

Public Document Pack

NORTH LINCOLNSHIRE COUNCIL

Church Square House
30-40 High Street
SCUNTHORPE
North Lincolnshire
DN15 6NL

16 February 2022

Dear Councillor,

You are summoned to attend the **MEETING of the COUNCIL** to be held at **12noon** on **THURSDAY 24 FEBRUARY 2022** at the Pods (sports hall), Ashby Road, Scunthorpe.

1. Declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests
2. To consider reports by the Director: Governance and Communities -
 - 2.1 Financial Strategy, Budget 2022-23 and Medium-Term Financial Plan 2022-25 (Pages 1 - 50)
 - 2.2 Capital Investment Strategy 2022-25 and Revised Capital Programme 2021-25 (Pages 51 - 76)
 - 2.3 Treasury Management Strategy 2022-23 (Pages 77 - 100)
 - 2.4 Implementation of the 2022/2023 Pay Policy Statement (Pages 101 - 112)
Report of the Director: Economy and Environment
3. Scheme of Delegations to Officers and Appointment of Proper Officers (Pages 113 - 144)
Report of the Monitoring Officer

Yours sincerely

B McIntyre
Director: Governance and Communities

NOTE: ANY MEMBER WHO WISHES TO PUT A QUESTION UPON OR MOVE ANY AMENDMENT TO THE MINUTES MUST INFORM THE DIRECTOR: GOVERNANCE AND COMMUNITIES IN WRITING BEFORE 9.30 A.M. ON TUESDAY 22 FEBRUARY 2022.

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NORTH LINCOLNSHIRE COUNCIL

COUNCIL

FINANCIAL STRATEGY, BUDGET 2022/23 AND MEDIUM TERM FINANCIAL PLAN 2022/25

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. The purpose of this report is to set out the council's financial strategy, and within that framework to seek approval for the budget 2022/23 and the Medium Term Financial Plan 2022/25. The Financial Strategy supports the delivery of the Council Plan.
- 1.2. The report provides assurance on the council's financial resilience, confirms that the estimates presented in the report are robust and that reserves are adequate. This meets the requirements of section 25 of the Local Government Act 2003 and provides a basis for Council to set a balanced budget.
- 1.3. The key decisions required in accordance with Section 31 to 52 of the Local Government Finance Act 1992 (and subsequent modifying legislation) are:
 - To set the council's revenue budget for 2022/23
 - To set the Council Tax for 2022/23
 - To approve an indicative medium term financial plan for 2022/25

2. BACKGROUND INFORMATION

- 2.1. The Council operates within legally defined powers to fulfil a range of duties informed by its local ambition and priorities set out in the Council Plan. The powers include the ability to raise funding to invest locally. The council must decide on its spending power, taking into account how much government grant and business rates it will receive and the level of Council Tax it intends to set.
- 2.2. This report provides the basis upon which the council can set a balanced budget for 2022-23 and a robust financial forecast for the medium term financial planning period 2022-25, as required by legislation.
- 2.3. In determining the budget for 2022-23 the Council is required to set the council tax rate for a Band D property made up of a general rate and an adult social care precept. The maximum increase applied is capped by a referendum limit set by the Department of Levelling up Housing and Communities (DLUHC).

- 2.4. The Financial Strategy and Medium Term Financial Plan in Appendix 2 provides the national and local strategic context upon which the proposed budget is calculated.
- 2.5. The framework governing what councils do is based upon legislation, born out of many years' national policy. Councils have freedoms and flexibilities to determine many things locally, based upon local circumstances and needs of the population. The Council sets its policy framework through two key strategic documents: The Local Plan (place shaping) and Council Plan (ambition, purpose, priorities and use of resource).
- 2.6. The Council Plan describes its main purpose as to **Lead** the place of North Lincolnshire; **Promote** prosperity and wellbeing; **Prevent** and protect from harm, **prioritising the most vulnerable**, in order to achieve better outcomes for the people and place of North Lincolnshire. The outcomes are themed under four areas:
- Safe
 - Well
 - Prosperous
 - Connected
- 2.7. There is a strong financial management ethos across the council underpinned by the Council's values. The council is currently forecasting that its net operating cost will balance against the 2021/22 budget. The forecast includes an increase in complex need within adult social care, combined with an increase in the cost of care packages. This has been recognised in the Local Government finance settlement with additional grant funding being provided and precept funding enabled in 2022/23.
- 2.8. The resources available to the council to make a difference need to be used wisely and deliver value for taxpayers' money. The financial strategy guides this and provides the mechanisms to ensure the council is financially sustainable and resilient. The financial plan enables the council to achieve its strategic objectives and legal duties for the benefit of residents and businesses.
- 2.9. The ability for the Council to embrace opportunities and face future challenges is rooted in its one council, one family and one place approach. The refreshed council plan will reconfirm aspiration and ambition for people and place and provide the bedrock to translate policy intentions through priority action and delivery plans.

