

NORTH LINCOLNSHIRE COUNCIL

CABINET

**BUDGET REVIEW 2019-20 AND
MEDIUM TERM FINANCIAL PLAN UPDATE**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To inform Cabinet of current progress in respect of revenue and capital investment against the limits set in 2019/20.
- 1.2. To inform Cabinet of the latest revised revenue and capital budget, amended under delegated powers within the parameters set by Council.
- 1.3. To inform Cabinet that cash balances and debt are being managed in line with the Council's approved treasury management strategy.
- 1.4. To provide Cabinet with a Medium Term Financial Plan 2020/23 update.

2. BACKGROUND INFORMATION

- 2.1. In February 2019, the Council approved plans to invest £143.2m of revenue and £54.5m capital resource in 2019/20 supporting and enabling success in the three priority areas of the Council plan:

- Keeping people safe and well
- Enabling communities to flourish, and
- Growing the economy.

The investment was set within the affordability of the Council's spending power for the 2019/20 financial year. Investment plans were based upon a series of assumptions, and required action to be taken during the financial year as required to manage risks and control costs.

- 2.2. Financial monitoring is undertaken regularly, and measures progress against operating costs and income, reductions to the cost base and areas of specific risk management. During quarter two monitoring, there are £5.2m of identified risks within the revenue spend on investment priorities. Although this is similar to the position reported in September, there are some areas where risks have been mitigated and some areas where financial risks have increased. Schemes within the Capital Programme are anticipated to amount to £55.8m in 2019/20; this is after a series of adjustments have been made to the programme during the quarter.

- 2.3. A combination of temporary and permanent technical budget underspends which reduces the total revenue expenditure forecast at outturn to £146m, which would represent a 2% increase on the limit set by Council. Analysis of identified variances is provided in appendix 1.
- 2.4. The current approved revenue and capital budget and potential expenditure at outturn for 2019/20 can be seen in appendix 1.

Budget Adjustments

- 2.5. A number of adjustments to revenue budgets have been made under delegated powers, and are summarised in appendix 2. The Council continues to ensure best alignment of resource with Council Plan priorities.

Capital Investment 2019/20

- 2.6. In September, Cabinet approved a revised £107.9m multi-year investment programme, with £62.4m programmed for investment during 2019/20. Of its capital investment programme, the Council set aside some resource to be drawn down for projects during the year pending successful business case completion, the additional capital investment allocation. The Business cases have continued to be developed since the previous update and the outcome reported and approved by the Prosperity Cabinet member on 12th November 2019.
- 2.7. Additionally, the existing programme has been re-phased to ensure capital investment limits remain in line with delivery timescales. There are also changes to report in respect of leveraging external funding into the area, with the phasing updated to reflect better information than was available at September. External funding in future years is primarily based on best known estimates until final allocations are known.
- 2.8. Monitoring has highlighted potential expenditure risks to three schemes which could cause a pressure to the long-term investment programme and require resolution actions.
- 2.9. This report revises the investment limit for 2019/20 to £55.8m, and the multi-year limit to £108.8m. All changes to the capital investment programme are considered in further detail in appendix 3.

Treasury Management

- 2.10. The Council is continuing to manage cash balances and debt in line with the approved Treasury Management Strategy. In year borrowing costs and minimum revenue provision are expected to be lower than budget at outturn. As a result, the cost of capital financing ratio in 2019/20 is expected to be lower than the forecast in the budget papers to Full Council.
- 2.11. The cost of borrowing through the Public Works Loan Board (PWLb), an executive agency of HM Treasury, was recently increased via a flat 1% increase on all loans. This change, in addition to the removal of the 0.2% certainty rate discount, increases the immediate cost of borrowing.

However, long-term borrowing plans already assumed slightly higher interest rates than those being offered and for now these changes are not expected to have an immediate impact on the medium term financial plan other than reducing the saving arising from short-term borrowing.

