

**NORTH LINCOLNSHIRE COUNCIL**

**CABINET**

**FINANCIAL POSITION 2017-18 AND  
MEDIUM TERM FINANCIAL PLAN UPDATE**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To provide an overview of the council's financial performance in 2017/18.
- 1.2 To update on the medium term financial plan 2018/23, revenue budget 2018/19 and capital programme 2018/22.
- 1.3 Key points:
  - The council invested £129.7m delivering its objectives, whilst maintaining high quality and good outcomes for North Lincolnshire residents.
  - The council invested £47.7m in improving assets and infrastructure for the benefit of communities in North Lincolnshire.

**2. BACKGROUND INFORMATION**

- 2.1 The council set an annual budget for 2017/18, based upon the identified funding available in its medium term financial plan 2017-20. Throughout the year, the council manages its spending within a statutory framework ensuring that it remains within cash limits.
- 2.2 The council set its cash limit for the year at £131m, based on revenue received from Government grants, council tax, business rates and incorporating planned use of revenue reserves and capital receipts flexibility. Appendix 1 summarises the level of planned funding for 2017/18 compared to final funding applied.
- 2.3 Financial management is the responsibility of Directors and delegated to relevant budget holders across service areas. Day to day costs of running the council and providing services is classified as revenue spending. In total the council's revenue spend amounted to £129.7m. Appendix 1 provides a summary of spend by management responsibility.
- 2.4 Investment in long term assets such as roads and buildings are classified as capital spending. In total the council's capital spend amounted to £47.7m. Capital spend is funded from a range of sources, including borrowing, proceeds from sale of assets, external funding and contribution

from internal revenue funds. Appendix 1 summarises capital investment activity.

2.5 The council has set a clear goal of being a sustainable council and have begun a journey of whole scale change in how we operate as a local authority.

2.6 To achieve sustainability the council's strategic approach is to be commercial and enabling. This means maximising growth in local tax base, both for housing and businesses and ensuring that we operate traded services in a business like way with full cost recovery. The need to enable individuals to have increased resilience, communities to be independent whilst managing need and protecting the most vulnerable will contribute to the overall sustainability of the council.

2.8 This report provides a summary of how the council has performed financially in 2017/18 and informs the overall strategic direction of the council in application of its available resources.

### **3. OPTIONS FOR CONSIDERATION**

3.1 To receive the financial position outturn 2017/18. Appendix 1

3.2 To be advised of the latest update in respect of medium term financial strategy and latest approved budget 2018/19 (capital and revenue). Appendix 2

### **4. ANALYSIS OF OPTIONS**

4.1 Through regular reporting of the council's financial position, Cabinet can inform the strategic financial plans and policy direction of the council.

4.2 The Council was able to contain its spending well within its overall funding envelope and was able to make a moderate contribution to its reserves and maintain its general balances.

4.3 The financial position of the Council at the end of 2017/18 demonstrates positive impact of the transformational change to date. In particular, through collaborative working as one council team, there is evidence of an emerging culture of an enabling, progressive and commercial organisation.

4.4 The environment in which the Council operates has seen major changes over the past decade and this will continue for the foreseeable future. These changes bring with them their own set of opportunities and risks. The Council is adopting a flexible and adaptable approach to maximise the potential from the opportunities and manage the risks. At the same time setting a clear strategic intent to become financially sustainable to ensure the vital services it provides continue. The Council's financial performance in 2017/18 provides a firm financial basis for the transformational changes to come.

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

5.1 The financial implications are considered in this report and in the supporting appendices.

**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 That Cabinet notes the overview of the council's financial performance in 2017/18.

8.2 That Cabinet notes the update on the medium term financial plan 2018/23, revenue budget 2018/19 and capital programme 2018/22.