3. OPTIONS FOR CONSIDERATION

- 3.1. The annual Revenue Budget for 2022/23 and Medium Term Financial Plan 2022/25 is proposed for approval in Appendix 2.
- 3.2. The Revenue Budget assumes a level of income from general Council Tax of £72.9m. This is based upon a general Council Tax band D equivalent

rate of £1,436.17, which represents an increase of 1.99% from the total 2021/22 band D rate.

- 3.3. The revenue budget assumes the level of income from the Adult Social Care precept of £9.9m. This is based upon an adult social care precept rate of £195.90, which represents an increase of 2% from the total 2021/22 band D rate.
- 3.4. Appendix 4 sets out the relevant Council Tax precept information for approval.
- 3.5. In addition, as billing authority for the area, the council is responsible for levying a council tax not only to meet its own requirements, but also to meet the precepts of lower and higher tier authorities in the area, and to collect that tax on their behalf. The precepting bodies are:
 - Parish and Town Councils in North Lincolnshire
 - Humberside Police and Crime Commissioner
 - Humberside Fire and Rescue Authority

Scunthorpe Special Expenses (SSE), which are equivalent to the parish precept, are also set by Council and form part of the core budget. The plan assumes it will increase in line with the general rate of council tax.

Precepts which have been set are shown at Appendix 4; any currently not yet declared will be available on the day of Council.

- 3.6. To confirm the current Members Allowance Scheme is retained for 2022/23.

4. ANALYSIS OF OPTIONS

- 4.1. The budget proposal for 2022/23 set out in this report represents a balanced budget where net operating expenditure is equivalent to the Council's estimate of spending power. The estimate of spending power assumes a planned one-year use of reserves of £1.5m.
- 4.2. The 2022/25 medium term financial plan provides a view on future funding, in order to assist the longer-term planning and use of council's financial resources. This is in line with best practice and takes account of factors that may have an impact on the council's spending.
- 4.3. The detailed analysis of funding and cost is included in Appendix 2.
- 4.4. At the meeting of the Council on 26 February 2020 (minute 2718 refers) it was agreed that the Members' Allowance Scheme should be retained unchanged for a further three years: 2020/21, 2021/22 and 2022/23. Under the Local Authorities (Member' Allowances) (England) Regulations 2003 it is necessary for the Council to approve the scheme for 2022/23 as referred to and in accordance with minute 2718 of the Council.

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

5.1. Robustness of Estimates

As the Council's Chief Financial Officer, I consider the proposed budget for 2022/23 to be based upon robust estimates and supported by an adequate level of reserves. The budget proposal requires action to be continually taken through oversight and monitoring to ensure it can be delivered.

5.2. Adequacy of Reserves

The reserve statement and strategy set out in Appendix 3 identifies the level of reserves expected to be available over the medium-term financial plan period. As the council's Chief Financial Officer, based on the reserves strategy, I consider that the level of reserves will be sufficient to provide adequate cover for identified risks, including the inherent funding uncertainty beyond 2022/23. It is important that Council finances are robust in times of uncertainty and achieve long term financial sustainability.

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

Legal Requirements

- 6.1. The budget and Council tax decision must meet a number of statutory requirements. These are summarised here and provide the basis for the report's recommendations.
- 6.2. The Council has the power to decide the level of the revenue budget each year and the necessary Council tax to support it. Under the Local Government Act, 1988 this must be a **balanced budget** meaning that the Council must not run a deficit.
- 6.3. Additionally, under the Local Government Act 2003, the Chief Financial Officer must report to Full Council when it is considering its budget and Council Tax on:
 - The **robustness of the budget estimates** being considered (Part 2 Section 25 (1)(a) of the Act) (5.1); and,
 - The **adequacy of reserves** allowed for in the budget proposals. The council has to ensure that its budget makes allowances for reserves at least equal to the statutory minimum (Part 2 Section 25 (1) (b) of the Act) (5.2).
- 6.4. The Director of Governance and Communities is the council's Chief Financial Officer under Section 151 of the Local Government Act, 1972. Her advice is contained in Appendix 6, and throughout the rest of the

report. The Act at Part 1, Section 25 (2) requires that members of the council take account of these factors in making their decisions.

6.5. Sections 31 to 52 of the Local Government Finance Act 1992 define what the council needs to determine as part of its budget and Council Tax decision, as modified by the Local Government Finance Act 2012 and the Localism Act 2011.

6.6. As the billing authority for the North Lincolnshire area the council incorporates in its resolution the precept requirements of the Police and Crime Commissioner for Humberside, the Humberside Fire Authority and local town and parish councils. It also includes the Scunthorpe Special Expenses, which forms part of the council's own Council Tax allocation.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1. Council protocols require an integrated impact assessment to be made for all key decisions.

