 2018/19 £000's	Net Contract Inflation £000's	Energy Inflation* £000's	Pay Inflation £000's	Service Re-Design £000's	One Council Support Team £000's	Other Transfer between Services £000's	Revised Budget 2018/19 £000's
Business Development	2,956	5	-	-	-	(143)	589	3,407
Governance & Partnerships	6,153	-	-	-	-	(144)	412	6,421
Operations	29,904	156	-	-	(67)	(158)	(2,734)	27,101
Learning, Skills & Culture	8,422	7	-	-	(60)	(59)	2,136	10,446
Children & Community Resilience	15,621	42	-	-	(70)	(59)	365	15,899
Adults & Community Wellbeing	37,285	292	-	-	(471)	(34)	(1,006)	36,066
Public Health	12,000	-	-	-	(432)	-	360	11,928
SERVICE TOTAL	112,341	502	-	-	(1,100)	(597)	122	111,268
Central & Technical Budgets	23,582	(2)	200	2,800	-	-	(122)	26,458
Inflationary Provisions	3,500	(500)	(200)	(2,800)	-	-	-	-
Cross Council Initiatives	(1,697)	-	-	-	1,100	597	-	-
OTHER BUDGETS TOTAL	25,385	(502)	-	-	1,100	597	(122)	26,458
TOTAL NET BUDGET	137,726	-	-	-	-	-	-	137,726
Reconcile to Detailed B2	-	500	200	2,800	(1,100)	(597)	-	1,803