- 2.12. Borrowing at the end of September 2019 was £182.2m. This will increase throughout the remainder of the year to meet cash flow forecasts, including the need to borrow to support the capital programme. This will be lower than the estimated capital financing requirement. Borrowing will take place at the optimum time for affordability and need
- 2.13. Appendix 5 sets out the prudential indicators for 2019/20 approved by Full Council on 28th February 2019, and the revised estimate.

Medium Term Financial Plan 2020/23

- 2.14. On Wednesday 26th February 2020, Full Council will meet to consider setting a revenue budget for 2020/21 and a medium term financial plan covering the years 2020/23.
- 2.15. The financial planning process will lead to the creation of revised investment plans which will support delivery of the Council plan within affordability limits. This is underway and progressing well. A revised estimate of spending power has been determined, incorporating the announcements set out in the 2019 Spending Round which has since been confirmed in the draft Local Government Finance Settlement 2020/21, which was published on Friday 20th December 2019. The announcements from the 2019 Spending Round were previously communicated to Cabinet.
- 2.16. As a result of the increase in resources confirmed by Government in the draft settlement, the Council's forecast spending power in 2020/21 is increased. This reduces the size of the structural deficit of future income to expenditure that had been expected, although does not completely remove the challenge due to the identified risks to expenditure discussed in this report.
- 2.17. It is important to note that funding certainty has been provided for 2020/21 only, with major systemic changes to the Local Government finance system in respect of Fair Funding and 75% Business Rate Retention progressing for a 2021/22 implementation. The budget setting report will consider what this could potentially mean for the Council going forward, including some scenario analysis with the caveat that significant uncertainty remains.
- 2.18. Priority investment groups are working together to determine the best way to invest resource to get the best outcomes for North Lincolnshire within affordability limits. The financial planning process is considered further in appendix 4. The priority investment plans will form the basis for the budget setting reports to Full Council in February.

3. OPTIONS FOR CONSIDERATION

- 3.1. To receive the budget monitoring position for revenue and capital for 2019/20, outlined in the report and in appendix 1.
- 3.2. To be advised of the latest approved revenue budget 2019/20, and the approach being taken to ensure delivery against the approved budget.
- 3.3. To approve the revised capital investment programme for 2019/22.
- 3.4. To note the performance in respect of Treasury Management.
- 3.5. To consider the 2020/23 Medium Term Financial Plan update.

4. ANALYSIS OF OPTIONS

- 4.1. The analysis is outlined in the background information in section 2 and in the supporting appendices.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

- 5.1. The financial model under which Local Government operates means that risk management is fundamental to everything the Council does. The Council is constrained in its ability to significantly increase resources, and is statutorily led on large areas of need led spending which can be volatile. Financial plans and the actions taken by the Council therefore have to be adaptive to ensure the Council remains financially sustainable.
- 5.2. If the financial risks highlighted in this report are not resolved by the year-end, the required use of reserves would be more than planned. Accordingly, it is vital that the Council identifies solutions to contain spending within the strict cash limits set, to prevent an additional unplanned use of reserves.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

- 6.1. Not applicable.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 7.1. Not applicable.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 8.1. Not applicable.

9. RECOMMENDATIONS

- 9.1. To note the revenue and capital budget monitoring position for 2019/20 which is set out at appendix 1, and the action being taken to identify and develop solutions to identified risks.
- 9.2. To note the revenue budget adjustments approved under delegated powers and the revised budget position for 2019/20, summarised at appendix 2.
- 9.3. To approve the revised capital investment programme 2019/22, set out at appendix 3.
- 9.4. To note the 2020/23 Medium Term Financial Plan update, set out at appendix 4.
- 9.5. To note the progress against the approved Treasury Management Strategy in appendix 5.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

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Background Papers used in the preparation of this report