7.2. It is a method for ensuring policies, plans and projects have been assessed to identify how any negative impact or risk can be removed or mitigated, and positive impact enhanced. It covers a number of dimensions: how the decision would impact, if at all, on individuals, families, communities and the workforce; on the local environment and economy; and on the Councils responsible delivery of its statutory duties including equality, social responsibility and reputation. Integrated impact assessments will be carried out as necessary at the point that detailed proposals for implementation are considered.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1. The Council undertakes a wide range of engagement activity and consultations with key stakeholders that are used to inform strategy, service development and use of resources.

8.2. No conflicts of interest have been declared.

9. RECOMMENDATIONS

9.1. To set a revenue budget for 2022/23.

9.2. To approve the indicative Medium Term Financial Plan for 2022/25.

9.3. To approve the technical budget recommendations contained in Appendix 1.

9.4. That the oversight and use of resources to achieve the policy intent summarised in Appendix 2 is reported to Cabinet throughout the year.

- 9.5. That the Council's Chief Financial Officer be authorised to make technical budget adjustments to the management accountabilities structure and subjective analysis in 2022/23 in line with financial procedure rules.
- 9.6. That the Council's Chief Financial Officer be authorised to distribute the provision for pay and contract inflation when the impact can be quantified.
- 9.7. To authorise the council's Chief Financial Officer to produce the necessary taxpayer information on the council website.
- 9.8. Pursuant to minute 2718 of the Council, the Members' Allowance Scheme for 2022/23 be approved.

DIRECTOR OF GOVERNANCE AND COMMUNITIES

Church Square House
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Scunthorpe
North Lincolnshire
DN15 6NL

Author: Becky McIntyre/Nina Torr/Adam Hopley
Date: Monday 14th February 2022

Background Papers used in the preparation of this report

- 2021/22 Financial Monitoring and Medium Term Financial Plan Update (Q1/2/3)
- Calculating the Council Tax Base 2022/23
- Setting the National Non-Domestic Rates Tax Yield 2022/23
- 2022/23 Local Government Finance Settlement
- Schools Funding Formula 2021-22 (Cabinet Member report)

That the following technical recommendations be approved:

1. That the general council tax band D rate be set at £1,436.17, which represents an increase of 1.99% from the total 2021/22 band D rate.
2. That the adult social care precept band D rate be set at £195.90, which represents an increase of 2% from the total 2021/22 band D rate.
3. To note that at its meeting held on 14 December 2021 Council calculated the following amounts for the year **2022/23**. These are as required by regulations made under Section 33(5) of the Local Government Finance Act 1992:
 - (a) **50,801.0** as its Council Tax Base for the year [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") (regulation 3)
 - (b) the Council Tax Base for each part of the area as shown in **Appendix 4**, column 2 (regulation 6)
4. That the following amounts calculated for **2022/23**, as required by Sections 31 to 52 of the Local Government Finance Act 1992 as amended, be approved:
 - (a) **£83,518,096** being the **relevant basic amount of Council tax** for 2020/21 (Council Tax requirement for the Council's own purposes excluding parish precepts but including special expenses)
 - (b) **£365,994,133** being the aggregate of the amounts which the council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by parish and town councils (**gross expenditure including parish precepts and special expenses**)
 - (c) **£280,775,349** being the aggregate of the amounts which the council estimates for the items set out in Section 31A (3) of the Act (**gross income**)
 - (d) **£85,218,784** being the amount by which the aggregate at (b) above exceeds the aggregate at (c) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council Tax requirement** for the year (**Item R** in the formula in Section 31B(1) of the Act)
 - (e) **£1,677.50** being the amount at (d) above (Item R), divided by Item T (3(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts) (**Band D council tax including parish precepts and special expenses**)

- (f) **£2,307,996** being the aggregate amount of all special items and Parish precepts referred to in Section 34(1) of the Act, as per **Appendix 4 (Total of all Parish Precepts and Special Expenses)**
 - (g) **£1,632.07** being the amount at 4(e) above less the result given by dividing the amount at 4(f) above by Item T, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates
 - (h) **£36.60** being the amounts to be added to the amount at 4(g) above being the amounts of the special item or items relating to dwellings in those parts of the Councils area mentioned above divided in each case by the amount at 3(b) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its Council tax for the year for dwellings in those parts of its area to which one or more special items relate
5. To note that for the year 2022/23 the major precepting authorities have stated the amounts in precepts issued to the council, in accordance with Section 40 of the Local Government Finance Act, 1992 (**police and fire precepts**).
 6. To set the amounts of Council Tax for the year 2022/23 for each of the categories of dwellings, in accordance with Section 31B of the Local Government Finance Act 1992 as amended (**Council tax including police, fire and parish precept for each band and each parish**).
 7. To confirm the robustness of the estimates used in setting the level of Council Tax in accordance with the requirements of the Local Government Act 2003 (Part 2 Section 25 (1)(a) of the Act).
 8. To confirm the adequacy of reserves included in the budget in accordance with the requirements of the Local Government Act 2003 (Part 2 Section 25 (1) (b) of the Act), and the policy for use of reserves as set out in Section 5 of the report and at **Appendix 3**.
 9. To approve the use of the capital receipts flexibility enabling spending charged to the revenue budget on service transformation to be capitalised as set out at **Appendix 7**.