**DIRECTOR OF GOVERNANCE AND PARTNERSHIPS**

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**Background Papers used in the preparation of this report - Nil**

# Appendix 1

## Financial Position 2017/18

**North  
Lincolnshire  
Council**

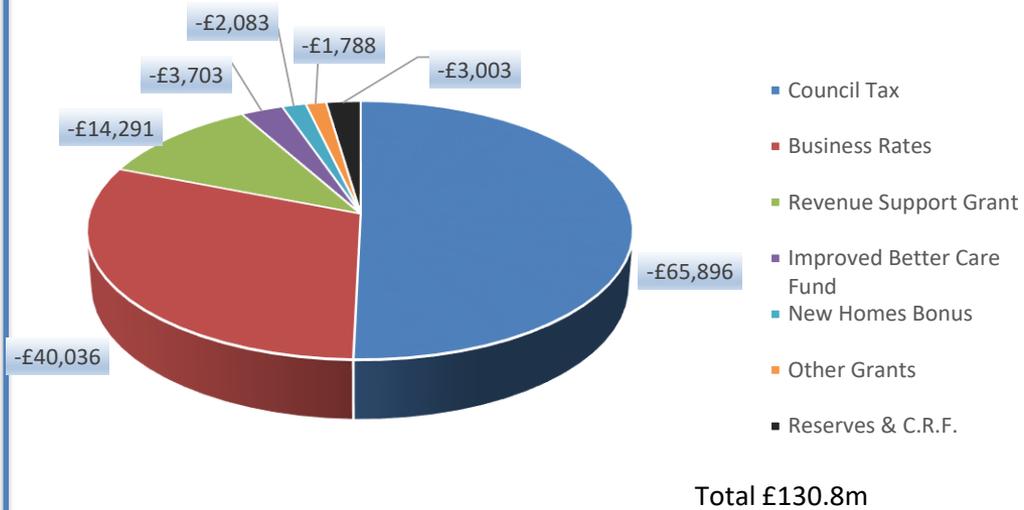


## Revenue Funding 2017/18

Budget was set based on estimated funding of £131m including planned use of RSA reserves and Capital Receipts Flexibility £5.6m

Outturn analysis  
Variance £0.3m  
Draw down of RSA reserve was not required.

Revenue Funding 2017/18 £'000s



## Revenue Spend

Budget set £131m Net spend £129.7m

**Outturn Analysis:** Variance -£1.4m(1%)

The majority of service budgets spent within cash limits and achieved savings. Known pressures were in line with in year reporting and risks identified in budget setting; increase in waste volumes collected and disposal costs higher due to temporary disposal contract in place. Transport review undertaken to inform longer term sustainable options for public and education transport. Customer, library and leisure budgets included an accumulation of income targets. The service has been extensively re-modelled with a new management structure enabling a new approach to gaining market share, a more structured approach to fee setting and plans in place to achieve self-sustainability at venues. Demand pressures across Adult Services and Children's services were contained within budgets overall

Latest Approved (Q3 report) £000s	Final Approved £000s	Actual Spend £000s	Service Area
36,634	40,007	39,848	Adults & Community Wellbeing
8,807	8,807	9,615	Learning, Skills & Culture
14,723	14,723	15,619	Children & Community Resilience
4,597	4,263	3,544	Public Health
29,210	29,210	30,497	Operations
3,992	4,008	4,205	Business Development
5,939	6,550	6,415	Governance & Partnerships
<b>103,902</b>	<b>107,568</b>	<b>109,742</b>	<b>Total Service</b>
23,815	23,522	19,985	Central & Tech
<b>127,717</b>	<b>131,090</b>	<b>129,727</b>	<b>Total</b>

## Spend by Outcome and Achievements

### Safe

- Children's services rated by Ofsted as Outstanding
- 100% of home care providers were rated 'good'
- 83% of care homes rated 'good' or better
- Improvement in adoption timescales, performing better than national and statistical neighbour averages

### Well

- Our work with the NHS was recognised by CQC as being in the top 20 of all councils
- Three designated parks and green spaces have internationally recognised green flag award status
- Almost half of all waste recycled, with 99.9% of bins collected
- Finalist in national awards for the best team-Street cleaning and street scene