Financial Strategy, Budget 2019/20 and Medium Term Financial Plan 2020/23 report
Capital Investment Strategy and Capital Programme 2018-2022
Treasury Management and Investment Strategy 2019/20
Revenue budget transfer analysis (quarter two)

REVENUE AND CAPITAL MONITORING POSITION 2019/20

Appendix 1

| REVENUE | Budget £000's | Potential Spend £000's | Risk £000's |
|---|--------------------------|---------------------------------------|------------------------|
| EXPENDITURE | | | |
| Investment in Priority Areas | 119,966 | 125,192 | 5,226 |
| Running the Business (technical) | 23,188 | 20,838 | (2,350) |
| NET OPERATING EXPENDITURE | 143,154 | 146,030 | 2,876 |
| FUNDING | | | |
| Council Tax, Business Rates and Government Grants | (141,854) | (141,854) | - |
| Use of Reserves | (1,300) | (1,300) | - |
| TOTAL FUNDING | (143,154) | (143,154) | - |
| | | | |
| POTENTIAL VARIANCE | - | 2,876 | 2,876 |

| CAPITAL | Budget £000's | Potential Spend £000's | Potential Variance* £000's |
|--|--------------------------|---------------------------------------|---|
| EXPENDITURE | | | |
| Investment in Priority Areas | 55,814 | 55,814 | - |
| Additional Capital Investment Allocation | - | - | - |
| TOTAL EXPENDITURE | 55,814 | 55,814 | - |
| FINANCING | | | |
| External & Grant Funding | (27,730) | (27,730) | - |
| Council Resources | (28,084) | (28,084) | - |
| TOTAL FINANCING | (55,814) | (55,814) | - |
| | | | |
| POTENTIAL VARIANCE | - | - | - |

Analysis of Revenue 2019/20

1. The Council's Net Operating Expenditure represents the day to day costs of council service delivery. For 2019/20, a cash limit of £143.2m was set by Full Council and reflected the expected spending power for the year.
2. The Council undertakes a robust monitoring process throughout the year which seeks to identify progress of spend against budget and includes a focus on the assumptions approved in the 2019/20 budget. A Council level budget position is reported to Cabinet on a regular basis. At quarter two, Council expenditure at outturn is forecast to be £146m, £2.9m (or 2%) above the limit set. This reflects £5.2m of identified risks and £2.3m temporary and permanent technical savings.
3. Almost half of the Council net operating expenditure is need led and spend can be sensitive to bigger variances. Quarter 2 monitoring identifies financial risks within Children's and Adult Services equating to £2.7m. This represents an element of the £5.1m risk identified within the financial plan. At quarter 2 £3m of identified risks are considered to have been managed.
4. The other areas of financial risk that have been identified relate to the achievement of cost savings and income targets set within operational budgets:
 - Based on latest forecasts, the implementation and phasing of some cost savings initiatives are expected to be less than the budget assumption, with in year delivery of cost savings expected to be £4.5m. The longer-term forecast is expected to be higher. Any shortfall will require resolution through the budget process.
 - The Council generates income from other sources to support expenditure plans. This includes activities such as: commercial property rents, planning fees and commercially traded entities which are required to fully recover costs. As a collective, risks in income achievement of £0.8m exist.
 - The Council continues to take a sensible approach to vacancy management, only recruiting to roles where absolutely necessary for business continuity purposes. Savings on pay related costs are expected to be in the region of £2.5m. This represents positive action being taken to offset the slower delivery of cost base reductions.
 - The cost of the agreed pay award was less than the amount set aside in the budget, contributing an £0.7m saving. The longer-term cost of the pay award is expected to be in line with the medium term financial plan provision, therefore the saving in 2019/20 is temporary.
 - The cost of capital financing is expected to be £1.4m lower than the budgeted expectation. In addition to minimum revenue provision savings previously reported, the Council also expects to save on borrowing costs due to the Council making use of cheaper short-term borrowing, and a slower than expected investment of capital resource. This saving is temporary and once the long-term borrowing is undertaken this will be in line with the planned budget. There is a risk of

borrowing costs being more than budget due to a 1.2% increase in all new PWLB borrowing rates (see report 2.11).