1. Local Policy Context

- 1.1. The ability for the Council to embrace opportunities and face future challenges is rooted in its one council, one family and one place approach. The refreshed Council Plan will reconfirm aspiration and ambition for people and place and provide the bedrock to translate policy intentions through priority action and delivery plans.
- 1.2. Informed by local strategy and policy intent, the activity, investment and resource deployment are shaped around the priorities of the council:
 - Keeping people safe and well
 - Enabling flourishing and resilient communities
 - Enabling economic growth and renewal, and
 - Well led council
- 1.3. The Council is responsible for adoption of its budget and policy framework and once in place it is the responsibility of the Executive to implement it. Cabinet collectively leads on budget and performance monitoring across the whole range of council activities including delivery oversight to support achievement of council outcomes within the strategic policy frameworks of the Local Plan and Council Plan.
- 1.4. Impact against outcomes will be agreed by Cabinet as part of the strategic monitoring and oversight reporting.
- 1.5. In this context the proposed budget provides the resources to achieve the following:

Priority	INTENT	IMPLEMENTATION
Keeping people safe and well	Children and their families are safeguarded and have the right support to keep children in their families, schools and communities.	Investment in workforce development, resource and capacity to ensure our work with families has the maximum impact.
	More people remain in their own communities, enabled to recover from life events regaining their independence	Adopting a community first model, assessing need that promotes independence through self-help, increased value in voluntary sector and managing people's expectations.
	Care leavers have the support they need whatever their age	Leading by example we will build on our extended corporate parenting pledge to enable young people in care and care leavers to achieve their ambitions.
	The care sector is high quality and sustainable.	Market shaping across care home and home care sectors creating new employment models for sustainability
	To improve healthy life expectancy and decrease disparities in health and wellbeing, enabling residents to maintain good health and wellbeing and prevent ill health.	Promotion of positive behaviours through focused programmes to maximise impact on health inequalities, build resilience in young people, enabling healthy choices and self-care for long term conditions.

Priority	INTENT	IMPLEMENTATION
	Digital innovation and technology supports a one council, one family approach that promotes council and place integration and strengths based, needs-led intervention	Enable self-service options with case information collected once and used many times giving access to children, families, adults and carers direct contribution to their care to inform collaborative decision making.
Enabling Resilient and Flourishing Communities	We get the right accommodation in the right place at the right time with more people having a place they call home with their own front door key.	<p>Invest in models of accommodation to enable employment and further education opportunities for adults with disability, homelessness and other disadvantages creating a robust integrated recovery model promoting independence.</p> <p>Deliver a new landlord accreditation scheme to support landlords to provide quality homes and secure tenures</p>
	We will promote a greener, cleaner, healthier, and sustainable environment	<p>Enable residents to play their part in carbon reduction and climate change through provision of targeted grants and a review of our waste offer to minimise environmental impact.</p> <p>Enhancing our partnerships with voluntary and community groups, Town and Parish Councils to achieve green initiatives such as the planting of 180,000 new trees.</p> <p>Promote positive behaviours and implement a risk based, targeted environmental crime enforcement response</p>

Priority	INTENT	IMPLEMENTATION
	Enable and facilitate a range of opportunities for residents to access public transport and active travel.	Deliver Bus Partnership Plan, invest in the public transport infrastructure, enable and progress market making for commercial bus routes, transform the offer and achieve value for money
	More community groups and individuals have access to a range of high-quality venues to keep themselves well	Develop the community hub offer and maximise opportunities of external funding to enhance North Lincolnshire community assets Work with partners to enable a one place volunteer strategy
Enabling Economic Growth and Renewal	All children and young People have access to high quality, inclusive education.	Enable the opening of the Post-16 Special Education Needs and Disabilities (SEND) Free School (Sept 2023.) – with vocational focus Create a modern facility to provide specialist overnight short breaks and emergency care / longer-term placements for young people with complex SEND needs Deliver the Schools capital investment programme
	Encouraging personal ambition through improved skills and education and careers guidance	Lead the demand-pull skills eco system for North Lincolnshire within a new and updated Skills Plan targeting full employment in better paid jobs
	Support an inclusive economy and promote employment growth through a clear local plan	Deliver new investment, creating higher value jobs, invest in economic infrastructure - including transport and training, enabling higher level skills, deliver community enterprise and prosperity building to support local economic success