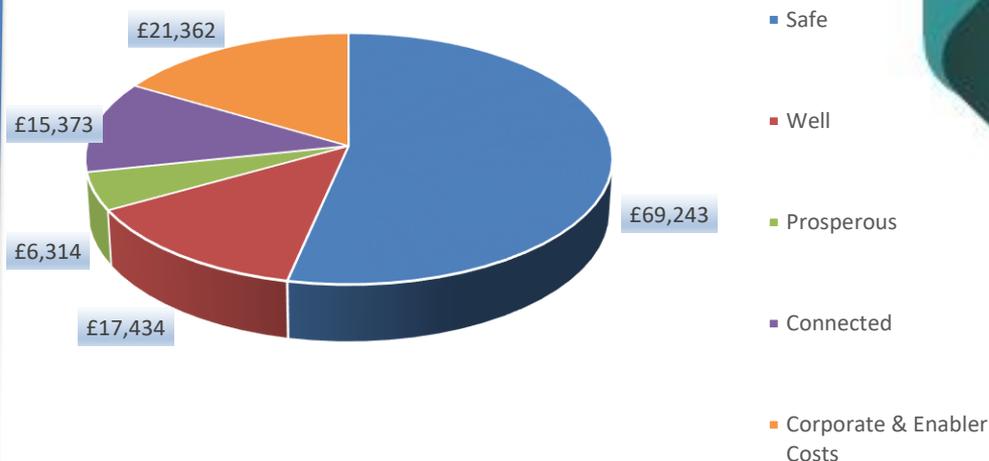
### Prosperous

- 9 out of 10 children attend a local school rated as good or outstanding
- Placed in the top 25% of all local authorities in England and 1st out of 11 when compared to our statistical neighbours for pupil progress between Key Stage 2 and Key Stage 4
- Businesses trading for more than 10 years is higher than regional and national average

### Connected

- 98% of households have access to superfast broadband
- On demand CallConnect transport service introduced, connecting rural communities
- The proportion of young people that voted in Make Your Mark 2017 ballot, ranked in Top 10 nationally
- Accessibility of our website rated maximum 4 stars in a national assessment

Revenue Spend by Outcome 2017/18 £000s



## Reserves Position

**Reserves allow financial uncertainty to be managed.**

Corporate Reserves

**General Fund:** As 31 March 2018 - £6.86m. This is the amount set aside to protect the council from financial uncertainty.

**RSA/PH:** As at 31 March 2018 - £16.086m The reserves are used at a corporate level for one-off, short term use, to offset funding reductions in order to protect services and to support transformation.

**Business Rates:** This reserve is to manage the risks associated with greater retention of business rates growth locally.

**Earmarked/Grants Reserves:** To meet service/project specific costs.

**Schools Reserve:** Individual schools balances and Dedicated Schools Grant – used for specified education functions

	2016/17 £000s	2017/18 £000s
<b>Corporate Reserves:</b>		
General Fund Reserve	6,858	6,858
Revenue Support Account (RSA) Reserve	13,195	14,269
Public Health (PH) Reserve	2,236	1,817
Business Rates Reserve	0	1,116
<b>Earmarked Reserves</b>	2,756	2,074
<b>Grant Reserves</b>	6,251	7,811
<b>School Reserves</b>	3,440	3,402
<b>Total Reserves</b>	<b>34,736</b>	<b>37,347</b>

## Capital Spend

Latest Capital Budget Set £49.4m  
(revised at March Council Meeting)