5. It is important to note that the Council has a strong track record of being able to contain expenditure to the limits set by Council. It had to manage challenges on a similar scale at this point last year, and was able to identify sufficient permanent and temporary solutions to enable expenditure to be contained within budget. Whilst not a guarantee the same will happen this year, it is an indication of the effort that is collectively placed in identifying ways to control the cost base.
6. The Council has a reserves strategy which governs deployment of reserves. This forms part of the wider approach to risk management. It is likely that greater reserve usage may be required if an overspend remains at outturn. The level of reserves will need to be reviewed against identified risks to ensure that the council remains financial resilient.

Analysis of Capital 2019/20

7. The Council has a multi-year capital investment programme totalling £108.8m. Of this £55.8m is currently planned for investment in 2019/20. This is shown within the revised Capital Investment programme contained in appendix 3.
8. The Council undertakes regular monitoring of its capital investment programme, to ensure: the programme remains realistic and invests in Council priorities. During quarter two monitoring, there are the following variances/changes to report:
 - The £7.5m additional capital investment allocation remaining in the September update to Cabinet has now been allocated to emergent Council priorities following approval. However, the timing of spend is not expected to all fall in 2019/20 because of the timing of allocation and subsequent delivery profile. This amounts to £2.4m which has in effect been re-phased to 2020/21.
 - Other re-phasing has also taken place, to ensure capital investment limits remain aligned with latest delivery profiles. Net re-phasing of £4.1m has taken place, with the biggest instances being: schools investment (£1.9m), disabled facilities grants (£1.4m) and BDUK (0.5m).
 - Financial risks of £1.7m have been identified within the capital programme and are being explored in further detail to clarify the position and ensure investment is made at the right level to achieve the desired outcomes. Cabinet will be notified if there is a need to change approved investment levels.
9. The revised programme presented in appendix 3 is deemed to be current and deliverable, and takes into account the re-phasing and allocation of the additional capital investment allocation discussed above and in the report. However, there may still be a need to carry out further re-prioritisation and re-phasing as schemes develop.

10. The reported overspend represents a potential challenge to the capital programme. The Council has used capital investment as a significant enabler for many years and has restrictions on how much additional investment it can enter in to. The capital financing requirement, which is the Council's long-term borrowing need for capital investment, was £141.9m at the end of 2010/11 and is expected to be £252.9m by the end of 2019/20. Sustainable capital investment funded by borrowing cannot continue to increase at the same rate indefinitely, therefore scheme overspends at the year-end will need to be resolved either through leveraging additional external funding or through re-prioritising investment programmed for future years.
11. The Capital & Major Projects officer group lead on the deployment of capital resources and remain aware of the ongoing risks to the current capital investment programme, and will lead on identifying solutions for if they are needed at outturn. Cabinet will be kept updated at regular intervals.

Table 1 – Revenue Investment (Accountability Structure)

| 2019/20 REVENUE INVESTMENT: BY SERVICE | Current Approved Budget £000's | Policy Changes £000's | Technical Budget Transfers £000's | Revised Budget £000's |
|---|---|-----------------------------|--|-----------------------------|
| Business Development | (505) | - | (112) | (617) |
| Governance & Partnerships | 14,165 | - | (321) | 13,844 |
| Operations | 29,330 | - | 2,236 | 31,566 |
| Learning, Skills & Culture | 9,816 | - | 1,049 | 10,865 |
| Children & Community Resilience | 19,168 | - | 575 | 19,743 |
| Adults & Community Wellbeing | 35,743 | - | 610 | 36,353 |
| Public Health | 7,547 | - | 55 | 7,602 |
| SERVICE TOTAL | 115,264 | - | - | 119,356 |
| Central & Technical Budgets | 27,890 | - | (4,092) | 23,798 |
| NET OPERATING EXPENDITURE | 143,154 | - | - | 143,154 |