Priority	INTENT	IMPLEMENTATION
	We will ensure that developers deliver environmentally sustainable and quality housing growth	Deliver and implement a sound local plan
	To provide a safe and connected infrastructure for both the residents, communities and businesses.	Prioritise capital investment to improve condition of our highway networks to encourage investment, enable safe active travel routes across Greater Lincolnshire, progress the implementation of an Integrated Transport Strategy, enable the Freight Strategy to support Freeport Development to be implemented, explore opportunities with Humber Safety Partnership to support road safety schemes delivery.
	Traded services fully recover costs	Enable access to open market delivery

2. Financial Strategy and Financial Planning Environment

2.1. The resources available to the council to make a difference need to be used wisely and deliver value for taxpayers' money. The financial strategy guides this and provides the mechanisms to ensure the council is financially sustainable and resilient. The financial plan enables the council to achieve its strategic objectives and legal duties for the benefit of residents and businesses.

2.2. The financial strategy for achieving a sustainable council is to:

- **Grow the tax base – enabling economic growth and renewal in the local economy and housing market**

Since 2016/17, the Council tax base has grown from 46,498.1 band D equivalents to 50,801.0 in 2022/23, leveraging in an additional £7m in resources at the proposed 2022/23 band D rate.

In addition, the business rates rateable value for the area is expected to increase to £202.2m in 2022/23 – having started at £194.2m in April 2017 – increasing the gross liability by £4m at the 2022/23 multiplier rate.

Forward growth is assumed across both areas of local taxation, reflecting the Council's confidence in the local economy and its desire for increased local resource generation to enable enhanced financial resilience.

- **Maximise income by investing wisely in commercial activity and ensuring traded services fully recover costs**

In addition to providing and enabling a plethora of local services, the Council also manages commercial activity including commercial property, trade waste, schools catering and operate a range of leisure and cultural venues with a commercial mindset to generate a positive social and wellbeing impact. These are subject to ongoing review to ensure full cost recovery alongside contribution to council priorities and outcomes.

- **Take full advantage of opportunities to access external funding sources which will support achieving the council's ambitions**

The Council has been immensely successful at leveraging in external investment into the area, to support delivery of the Council plan and contributing towards its ambition.

The Council and area benefits each year through NHS funding, improving health outcomes for residents. In addition, the Council has successfully secured Towns Funding among other capital schemes to support significant investment into the area.

- **Find innovative ways of enablement and delivery, and only invest in things that demonstrate greatest impact to deliver ambitions for best place and best council**

Throughout the Covid-19 pandemic, the Council adapted to challenging circumstances at pace ensuring that it could continue to meet local need well. It sought to maximise enablement opportunities, to minimise the increase in long-term complex need, maximising outcomes for residents and containing increases in underlying cost for future years.

- **Ensure decision making is based on robust financial plans that match our ambition and secure value for money**

Decision making is supported by business cases based on the Government's Five Case Model incorporating the financial case into the development process alongside the strategic, economic, commercial and management case aligned with council plan priorities.

- 2.3. The Council is currently in the recovery and renewal phase following the Covid-19 pandemic and is developing a deeper understanding of what 'normal' now means. Some elements of the Council's operating environment have begun to stabilise, specifically the threat to public health has reduced from twelve months ago. During 2022/23 the Council will need to be able to respond and mitigate against potential transmission of new variants whilst national restrictions are lifted.
- 2.4. In many respects, the financial planning challenge has become two-pronged. In addition to ensuring the Council continues to work with partners to meet ongoing health and social care need, the Council must also now deal with a challenging economic environment which is forecast to worsen before it improves. According to the Bank of England, the prevalence of higher inflation is precipitated by global energy and tradable goods prices reflecting restrictions in supplies. It envisages inflation will increase to close to 6% in February and March, before peaking at 7.25% in April. Inflation is projected to fall back to a little above the 2% target in two years' time.
- 2.5. Council spending won't be excluded from the impact of inflation either through contractual application of an inflation measure (e.g. CPI/RPI) or national pay awards. Our residents and businesses will also experience the impact of price increases, which may impact on the council's normal activity levels and revenue streams. Based upon the current economic environment the cost base is likely to grow faster than our ability to grow our income, and as such this will be closely monitored throughout the year.
- 2.6. At the outset of the financial planning process, a series of strategic principles were established to provide a framework for the organisation:
 - A process shaped by **principles** and **outcomes**, not solely efficiency (led by the needs of the organisation)
 - Adopting the Council **values** framework (Integrity, Excellence, Self-Responsibility, and Equality of Opportunity)

