

NORTH LINCOLNSHIRE COUNCIL

CABINET

Budget Review 2017/18

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To inform Cabinet of the current performance in respect of revenue and capital budgets for 2017/18.
- 1.2. The report seeks approval in respect of the latest revised budget for revenue, and informs Cabinet of the changes to the latest approved 2017/18 capital programme following the Council budget setting meeting held on Thursday 1st March 2018.
- 1.3. The report also informs Cabinet that cash balances and debt are being managed in line with the Council's approved treasury management strategy.

2. BACKGROUND INFORMATION

- 2.1. The Council approved the budget for 2017/18 in February 2017, which is based on a number of assumptions and risks, outlined in the Revenue Budget 2017/18 and Financial Plan 2017/20 report, including demand for services within Adults and Children's Social Care, delivering operational efficiencies and increasing cost recovery for traded services.

2017/18 Budget Position – Revenue

- 2.2. The latest approved revenue and capital budget and forecast outturn for 2017/18 can be seen in Appendix 1.
- 2.3. Service budgets are monitored on a regular basis throughout the year and a council level budget position is reported quarterly. The overall reported position has remained fairly consistent over the year. The previously reported service overspend has now been mitigated through a change to the way the council sets aside money to repay borrowing (detailed in 2.11).
- 2.4. The forecast **revenue** outturn based on Quarter 3 monitoring shows this improvement: net revenue spend of £126.11m against a budget of £126.15m, and a marginal funding overachievement of £0.10m, means that the Council is forecasting to marginally underspend in 2017/18 by £0.14m.

2.5. A number of adjustments to the revenue budget have been made throughout the financial year, as the Council continually seeks to align budgets with optimal service delivery. The adjustments that have been made under delegated powers are summarised in appendix 2, which also shows the revised position. There are no adjustments which require cabinet approval.

2017/18 Budget Position – Capital

2.6. The Council approved a significant **capital** investment programme for 2017/18. The profile of the annual capital budget is regularly reviewed in order to ensure that capital resource is aligned to the year in which it is expected to be spent and that the programme remains deliverable.

2.7. Cabinet approved a revised capital programme for 2017/18 of £70.45m at its meeting in December 2017. During quarter 3 monitoring, forecast capital expenditure for 2017/18 was amended accordingly and further re-phasing has been necessary. This has been incorporated into the 'Capital Programme 2017/22' report to Full Council which revised the 2017/18 capital programme to £49.36m which was approved on Thursday 1st March 2018.

2.8. The revised capital programme for 2017/18 can be seen at summary level in appendix 3, and by scheme in appendix 4. Both appendices note how the position has changed from the 2017/18 capital programme which was approved at quarter 2. They have been included in this report for Cabinet to note the changes that have been approved separately.

2.9. Any further changes as a result of the final outturn position for 2017/18 will be reported and adjusted accordingly.

2.10. It is important to note that further re-phasing may be necessary at the 2017/18 financial outturn.

2017/18 Budget Position – Treasury Update

2.11. The Council is continuing to manage cash balances and debt in line with the approved Treasury Management Strategy. The Council will spend less on debt interest during the year, lowering the capital financing ratio when compared to the net revenue budget. When the Council approved its budget for 2018/19, it also approved a change to the way that pre-2008 minimum revenue provision (MRP) is calculated, effective from 2017/18, and as a consequence will save £1.47m on MRP in year. When combined, both in year savings mean that the Council will have a lower capital financing ration when compared to the net revenue budget than it expected at the start of 2017/18.

2.12. Borrowing is expected to increase to £184.9m by the end of the financial year. Borrowing decisions are taken at the optimum time to reflect the profile of capital expenditure.

2.13. A revised set of prudential indicators for 2018/19 onwards has been approved by Full Council on 1st March 2018. The Treasury Management Strategy 2018/2019 report included the revised set of prudential indicators for 2017/18 which incorporate the lower capital financing costs, shown in appendix 5.

3. OPTIONS FOR CONSIDERATION

3.1. Cabinet considers and notes the budget monitoring position for 2017/18 outlined in the report, for revenue and capital, which is summarised in Appendix 1.