Table 2 – Revenue Investment (Council Plan Priority)

| 2019/20 REVENUE INVESTMENT: BY PRIORITY | Original Approved Budget £000's | Policy Changes £000's | Technical Budget Transfers £000's | Revised Budget £000's |
|--|--|-----------------------------|--|-----------------------------|
| Keeping People Safe And Well | 62,369 | - | 1,781 | 64,150 |
| Enabling Communities to Flourish | 23,363 | - | 1,341 | 24,704 |
| Growing The Economy | 7,217 | - | 417 | 7,634 |
| Running the Business (organisation) | 22,916 | - | 562 | 23,478 |
| Running the Business (technical) | 27,289 | - | (4,101) | 23,188 |
| PRIORITY TOTAL | 143,154 | - | - | 143,154 |
| NET OPERATING EXPENDITURE | 143,154 | - | - | 143,154 |

Table 1 – Programme Summary 2019/22

| PROPOSED PROGRAMME | 2019/20 £000's | 2020/21 £000's | 2021/22 £000's | Total £000's |
|--|-------------------|-------------------|-------------------|-----------------|
| Investment In Priority | | | | |
| Keeping People Safe And Well | 897 | 2,022 | 156 | 3,075 |
| Enabling Communities To Flourish | 9,739 | 4,535 | 1,929 | 16,203 |
| Growing The Economy | 37,179 | 16,394 | 16,366 | 69,939 |
| Running the Business | 7,999 | 8,863 | 2,738 | 19,600 |
| Total | 55,814 | 31,814 | 21,189 | 108,817 |
| Additional Capital Investment Allocation | - | - | - | - |
| Capital Investment Limit | 55,814 | 31,814 | 21,189 | 108,817 |
| Funding Analysis | | | | |
| External & Grant Funding | 27,730 | 16,498 | 9,796 | 54,024 |
| Revenue Funding | 138 | - | - | 138 |
| Borrowing | 20,895 | 11,816 | 8,393 | 41,104 |
| Capital Receipts | 7,051 | 3,500 | 3,000 | 13,551 |
| Total | 55,814 | 31,814 | 21,189 | 108,817 |

Table 2 – Programme Detail 2019/22

| Capital Investment by Priority | 2019/20 | | | 2020/21 | | | 2021/22 | | |
|---|-----------------|-------------------------------|-------------------------------|-----------------|-------------------------------|-------------------------------|-----------------|-------------------------------|-------------------------------|
| | Total £000's | External Funding £000's | Internal Funding £000's | Total £000's | External Funding £000's | Internal Funding £000's | Total £000's | External Funding £000's | Internal Funding £000's |
| Keeping People Safe And Well | | | | | | | | | |
| Safer Roads Fund | 433 | 433 | - | 1,866 | 1,866 | - | - | - | - |
| Safe & Sound Grant | 10 | 10 | - | - | - | - | - | - | - |
| School Safety Zones | 15 | - | 15 | - | - | - | - | - | - |
| Telecare Investment | 439 | 439 | - | 156 | 156 | - | 156 | 156 | - |
| Total | 897 | 882 | 15 | 2,022 | 2,022 | - | 156 | 156 | - |
| Enabling Communities To Flourish | | | | | | | | | |
| Ancholme River Path | 265 | - | 265 | - | - | - | - | - | - |
| Barton Leisure & Wellbeing Investment | 1,189 | - | 1,189 | - | - | - | - | - | - |
| Burton Sports Centre | 86 | - | 86 | - | - | - | - | - | - |
| Community Capital Grants | 500 | - | 500 | 300 | - | 300 | 200 | - | 200 |
| Community Equipment | 172 | 172 | - | 129 | 129 | - | 129 | 129 | - |
| Community Services Infrastructure & HRC Sites | 90 | - | 90 | - | - | - | - | - | - |
| Cremator | 16 | - | 16 | - | - | - | - | - | - |
| Disabled Facilities Grants | 1,889 | 1,889 | - | 2,927 | 2,927 | - | 1,500 | 1,500 | - |
| Enhanced & Prosperous Communities Fund | 1,244 | 31 | 1,213 | - | - | - | - | - | - |
| Education Health Care Plan System | 72 | - | 72 | - | - | - | - | - | - |
| Epworth Pool | 29 | - | 29 | - | - | - | - | - | - |
| Healey Road Community Play Area | 109 | 109 | - | - | - | - | - | - | - |
| Home Assistance/RHHA Loan | 480 | 382 | 98 | 179 | 100 | 79 | 100 | 100 | - |
| Humberhead Levels Landscape Pt | 231 | 91 | 140 | - | - | - | - | - | - |
| Kirton Allotments | 25 | - | 25 | - | - | - | - | - | - |
| Learning Disability & Technology | 459 | 459 | - | - | - | - | - | - | - |