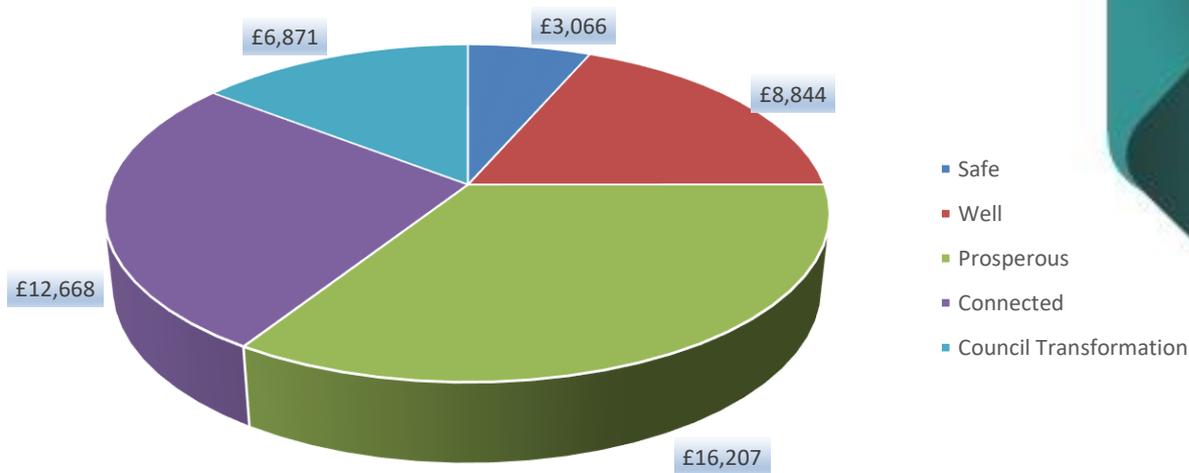
Capital Spend £47.7m

Key variances:

- + £1.8m - Capital Receipt Flexibility (application of 2016/17)
- + £1.6m - Lincolnshire Lakes (as a result of earlier than planned flood mitigation activity)
- £1.5m - Investment Property Schemes (scheme not progressed in line with planned timescales)
- £0.5m - Schools Investment Programme
- £0.5m - Early Years Capital (not significant on a multi-million pound programme)
- £0.3m - Axholme North Sports Centre (minor delays on a significant construction programme in its final phase)

Outturn resulted in re-phasing to following years £3.3m

Capital Investment by Outcome 2017/18 £000s

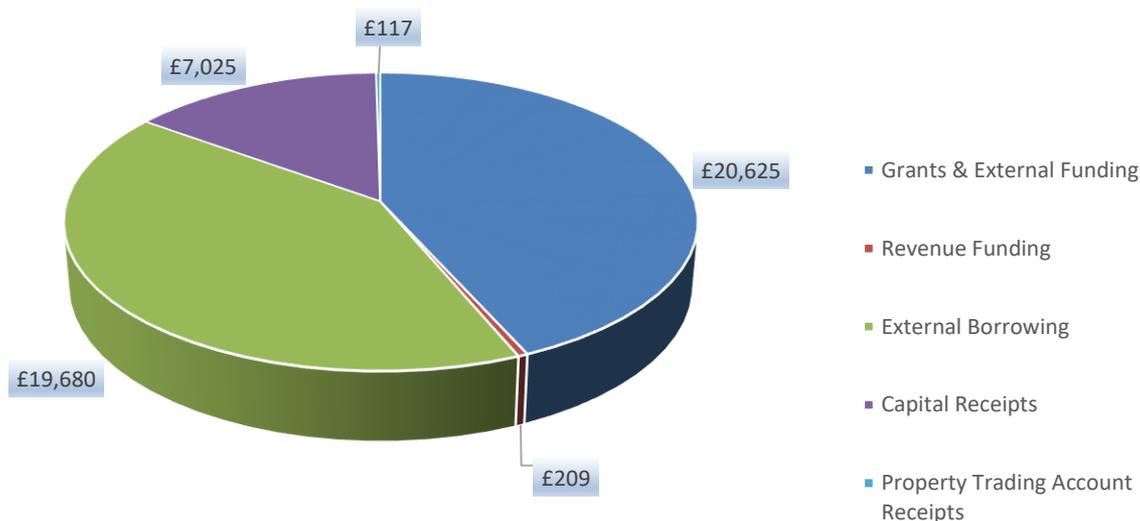


## Capital Funding

The revised Capital Programme 2017/22 set at Council in March 2018 assumed Capital Receipts required for this period to be £24.8m. By the end of 2017/18 £7m were generated, which was more than double expected.

