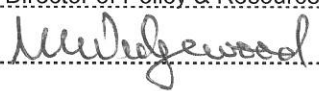


**NORTH LINCOLNSHIRE COUNCIL
OFFICER DECISION NOTICE AND RECORD
(PUBLISHED)**

1. DECISION TAKEN

The Council's Chief Financial Officer has, under delegated powers granted as part of the North Lincolnshire Council's 2017/18 budget resolution, authorised a report which seeks permission to allocate out the contingency provision to service budgets.

EXECUTIVE		NON-EXECUTIVE	✓	(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EXEMPT PARAGRAPH REFERENCE (NOT TO BE PUBLISHED)				N/A	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 Mike Wedgewood
	POSITION/POST Director of Policy & Resources
	SIGNATURE 
	DATE 17/03/2017
3. REASONS FOR THE DECISION (Please ref to any report/minute/background documents attached)	<p>When the Council approved its budget for 2017/18, it agreed that the Council's chief financial officer have authority to allocate the contingency provision to service budgets in 2017/18.</p> <p>This decision will enable service budgets to be updated prior to the start of the financial year, and ensures that service budgets are adjusted to take account of corporately identified pressures or savings. Allocation of the items will contribute to services being able to spend within cash limited budgets.</p>
4. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED (BY DECISION TAKER(S))	<p>As part of every medium term financial planning process, finance officers work with services to identify and quantify known pressures which need reflecting in the Council's medium term financial plan. This is to ensure service budgets are suitably adjusted to take into account factors out of their control (e.g. inflation).</p> <p>As part of this process, alternative ways to mitigate pressures are considered before a final position within contingency is reached. The pressures and savings that remain are after all other options to mitigate have been exhausted.</p>
<p><i>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.</i></p>	
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 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)	
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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).

Report: Allocation of Contingency Items

Introduction

As part of the Council's budget resolution, which was approved on Thursday 16th February 2017, elected members agreed that the Council's chief financial officer be authorised to allocate to service budgets in 2017/18 the contingency provision. This report now seeks chief financial officer approval to effect the adjustments required.

Background

In order to ensure that the Council's medium term financial plan suitably provides for identified pressures, an estimate of the pressure is quantified by finance officers with support from services, with a provision created within contingency. This is to ensure service budgets do not have to absorb significant budget pressures (e.g. pay inflation), which may ultimately not be possible.

In addition, there are instances where the Council applies broad corporate savings to service budgets in respect of an item not necessarily controlled by the service. For example, if pension costs to the authority become cheaper, it is appropriate that an adjustment is applied corporately to ensure the saving is achieved.

These items are then distributed to services after the budget has been approved.

Items within Contingency

For 2017/18, the Council has provided for 9 items in contingency which either need distributing to services now, or distributing during the financial year. Each item is discussed in turn below.

- Contract Inflation (+ £0.705m) – inflation has been calculated for 2017/18 based upon inflation rates at October 2016. This was agreed in December.
- Energy Inflation (+ £0.200m) – this provision is expected to be required in full during 2017/18 because of increasing energy costs. However, the actual cost will be calculated during the financial year by comparing the new unit rates to the old unit rates. Therefore, the provision will be retained until the actual increase can be calculated, which will be during the year.
- Pay Inflation (+ £0.974m) – inflation has been calculated in line with the agreed pay structures which apply from 2017/18, and incorporates the national living wage increase.
- Pension adjustment (- £0.568m) – following the actuary's triennial review of the pension fund, the Council is required to pay a reduced lump sum in respect of historic pension fund deficits. The pension adjustment shown in Appendix 1 reflects the centralisation of the lump sum budget, which then enables the Council to save the sum enabled by the actuary report.
- Living Wage (+ £0.797m) – this is intended to fund the additional contract costs within Adult Services necessitated by providers paying employees the higher national living wage.
- Apprenticeship Levy (+ £0.321m) – the Council will now have to pay 0.5% of its total payroll across to HMRC in respect of the levy, which it will get back via a digital training account.
- Care Act Adjustment (+ £1.160m) – up to 2016/17, the Council was receiving Care Act funding from the Department of Health. This has been rolled in to the revenue support grant, and therefore this provision will remove the unachievable income budget.
- Income Inflation (- £0.139m) – inflation has been calculated for 2017/18 based upon inflation rates at October 2016, excluding full cost recovery cost centres. This was agreed in December.
- Capital Receipt Flexibility (- £1.563m) – this is the amount which the Council intends to fund transformation spend through capital receipts flexibility. This will be distributed at the 2017/18 year-end when qualifying spend is identified.