| Capital Investment by Priority | 2019/20 | | | 2020/21 | | | 2021/22 | | |
|---|--------------|------------------|------------------|--------------|------------------|------------------|--------------|------------------|------------------|
| | Total | External Funding | Internal Funding | Total | External Funding | Internal Funding | Total | External Funding | Internal Funding |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Humberhead Levels Landscape Pt | 231 | 91 | 140 | - | - | - | - | - | - |
| Kirton Allotments | 25 | - | 25 | - | - | - | - | - | - |
| Learning Disability & Technology | 459 | 459 | - | - | - | - | - | - | - |
| Leisure Equipment Replacement | 186 | 17 | 169 | - | - | - | - | - | - |
| Normanby Hall Country Park Investment | 282 | - | 282 | - | - | - | - | - | - |
| Scunthorpe Library Hub Investment | 51 | - | 51 | - | - | - | - | - | - |
| Skate Parks & Multi Use Games Areas | 26 | - | 26 | - | - | - | - | - | - |
| Street Lighting & LED | 2,335 | - | 2,335 | 1,000 | - | 1,000 | - | - | - |
| Winterton Gym & Skate Park | 3 | - | 3 | - | - | - | - | - | - |
| Total | 9,739 | 3,150 | 6,589 | 4,535 | 3,156 | 1,379 | 1,929 | 1,729 | 200 |
| Growing The Economy | | | | | | | | | |
| A18 Melton Ross Bridge Replacement | 156 | - | 156 | - | - | - | - | - | - |
| BDUK North Lincs Broadband | 43 | - | 43 | 1,044 | 1,000 | 44 | 526 | 500 | 26 |
| Early Years Capital Fund | 372 | 280 | 92 | - | - | - | - | - | - |
| Formula Capital Devolved To Schools | 926 | 926 | - | 597 | 597 | - | 377 | 377 | - |
| Gauge Enhancements | 1,000 | 1,000 | - | - | - | - | - | - | - |
| Goxhill Flood Alleviation | 270 | 45 | 225 | 406 | 406 | - | - | - | - |
| Property Trading Account Developments | 4,700 | - | 4,700 | - | - | - | - | - | - |
| Lincolnshire Lakes Blue Offer | 4,325 | 4,325 | - | 510 | 510 | - | - | - | - |
| Lincolnshire Lakes Flooding Prevention | 895 | 895 | - | - | - | - | - | - | - |
| Infrastructure Schemes | 9,935 | 5,884 | 4,051 | 8,632 | 5,632 | 3,000 | 13,581 | 5,632 | 7,949 |
| Market Investments | 1,090 | - | 1,090 | - | - | - | - | - | - |
| Normanby Enterprise Phase 7 | 925 | 750 | 175 | - | - | - | - | - | - |
| Northern Junction Lincolnshire Lakes Roundabout | 3,918 | 3,918 | - | - | - | - | - | - | - |
| School Wellbeing Funding | 144 | - | 144 | - | - | - | - | - | - |