External borrowing amounting to £19.7m was used to fund 41% of the total spend. The borrowing was undertaken in line with the Council's approved treasury strategy.

Financing of Capital Investment by Source 2017/18 £000s



## Treasury Strategy

Treasury management is the management of the council's investments, borrowing and cash flows. It ensures that funds are available to meet council spending commitments when they arise, while ensuring effective management of risk.

### Key Highlights

**Outstanding Borrowing 31 March 2018 stands at £189.8m**

**Average interest payable is 3.4% compared to 4.2% prior year.**

<b>Prudential Guideline Indicators</b>	<b>Budget 2017/19</b>	<b>Actual 2017/18</b>
Estimates of capital expenditure	£49.4m	£47.7m
General Fund ratio of financing costs to the net revenue stream %	10.9%	7.9%
An estimate of the capital financing requirement	£257.2m	£211.6m
The authorised limit for external debt: - total	£302m	£189.8m
The operational boundary for external debt - total	£247m	£189.8m
Upper limit for fixed rate exposure	100%	Target Met
Upper and lower limits for maturity structure of borrowing: UPPER LIMIT <12 months 12months < 24 months 24 months < 5 years 5 years < 10 years 10 years +  LOWER 10 years +	50% 15% 50% 75% 90%  25%	Target Met
Total principal sums invested for periods longer than 364 days	£0m	£0m

## **Appendix 2**

# Medium Term Financial Plan 2018-23

## Funding

In setting the budget, Council agreed to utilise Revenue Support Account Reserve amounting to £5.5m. Bringing the total funding available to £137.7m

The MHCLG have notified those councils taking part in the 100% business rates pilot that an error had been made in the section 31 grant allocated. This means a reduction of £0.239m in 2018/19. This will be factored into the review of the MTFP over the summer.

No other funding variances for 2018/19 are known at this stage.

Funding	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
Revenue Support Grant	0	6,098	4,296	3,027	2,132
NNDR Baseline Funding	42,328	32,616	33,268	33,933	34,612
Council Tax	64,372	66,763	69,237	71,871	74,601
Social Care Precept	5,103	5,127	5,151	5,180	5,210
Collection Fund surplus/deficit	(9,247)	0	0	0	0
NNDR Retention	13,415	8,773	7,431	7,844	8,777
Public Health Grant	9,312	9,070	9,066	9,066	9,066
Improved Better Care Fund	5,042	6,264	6,264	6,264	6,264
New Homes Bonus	956	702	297	555	446
Rural service delivery grant	0	165	165	165	165
Adult Social Care Grant	476	0	0	0	0
Dedicated Schools Grant	420	420	420	420	420
<b>TOTAL FUNDING</b>	<b>132,177</b>	<b>135,998</b>	<b>135,595</b>	<b>138,125</b>	<b>141,693</b>

## Budget 2018/19

At Council on 1st March 2018 members approved a net revenue budget of £137.7m. Council resolved that the Council's chief financial officer be authorised to allocate to service budgets in 2018/19 the budget for Inflationary Provisions including pay awards and savings through Cross Council Initiatives. The table shows the latest approved budget reflecting these adjustments. Other adjustments reflect changes in budget management responsibilities.

Original Budget £000s	Latest Approved Budget £000s	Service Area
37,285	36,627	Adults & Community Wellbeing
8,422	10,873	Learning, Skills & Culture
15,621	16,136	Children & Community Resilience
12,000	12,018	Public Health
29,904	27,805	Operations
2,956	3,580	Business Development
6,153	6,601	Governance & Partnerships
<b>112,341</b>	<b>113,640</b>	<b>Total Service</b>
25,385	24,086	Central & Technical
<b>137,726</b>	<b>137,726</b>	<b>Total</b>

## Reserves Position

The level of reserves planned to be used in the Medium Term Financial Plan and Budget 2018/19 amounts to £17.2m in 2018/19 with a further use to the end of the MTFP period of £0.4m

The review of the MTFP over the summer will consider the level of reserves required to ensure robust financial planning and to ensure that risks and uncertainty can be managed effectively.