3.2. Cabinet approves the latest proposed budget for revenue and capital 2017/18 outlined in Appendix 2 and 3.

4. ANALYSIS OF OPTIONS

4.1. The summary of service monitoring at quarter three is shown in Appendix 1. Action has already been taken to contain the forecast overspend reported in previous quarters, to the underspend position reported. Further work is on-going to identify additional actions that will contribute to improving the projected underspend by the end of the financial year, which will enable a contribution to revenue reserves and tie into the Council's long-term strategy to increase revenue balances.

4.2. The quarter three budget monitoring has highlighted the following:

- Most services are spending within the cash-limits set for 2017/18
- The majority of the £12.1m planned savings for 2017/18 are on track to be delivered.
- Demand for services continues to increase within the following areas: Adult social care; Children's social care; waste collection and disposal; special education needs and alternative education provision and home to school transport. Actions to mitigate the impact on the council's budget are being implemented.
- Where services are forecasting to overspend, action has been and is continuing to be taken by Directors to ensure that the issues are resolved in the 2018/19 approved budget.
- In year variances have been reflected in the 'Revenue Budget 2018/2019 and Financial Plan 2018/2023' report to Full Council on 1st March 2018.
- The council has also benefited from an in year savings in cost of borrowing due to effective use of short-term borrowing and the impact of lower than anticipated spend during the year on the capital programme.

- 4.3. The revenue adjustments requested as part of this report will ensure that the Council's revenue resources are best aligned to service priorities. The capital adjustments requested will ensure that the capital programme is better aligned to realistic timescales for delivery.
- 4.4. The Council has shifted its approach to financial planning and budget setting, as noted previously. This has culminated with the setting of the 2018/19 Budget and 2018/23 Medium Term Financial Plan. The new process, which incorporates zero based budgeting techniques, is designed to ensure that greater cross Council synergies can be achieved.

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

- 5.1 The Council must maintain a balanced revenue budget for each financial year. If the projected spend cannot be contained within the cash limits set, the potential call on the Revenue Support Account reserve will be more than planned. The available balance of this reserve is £0.481m following additional use in the 2018/23 medium term financial plan, accordingly it is vital that the Council delivers an underspend at outturn. This also links to the Council's plan to increase revenue reserve balances in future years.
- 5.2 In addition to the required re-phasing of capital schemes, some schemes have reported in year variances. Any scheme overspends need to be resolved in the first instance. If that is not possible, the net overspend will require funding through re-prioritisation of other schemes.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 Not Applicable

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 Not applicable

8. RECOMMENDATIONS

- 8.1 To note the revenue and capital budget monitoring position for 2017/18, which is set out at appendix 1.
- 8.2 To note the revenue budget adjustments approved under delegated powers and the latest revised budget position for 2017/18, summarised at appendix 2.
- 8.3 To note the capital adjustments outlined at appendix 3 and 4, also noting how this changes the capital programme for 2017/18.
- 8.4 To note the progress against the approved Treasury Management Strategy in appendix 5.

DIRECTOR OF GOVERNANCE & PARTNERSHIPS

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Background Papers used in the preparation of this report:

Revenue Budget 2017/18 and Financial Plan 2017/20 Council Report Feb 2017

Revenue Budget 2018/19 and Financial Plan 2018/23 Council Report Mar 2018

Capital Programme 2017/22

Treasury Management Strategy 2018/19

Revenue budget transfers analysis (Q3)

Capital budget transfers analysis (Q3)

Revenue	Full Year Budget £'M	Forecast Outturn £'M	Forecast Variance £'M
Services Total	103.90	106.87	2.97
Central & Technical Budgets	22.25	19.24	(3.01)
Total	126.15	126.11	(0.04)
Funding	(126.15)	(126.25)	(0.10)
Net	-	(0.14)	(0.14)
Capital	Full Year Budget £'M	Forecast Outturn £'M	Re- profiling £'M
Total	70.45	49.36	(21.09)