| Capital Investment by Priority | 2019/20 | | | 2020/21 | | | 2021/22 | | |
|---|-----------------|-------------------------------|-------------------------------|-----------------|-------------------------------|-------------------------------|-----------------|-------------------------------|-------------------------------|
| | Total £000's | External Funding £000's | Internal Funding £000's | Total £000's | External Funding £000's | Internal Funding £000's | Total £000's | External Funding £000's | Internal Funding £000's |
| Schools Investment Programme | 4,359 | 3,241 | 1,118 | 5,205 | 3,155 | 2,050 | 1,882 | 1,382 | 500 |
| South Humber Bank Gateway Resurfacing | 1,353 | 1,353 | - | - | - | - | - | - | - |
| Town Centre Regeneration | 1,329 | 1,055 | 274 | - | - | - | - | - | - |
| Town Centre Regeneration – Car Parking | 193 | - | 193 | - | - | - | - | - | - |
| Trent & Humber Flood Works | 763 | - | 763 | - | - | - | - | - | - |
| Council Offices – Town Centre Regeneration | 483 | - | 483 | - | - | - | - | - | - |
| Total | 37,179 | 23,672 | 13,507 | 16,394 | 11,300 | 5,094 | 16,366 | 7,891 | 8,475 |
| Organisational Enablers | | | | | | | | | |
| Fleet Asset Management Programme | 2,862 | - | 2,862 | 2,498 | - | 2,498 | 2,248 | - | 2,248 |
| Communities Buildings Investment - Community Hubs | 815 | - | 815 | 4,210 | - | 4,210 | - | - | - |
| Communities Buildings Investment – Operational Infrastructure | 888 | - | 888 | 965 | - | 965 | 200 | - | 200 |
| Dragonby Energy efficiency | 48 | 26 | 22 | 20 | 20 | - | 20 | 20 | - |
| Capital Receipts Flexibility | 1,500 | - | 1,500 | 500 | - | 500 | - | - | - |
| Digital & IT Infrastructure | 436 | - | 436 | 270 | - | 270 | 270 | - | 270 |
| Modern Gov – Meeting & Decision Management | 50 | - | 50 | - | - | - | - | - | - |
| Work well – Shared Horizons | 1,400 | - | 1,400 | 400 | - | 400 | - | - | - |
| Total | 7,999 | 26 | 7,973 | 8,863 | 20 | 8,843 | 2,738 | 20 | 2,718 |
| | | | | | | | | | |
| Total Capital Investment in Progress | 55,814 | 27,730 | 28,084 | 31,814 | 16,498 | 15,316 | 21,189 | 9,796 | 11,393 |
| Additional Capital Investment Allocation | - | - | - | - | - | - | - | - | - |
| Total Capital Investment | 55,814 | 27,730 | 28,084 | 31,814 | 16,498 | 15,316 | 21,189 | 9,796 | 11,393 |

1. On Wednesday 26th February 2020, Full Council will meet to consider approving a revenue budget for 2020/21 and a 2020/23 medium term financial plan. The financial planning process is already well underway which will result in a budget proposal which balances Council plan investment aspirations with affordability.