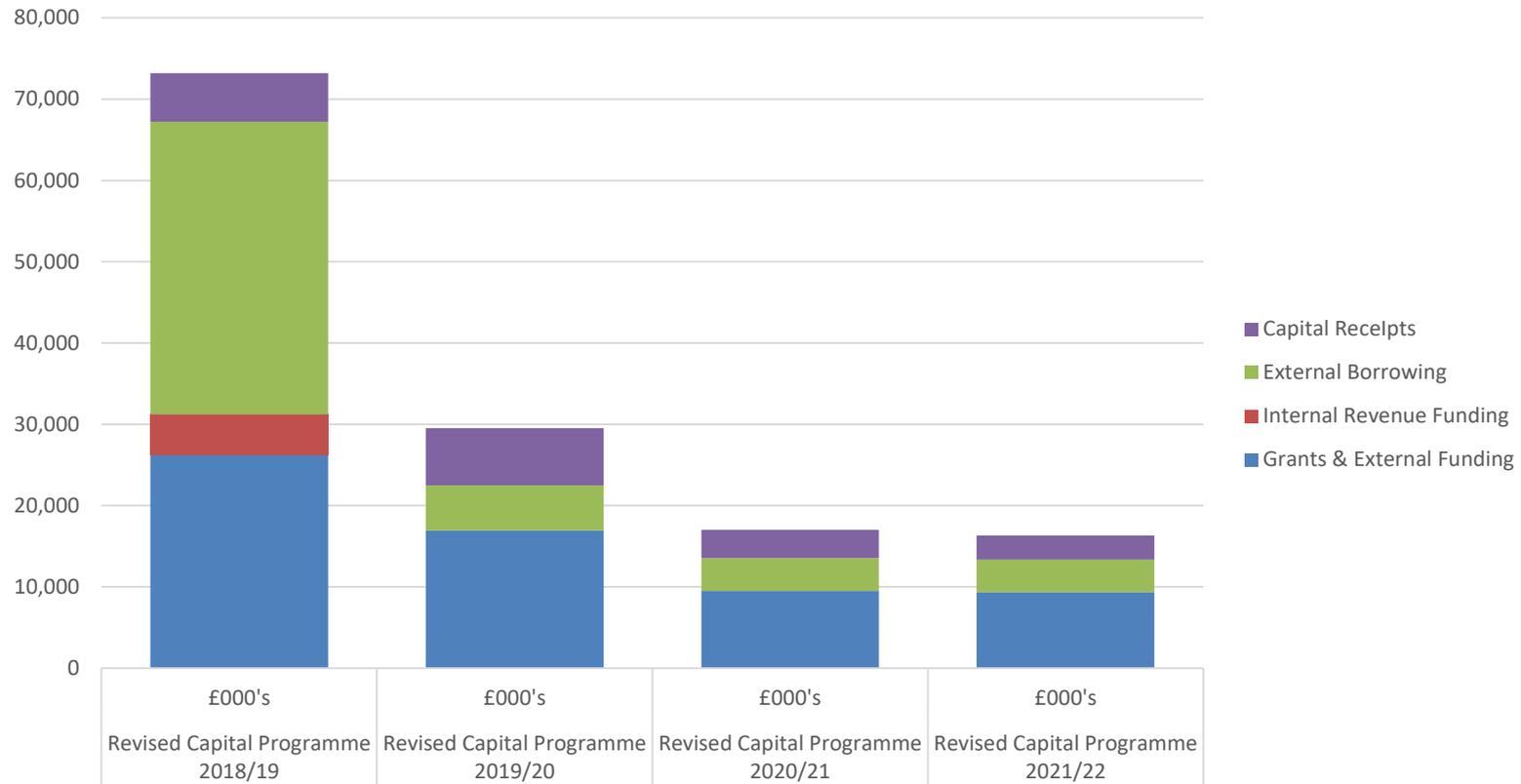
2017/18 £000s		2018/19 £000s	2022/23 £000s
	<b>Corporate Reserves:</b>		
6,858	General Fund Reserve	6,858	8,058
14,269	Revenue Support Account (RSA) Reserve	4,720	4,720
1,817	Public Health (PH) Reserve	817	817
1,116	Business Rates Reserve	0	0
2,074	<b>Earmarked Reserves</b>	1,580	1,138
7,811	<b>Grant Reserves</b>	2,878	1,684
3,402	<b>School Reserves</b>	3,301	3,301
<b>37,347</b>	<b>Total Reserves</b>	<b>20,154</b>	<b>19,718</b>