- Activity/areas reviewed with a focus on **Intent** (what/when/why), **Implementation** (how) and **Impact** (the difference being made)
- Ensuring a process which best identifies, manages and mitigates service and organisational **risk**
- Enable the organisation to take the **best decisions** supported by the best financial and non-financial information
- Balance robust **challenge** and **support** to meet financial stewardship requirements and advance sustainability aspirations
- With efforts to increase **capacity** and further develop service **capabilities** to enhance resilience
- Being **progressive** and **outward** (deepening and strengthening connections across the organisation)
- Making best use of non-financial information to complement and improve the **quality** of financial information
- Supported by **development** of strong Business Partnering relationships
- Seek opportunities with partners to maximise economies of scale whilst enabling communities to take more responsibility for their local facilities

3. Spending Power and Budget Requirement

3.1. The following tables set out the estimate of Spending Power 2022-25 and the proposed investment budget aligned to the delegated responsibilities of the Council's chief officers

Table 1 – Estimate of Spending Power

2021/22 Approved £000's	FORECAST SPENDING POWER	2022/23 Proposed £000's	2023/24 Proposed £000's	2024/25 Proposed £000's
(1,909)	Use of Reserves	(1,486)	-	-
	SETTLEMENT FUNDING			
(6,232)	Revenue Support Grant	(6,426)	(6,555)	(6,621)
(33,171)	NNDR Baseline Funding	(33,171)	(33,836)	(34,501)
(39,403)	Total Settlement Funding	(39,597)	(40,391)	(41,122)
	OTHER GENERAL FUNDING			
(70,321)	Council Tax (1.99% 22/23 - 24/25)	(73,566)	(75,805)	(78,124)
(8,166)	Social Care Precept (2% 22/23, 1% 23/24 - 24/25)	(9,952)	(10,864)	(11,815)
1,356	Collection Fund Surplus (-) / Deficit (+): CTAX	(1,456)	455	-
(2,677)	Collection Fund Surplus (-) / Deficit (+): NNDR	(73)	921	-
(11,516)	NNDR Rate Retention Income	(14,777)	(17,675)	(18,065)
(206)	New Homes Bonus	(673)	-	-
(7,025)	Improved Better Care Fund	(7,237)	(7,025)	(7,025)
(216)	Rural Services Delivery Grant	(216)	(216)	(216)
(437)	DSG Central School Services	(437)	(437)	(437)
(5,559)	Social Care Grant	(7,614)	(7,614)	(7,614)
(252)	Lower Tier Services Grant	(266)	-	-
-	Market Sustainability and Fair Cost of Care Fund	(514)	(4,439)	(6,341)
-	2022/23 Services Grant	(2,287)	(2,287)	(2,287)
(9,435)	Public Health Grant	(9,700)	(9,894)	(10,092)
(114,455)	Total Base Funding	(128,768)	(134,880)	(142,016)
(155,767)	TOTAL CORE FUNDING	(169,851)	(175,271)	(183,138)
(7,070)	Covid-19 Funding	-	-	-
(162,837)	TOTAL FUNDING	(169,851)	(175,271)	(183,138)

Table 2 – Proposed Investment by Chief Officer delegated responsibility

2021/22 NET £000's	MANAGEMENT ACCOUNTABILITY	2022/23 EXP £000's	2022/23 INC £000's	2022/23 NET £000's
44,033	Adults & Health	67,090	(17,527)	49,563
28,312	Children & Families	61,658	(33,174)	28,484
38,142	Economy & Environment	69,461	(29,034)	40,427
20,462	Governance & Communities (Core)	62,116	(40,917)	21,199
20,034	Governance & Communities (Technical)	17,878	(1,010)	16,868
7,310	Public Health	7,678	(368)	7,310
158,293	SERVICE TOTAL	285,881	(122,030)	163,851
-	Inflationary Provisions	6,000	-	6,000
4,544	Covid-19 Resource	-	-	-
4,544	OTHER BUDGETS	6,000	-	6,000
162,837	NET OPERATING EXPENDITURE	291,881	(122,030)	169,851

Table 3 – Proposed Investment by Priority

2021/22 Approved Budget £000's	PRIORITY INVESTMENT	2022/23 Proposed Budget £000's	2023/24 Proposed Budget £000's	2024/25 Proposed Budget £000's
95,558	Keeping People Safe and Well	101,150	106,706	111,677
37,270	Enabling Resilient and Flourishing Communities	37,724	36,556	36,738
16,423	Enabling Economic Growth and Renewal	16,635	16,227	16,181
149,251	PRIORITY TOTAL	155,509	159,489	164,596
-	Inflationary Provisions	6,000	9,500	13,000
4,544	Covid-19 Resource	-	-	-
(3,993)	Contribution from commercial property portfolio	(3,993)	(3,993)	(3,993)
13,035	Capital Financing	12,335	13,219	13,914
13,586	OTHER BUDGETS	14,342	18,726	22,921
-	Cost Reductions in Development	-	(2,944)	(4,379)
162,837	NET OPERATING EXPENDITURE	169,851	175,271	183,138