Spending Power

2. As reported previously to Cabinet, the 2019 Spending Round contained some positive announcements for Local Government, and will increase the Council's spending power for 2020/21. This has since been confirmed in the draft 2020/21 Local Government Finance Settlement, published on Friday 20th December 2020.
3. The settlement gives one-year funding certainty, and confirms that the Government is continuing work on the major reforms to Local Government finance. Specifically, this is through a review of Fair Funding, which will review the distribution formula for each local authority. In addition, the Government plan to increase business rates retained locally to 75% (currently 50%), offset by reducing grant funding. Both are due for implementation in 2021/22 and could lead to significant changes in spending power, positive or negative.
4. A general election was held on Thursday 12th December 2019 and has led to a new Government being elected. It has been announced that the Chancellor will present the next Budget on Wednesday 11th March 2020. This is expected to include additional infrastructure investment and set out the parameters for a Spending Review later in the year.
5. The Council receives most of its funding through locally generated sources: council tax and business rates. A report will be submitted to Full Council in January 2020 seeking permission to set the Council Tax base for 2020/21. This could lead to a slight change in the amount of funding expected from council tax. The council tax price for 2020/21 will be set at Full Council in February 2020, and is currently assumed to increase by 3.99% (including 2% ASC precept).
6. The Council will set its business rates taxbase at the end of January 2020, in line with the statutory process. A summary of spending power is shown below, which incorporates the confirmation of funding sources set out in the Settlement:

Table 1 – 2020/23 Medium Term Financial Plan spending power estimate

| SPENDING POWER ESTIMATE | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's |
|---|-------------------|-------------------|-------------------|
| Council Tax (1.99% 19/20 then 2.99% p.a.) | (69,380) | (72,132) | (74,984) |
| Social Care Precept (2% 20/21) | (6,672) | (6,717) | (6,761) |
| Business Rates | (42,155) | (43,122) | (44,909) |
| Revenue Support Grant | (6,198) | (6,198) | (6,198) |
| Improved Better Care Fund | (7,025) | (7,025) | (7,025) |
| Other Social Care Grants | (4,515) | (4,515) | (4,515) |
| Public Health Grant | (9,251) | (9,251) | (9,251) |
| Other Grants | (1,040) | (792) | (771) |
| Total Forecast Spending Power | (146,235) | (149,752) | (154,414) |

Investment Plans

7. Investment plans are being considered through the outcomes based budgeted process that aligns investment to the council priorities within the affordability limits that the spending power enables.
8. The draft settlement increases the spending power in respect of social care by £4.7m (£3.2m additional grants and £1.5m adult social care precept), which will go some way to meeting social care activity pressures that are currently forecast locally amounting to £5.5m in 2020/21.
9. Combined with cost increases due to inflationary provisions and service demand net operating expenditure is projected to reach £151m next year and £164m by 2022/23, which is higher than expected income. The investments plans will identify action required to bring spending within sustainable budget limits (planned spending power).
10. The budget setting report will be based on revised Priority Investment Plans, setting out how the Council will invest its resources to achieve the best outcomes and deliver on its priorities for 2020/21 and beyond.
11. The budget package for the next medium term financial plan is at an advanced stage and almost complete, but not fully at the time of writing and this in part reflects the late notice of settlement and efforts ongoing to ensure investment plans are affordable in the long-term. Accordingly, this report does not include an Executive Budget proposal, and instead the complete package will be presented within the budget setting report.

| | | 2019/20 | |
|--------|--|---|--------------------|
| | | Budget (Feb 2019) | Forecast (Q2) |
| (i) | Estimates of capital expenditure | £m 54.5 | £m 55.8 |
| (ii) | General Fund ratio of financing costs to the net revenue stream % (Based on Prudential Code 2013) | % 9.66 | % 8.96 |
| (iii) | An estimate of the capital financing requirement | £m 252.9 | £m 252.3 |
| (iv) | The authorised limit for external debt: borrowing other long term liabilities total | £m 282.9 5.0 287.9 | £m no change |
| (v) | The operational boundary for external debt: borrowing other long term liabilities total | £m 254.7 2.0 256.7 | £m no change |
| (vi) | Upper limit for fixed rate exposure | % 100.0 | % no change |
| (vii) | Upper limit for variable rate exposure | % 40.0 | % 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 | % 40.0 20.0 50.0 75.0 90.0 25.0 | % no change |
| (ix) | Total principal sums invested for periods longer than 364 days | £m 0 | £m no change |