## Capital Programme

The table shows the revised capital investment programme for 2018/22 totalling £136.1m, which includes the re-phasing identified from the 2017/18 year end. The programme also incorporates other adjustments to the programme in respect of additions where additional grant has been made available, and reductions where the level of grant to be received is less than the amount originally expected.

REVISED 2018/22 CAPITAL INVESTMENT PROGRAMME	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
<b>Outcome Area:</b>					
Safe	5,941	1,107	285	285	7,618
Well	7,601	3,530	40	20	11,191
Prosperous	29,426	10,630	2,424	2,257	44,736
Connected	17,713	10,750	12,282	12,282	53,027
<b>Council Transformation:</b>					
Work well - A Digitally Efficient Council	2,772	436	0	0	3,208
Work well - Council Offices - Town Centre Regeneration	5,549	200	0	0	5,749
Best Assets - Communities' Buildings Investment	1,038	1,486	1,500	1,500	5,524
Best Assets - Efficient Fleet	1,856	909	0	0	2,765
Capital Receipts Flexibility	1,284	500	500	0	2,284
<b>Total</b>	<b>73,180</b>	<b>29,548</b>	<b>17,031</b>	<b>16,344</b>	<b>136,102</b>

Revised Capital Programme: Funding Sources



## Commentary on Future National/Local Context

- Government has committed to roll out 75% local business rate retention by 2020/21. This means the balance of financial risk for the council will change, with less predictable grant income and more reliance on council tax and business rates income.
- Key elements of business rates system are set nationally, including the multiplier. There are also periodic revaluations by the Valuation Office Agency, which also deals with appeals against valuations. Both can affect the amount of tax due. The next revaluation will be April 2021, and then every three years. Revaluations are designed to be cost neutral at a national level, but will impact differently by area and business. The challenge is to grow the taxbase in North Lincolnshire. The council can learn from the current 100% retention pilot how to best manage and mitigate risks and rewards.
- There is also a wider review of Local Government Finance, intended to create a new funding model from 2021 that better takes into account the relative needs of individual local authorities. Relative needs will determine how funding is distributed, but it is too early to say how far that will change current shares.
- Government has recognised that Adult Social Care is a significant cost pressure for local authorities. It has given councils scope to raise an additional precept for Adult Social Care. It has also provided targeted grant through the Improved Better Care Fund. North Lincolnshire has made use of both to meet increases in demand for Adult Social Care. These are interim measures, and longer term funding solutions will be considered as part of a Green Paper on Social Care for older people, due to be released in Summer 2018. It is expected to propose wide ranging reforms to the current system. The Secretary of State has set out seven key principles that will guide Government thinking.
- There is a national drive to accelerate housing development. This also has the benefit of increasing the council taxbase and contributing to the Council's own sustainability. Locally, we have identified how the demand for housing can be best met, through the Local Plan, working with Housing partners such as Ongo and the developer market to identify and release potential sites for housing.