Table 4 – Subjective Analysis

SUBJECTIVE	2022/23 Proposed Budget £000's	SUBJECTIVE	2022/23 Proposed Budget £000's
GROSS EXPENDITURE		GROSS INCOME	
Employees	106,345	Sales Fees & charges	(25,387)
Premises Costs	7,461	Rents	(5,290)
Transport Costs	6,341	Other Income	(4,757)
Supplies & Services	25,901	Payments from other LAs	(398)
Third Party Payments	120,204	Joint Finance	(826)
Capital Financing	12,335	Government Grants	(70,794)
Total Expenditure	278,587	Internal Recharges	(1,284)
		Total Income	(108,736)

Table 5 – DSG/Individual Schools Budget

2022/23 £000's	DSG FUNDING AND INVESTMENT	2022/23 £000's
152,810	DSG Funding	159,308
	Investment in Education:	
121,262	Schools Block	125,395
963	Central Block	990
18,446	High Needs Block after recoupment	23,444
1,443	2 year old Funding	1,308
7,975	Universal plus extended hours 3 & 4 year old funding	7,626
145	Early Years Pupil Premium	182
37	Early Years Disability Access Fund	53
150,273	Total Planned Investment	158,998
2,537	Contribution to DSG Reserve	311
65,051	Memo: maintained school budgets	66,497

4. Analysis of Funding (Table 1 – Estimate of Spending Power)

- 4.1. The Council's spending power is set out in Table 1. This shows that the Council expects to have £169.8m available to invest in Council plan priorities, funded by a combination of nationally allocated and locally generated resources. Spending power in 2022/23 reflects an anticipated increase in resources of £7m (4.3%) from 2021/22.
- 4.2. The financing framework in which the Council operates is controlled by national policy. Over the course of the previous ten years, there has been a considered shift towards ensuring a greater proportion of the cost of local government is funded from locally generated resources, with reductions in grant funding applied. This shift was intended to further strengthen local accountability and acted as an incentive for local authorities to promote economic growth, with the potential to generate increased resources from a bigger taxbase. The corollary with greater funding risk means that the opposite could also happen.
- 4.3. The Covid-19 pandemic has imposed an abatement to this shift. The public health restrictions had implications for the economy – expected in the main to be temporary – and prompted unprecedented intervention by Government. At a time where there is greater demand for public services, compounded by an operating environment subject to relatively high levels of inflation, the Government have increased grant support to the sector through direct grant allocations and increased business rate grant compensation to facilitate additional business rate relief in 2022/23.
- 4.4. It is important to note that the Council only has funding certainty for one year, as has been the case for the last few years. The longer-term financing framework is yet to crystallise, with a short-term focus preferred while a stable new normal reality is reached.
- 4.5. The analysis in this section sets out the national policy environment, and the impact on each funding source within Table 1. The basis on which they have been calculated is explained with any risk that may cause the figures to vary considered.

National Public Finance and Economic Context

- 4.6. The Government set out the national spending and taxation position for 2022/23 in the Autumn Budget, with indicative allocations for 2023/24 and 2024/25. The Autumn Budget and SR2021 set out higher taxation and real-terms increases in public sector investment, against a backdrop of improved economic forecasts which reflect slightly less scarring from Covid-19 and the potential for increased inflation over the medium term.
- 4.7. The national economic context is the most important aspect of the Autumn Budget. The projected performance of the economy directly correlates with the level of public receipts anticipated, and therefore how much the government can spend nationally on its priorities. The Autumn Budget incorporated forecasts from the Office for Budget Responsibility, and set out:

- New fiscal rules for public sector net debt as a percentage of GDP to reduce, alongside no borrowing for day-to-day spending
- A growing economy, with growth of 6% in 2022 followed by annual increases thereafter of 2.1%, 1.3%, 1.6% and 1.7%
- A falling current budget deficit (borrowing to fund spend on day-to-day services), with the long-term intent to only borrow for capital investment
- Public sector net debt as a percentage of GDP expected to fall after 2021/22
- A reduction in the OBR's previous scarring estimate of 3% to 2% - less scarring means a larger economy in the medium term
- An expectation of elevated inflation in 2022 and 2023, reflecting the lagged effect of recent increases in energy and other input prices
- An expectation that the bank base rate will increase to 0.5% in 2022, with bigger increases needed if inflation rates exceed current forecasts

The OBR forecasts enable increased investment in public services, with a growing economy a fundamental prerequisite in normal times.

- 4.8. However, considerable risks with regards to inflation exist. Inflation was expected to peak at 4.4% (CPI, Q2 2022), but reached 5.4% in December 2021 and is expected to rise further. It has not been at this level since September 2011 (5.2%) and before that September 2008 (5.2%). The rate of inflation was last higher than the current rate in March 1992 (7.1%).
- 4.9. This has prompted the Bank of England to increase the base rate earlier than expected to 0.5% in February 2022, with further increases now expected as it seeks to return inflation towards its 2% target. Persistent high inflation risks increasing the cost of goods and services faster than increases in income, with implications for individuals and organisations. The potential implications for the Council are considered elsewhere in this report.
- 4.10. The next OBR economic and fiscal forecast is expected to be published on 23rd March 2022 and could contain further policy announcements.