Recommendation

The impact of all contingency adjustments on service budgets is shown in Appendix 1. It is recommended that approval be given so that service budgets can be amended prior to the start of the financial year.

Allocation of Contingency Items 2017/18

Appendix 1

	Approved Budget 2017/18 £000's	Contract Inflation 2017/18 £000's	Energy Inflation* 2017/18 £000's	Pay Inflation 2017/18 £000's	Pension Adjustment 2017/18 £000's	Living Wage 2017/18 £000's	Apprentice-ship Levy 2017/18 £000's	Care Act Adjustment 2017/18 £000's	Income Inflation 2017/18 £000's	Capital Receipt Flexibility* 2017/18 £000's	Revised Budget 2017/18 £000's
PEOPLE											
Education	5,491	4	-	73	(371)	-	33	-	(11)	-	5,219
Prevention & Commissioning	9,071	36	-	94	(327)	-	29	-	(14)	-	8,889
Children's Services	16,590	43	-	98	(500)	-	42	-	-	-	16,273
Adult Services	32,079	293	-	162	(625)	797	49	1,160	(56)	-	33,859
Schools	-	-	-	-	-	-	-	-	-	-	-
Total People	63,231	376	-	427	(1,823)	797	153	1,160	(81)	-	64,240
POLICY & RESOURCES											
Human Resources	1,573	1	-	24	(93)	-	9	-	(7)	-	1,507
Legal Services	2,363	9	-	25	(86)	-	7	-	(1)	-	2,317
Financial Services	2,581	6	-	42	(191)	-	16	-	-	-	2,454
Business Support	3,423	9	-	24	(111)	-	9	-	(1)	-	3,353
Total Policy & Resources	9,940	25	-	115	(481)	-	41	-	(9)	-	9,631
PLACES											
Customer Services	3,985	23	-	106	(293)	-	23	-	(17)	-	3,827
Community Services	24,562	209	-	208	(815)	-	68	-	(25)	-	24,207
Technical & Environmental	3,623	4	-	49	(195)	-	20	-	-	-	3,501
Planning & Regeneration	1,514	11	-	65	(277)	-	29	-	(7)	-	1,335
Strategic Projects	342	-	-	3	(14)	-	1	-	-	-	332
Total Places	34,026	247	-	431	(1,594)	-	141	-	(49)	-	33,202
CENTRAL BUDGETS											
Corporate & Miscellaneous	3,626	50	-	1	3,201	-	(14)	-	-	-	6,864
Capital Financing	12,989	-	-	-	-	-	-	-	-	-	12,989
Contingency	2,342	(698)	-	(974)	697	(797)	(321)	(1,160)	139	-	(772)
Public Health	-	-	-	-	-	-	-	-	-	-	-
Total Central Budgets	18,957	(648)	-	(973)	3,898	(797)	(335)	(1,160)	139	-	19,081
TOTAL NET BUDGET	126,154	-	-	-	-	-	-	-	-	-	126,154
Reconcile to B2	471	705	200	958	(568)	797	321	1,160	(139)	(1,563)	2,342

The remaining contingency balance after adjusting for allocations that can be made now is -£0.772m. When the two remaining items are allocated out to services (£0.2m pressure, £1.563m saving), the underlying contingency budget becomes **£0.591m**. In the past, this has been used to fund redundancy costs.

* Items to be allocated out during the financial year