Revenue Budget Transfers 2017/18

Appendix 2

Service Area	Q2 Approved Budget £'M	Technically Adjusted Budget* £'M	Policy Changes Approved** £'M	Q3 Revised Budget £'M
Access & Inclusion	2.807	2.807	0.016	2.823
Adult Social Care	18.433	18.069	(0.015)	18.054
Asset Management & Development	2.465	2.465	-	2.465
Catering & Cleaning	(0.231)	(0.187)	-	(0.187)
Central Budgets	22.222	22.252	-	22.252
Community Wellbeing	3.765	3.927	-	3.927
Financial Services	2.305	2.305	-	2.305
Growth & Economy	2.484	2.520	-	2.520
Integrated Commissioning & Prevention*	4.387	4.594	-	4.594
Legal & Democracy	2.081	2.081	-	2.081
Mental Health & Disability	14.240	14.653	-	14.653
Organisational Development	0.523	0.523	0.228	0.751
Participation & Achievement	4.687	4.745	(0.026)	4.719
Public Health (Hub)*	0.086	0.003	-	0.003
Safeguarding (Children)	7.628	6.003	-	6.003
Safeguarding (Organisation)	6.345	7.487	-	7.487
Social Work (Children & Adults)	1.233	1.233	-	1.233
Standards & Effectiveness	1.344	1.265	-	1.265
Strategic Human Resources	1.136	1.136	(0.228)	0.908
Strategic Projects	0.635	0.572	-	0.572
Strategy, Information & Outcomes	1.416	1.538	0.015	1.553
Transport, Highways & Environment	12.572	12.572	0.010	12.582
Waste & Public Protection	13.591	13.591	-	13.591
Net Budget	126.154	126.154	-	126.154

* This includes a correction from the Q2 approved budget.

** All budget transfers in column have been approved under delegated powers

Adjusted Capital Programme 2017/18 (summary)

Appendix 3

Planned programme	Q2 Approved Programme £000's	Q3 Adjustment £000's	Q3 Approved Programme £000's
Outcome Area:			
Safe	2,331	851	3,182
Well	11,097	(1,172)	9,925
Prosperous	25,429	(7,870)	17,559
Connected	20,774	(7,849)	12,925
Council Transformation:			
Work well - A Digitally Efficient Council	1,714	(494)	1,220
Work well - Council Offices - Town Centre Regeneration	5,659	(4,564)	1,095
Best Assets - Communities' Buildings Investment	1,245	(490)	755
Best Assets - Efficient Fleet	640	(10)	630
Capital Receipts Flexibility	1,563	507	2,070
Total	70,452	(21,091)	49,361
Funding Analysis:			
External & Grant Funding	26,491	(4,721)	21,771
Internal Funding:			
Revenue Funding	101	17	117
Internal & External Borrowing	31,266	(7,808)	23,458
Property Trading Account	539	105	644
Capital Receipts	12,054	(8,684)	3,370
Total	70,452	(21,091)	49,361

Adjusted Capital Programme (by scheme)

Appendix 4

Scheme by Outcome Area/ Area of Transformational Activity	2017/18 Q2 Approved Programme £000's	2017/18 Revised Approved Programme £000's	2017/22 Total Approved Programme £000's
Safe			
Street Lighting & LED	1,680	1,650	6,852
A15 Safer Roads Fund	-	973	1,281
School Safety Zones	101	101	157
Additional Defibrillators	20	20	101
Telecare Investment	-	214	937
Learning Disability & Tech	530	91	530
Community Equipment	-	133	649
Safe and Sound Grant	-	-	100
Community Speedwatch Fund	-	-	50
Total Safe	2,331	3,182	10,657
Well			
Pods Construction	404	70	104
Brigg Recreation Ground Redevelopment	204	107	204
Axholme North Sports Centre	5,693	5,227	7,193
Waste Transfer Station	337	337	337
Winterton Gym & Skate Park	172	150	172
Barton Leisure & Wellbeing Investment	173	149	1,534
Countryside Rights of Way	49	28	28
Carbon Management	-	35	233
Ancholme River Path / Isle Cycleways	735	500	1,318
Barrow Market Place	35	35	35
Belton Picnic Area	289	289	289
Dragonby Energy Efficiency	-	96	176
Environmental Improvements	87	100	141
Humberhead Levels Landscape Partnership	-	207	400
Visitor Centres	329	100	529
Moors Railway	98	98	98
Cremator	-	29	59
Baysgarth - Prosperous Communities Programme	75	150	150
Midland Road Contaminated Land	-	1	1
Community Services Infrastructure & HRC Sites	405	276	666
20-21 VAC Refurbish Visitor Facilities	50	16	50
Barton Sports Facility	548	614	680
Leisure Equipment Replacement	91	87	233
Normanby Hall Country Park Investment	808	546	904
Plowright Dressing Room Refurbishment	70	60	70
Skate Parks & Multi Use Games Areas	259	209	-
Winterton Artificial Pitch	(300)	-	300
Burton Sports Centre	500	190	500
Epworth Pool	186	186	286
Parks & Play Areas	100	33	225
Relocation Of Indoor Bowls Facility	(300)	-	3,100
Total Well	11,097	9,925	20,015
Prosperous			
Scunthorpe Library Hub Investment	1,018	794	1,018

Scheme by Outcome Area/ Area of Transformational Activity	2017/18 Q2 Approved Programme £000's	2017/18 Revised Approved Programme £000's	2017/22 Total Approved Programme £000's
Lincolnshire Lakes Flooding Prevention	4,381	4,503	12,495
Lincolnshire Lakes Blue Offer	1,000	400	2,000
Northern Junction Lincolnshire Lakes Roundabout	-	-	4,000
Digital Recognition- Car Parks	-	9	181
Town Centre Regeneration - Car Parking	318	100	318
Property Trading Account Developments	39	20	439
Market Investments	858	790	2,108
Investment Property Schemes	6,000	1,450	12,000
Boosting Town Centres	50	20	200
Enabling Housing Growth	538	209	1,112
Normanby Enterprise Phase 7	440	300	440
Formula Capital Devolved To Schools	403	303	2,132
Schools Investment Programme	4,256	3,783	15,937
Early Years Capital Fund	1,750	1,415	1,750
School Wellbeing Funding	150	100	250
Ongo Office Accommodation	4,227	3,363	4,523
Total Prosperous	25,429	17,559	60,903
Connected			
Local Transport Plan	9,319	8,651	46,235
Trent & Humber Flood Works	1,942	1,500	4,185
Additional Investment in Pot Holes	-	-	-
Enhanced & Prosperous Communities Fund	-	-	2,624
Home Assistance/RHHA Loan	566	430	1,911
Disabled Facilities Grants	1,300	1,116	8,979
Enhanced Communities General	100	-	-
Community Capital Grants	693	170	1,398
Enhanced Community Fund	200	-	-
Prosperous Communities Programme	1,265	210	-
War Memorials	46	4	46
Westcliff Regeneration	844	844	844
Gauge Enhancements	4,499	-	-
Total Connected	20,774	12,925	66,222
Council Transformation			
Best Assets - Efficient Fleet	640	630	3,365
Best Assets - Communities' Buildings Investment	1,245	755	6,308
Capital Receipts Flexibility	1,563	2,070	4,354
Work well - A Digitally Efficient Council	1,714	1,220	3,857
Work well - Council Offices - Town Centre Regeneration	5,659	1,095	6,807
Total Council Transformation	10,821	5,770	24,691
Total Capital Programme	70,452	49,361	182,488

*schemes now included in Enhanced and Prosperous Communities Programme

Prudential Indicators

Appendix 5

		2017/18	2017/18
		Budget (Feb 2017)	Revised
(i)	Estimates of capital expenditure	£m 80.6	£m 49.4
(ii)	General Fund ratio of financing costs to the net revenue stream % (Based on Prudential Code 2013)	% 10.9	% 8.6
(iii)	An estimate of the capital financing requirement	£m 257.2	£m 223.1
(iv)	The authorised limit for external debt: borrowing other long term liabilities total	£m 297.0 5.0 302.0	no change
(v)	The operational boundary for external debt: borrowing other long term liabilities total	£m 245.0 2.0 247.0	no change
(vi)	Upper limit for fixed rate exposure	% 100.0	no change
(vii)	Upper limit for variable rate exposure	% 20.0	no change
(viii)	upper and lower limits for maturity structure of borrowing UPPER LIMIT under 12 months 12 months and within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above LOWER LIMIT 10 years and above	% 50.0 15.0 50.0 75.0 90.0 25.0	% no change no change
(ix)	Total principal sums invested for periods longer than 364 days	£000 0	£000 0

(i). Capital Programme expenditure has changed for rephasing of spending