National Policy Intent

- 4.11. In addition to providing a comprehensive update on the state of public finances, the Autumn Budget set out other policy announcements:
- Further information around the **adult social care reform** proposals, which are intended to put people at the heart of care and place a cap on lifetime care costs. This includes £3.6bn investment to implement the cap on personal care costs and changes to the means test. This funding will also help local authorities better sustain their local care markets by moving towards a fairer cost of care. In addition, £1.7bn to be invested over three years to improve the wider social care system, including the quality and integration of care. The white paper on social care reform was published on 1st December 2021 and on health and social care integration was published on 9th February 2022.

- This is to be funded by the new **health and social care levy**, which will increase the rate of employer and employee national insurance by 1.25 percentage points and is expected to generate more than £13bn in additional receipts per annum.
- Eight locations were selected to become **freeports**, with the Humber being one of them. Freeports have three objectives: (1) to become national hubs for global trade and investment, (2) create hotbeds for innovation, and (3) promote regeneration through the creation of high-skilled jobs. This is considered further within the business rates section.
- In order to reduce the burden of **business rates**, up to 400,000 retail, leisure and hospitality businesses will benefit from 50% business rate relief. In addition, the multiplier will be frozen until the next revaluation, due in April 2023.

4.12. The Government also provided further information in respect of its levelling up aims, with the white paper published on 2nd February 2022.

Local Government Finance Settlement 2022/23

4.13. The annual finance settlement is the mechanism by which the Government translate national funding allocations into specific funding for local authorities. The draft settlement was published on 16th December 2021 and confirmed in the final settlement published on 7th February 2022. The Government opted for a one-year settlement – providing short-term certainty – while it progresses plans to update its assessment of local authority needs and resources. This represents both an opportunity and a risk for future years funding.

4.14. The key announcements, including policy direction, arising from the settlement are as follows:

- £1.6bn new grant funding distributed through three different grant streams (£0.8bn 2022/23 services grant, £0.6bn social care grant, £0.1bn IBCF).
- Confirmation around council tax flexibilities, with general increases capped at 2% and ASC precept increases capped at 1% per annum
- Confirmation that the 1% increase deferred from 2021/22 can be utilised in 2022/23
- Funding to support local authorities in preparing local markets for adult social care reform and to help move towards paying a fair cost of care.
- One year extension of new homes bonus approach for 2022/23, worth £554m, while the Government continue their review of the scheme.
- Continuation of rural services delivery grant and lower tier services grant.
- Inflationary increase to revenue support grant, worth £70m.
- Compensation for under-indexation of the business rates multiplier.

4.15. The Government announced plans to undertake a fair funding review several years ago. In the settlement, they committed to ensuring funding allocations are based upon an up-to-date assessment of needs and resources. This was last partially considered in 2013/14. Over the coming months, the Department for Levelling Up, Housing and Communities will work closely with the sector

and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

- 4.16. The settlement set out £53.9bn in core spending power for England, a £3.6bn increase from 2021/22. To realise the increase, the sector must generate an additional £1.4bn through council tax increases. Council tax restraint has been in place for some time – and is likely to remain so – therefore actual core spending power will be lower. The breakdown by funding source is as follows:

Core Spending Power (England)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Settlement Funding Assessment	21.2	18.6	16.6	15.6	14.6	14.8	14.8	14.9
Business Rate under indexation grant	0.2	0.2	0.2	0.3	0.4	0.5	0.7	1.0
Council Tax & ASC Precept	22.0	23.2	24.7	26.3	27.8	29.2	30.3	31.7
Improved Better Care Fund	-	-	1.1	1.5	1.8	2.1	2.1	2.1
New Homes Bonus	1.2	1.5	1.3	0.9	0.9	0.9	0.6	0.6
Rural Services Delivery Grant	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transition Grant	-	0.2	0.2	-	-	-	-	-
Adult Social Care Support Grant	-	-	0.2	0.2	-	-	-	-
Winter Pressures Grant	-	-	-	0.2	0.2	-	-	-
Social Care Support Grant	-	-	-	-	0.4	-	-	-
Social Care Grant	-	-	-	-	-	1.4	1.7	2.3
Market Sust. and Fair Cost of Care	-	-	-	-	-	-	-	0.2
Lower Tier Services Grant	-	-	-	-	-	-	0.1	0.1
2022/23 Services Grant	-	-	-	-	-	-	-	0.8
CORE SPENDING POWER (bn)	44.7	43.7	44.3	45.1	46.2	49.0	50.3	53.9

N.B. Autumn Budget set indicative core spending power for 2023/24 (£56.6bn) and 2024/25 (£58.9bn)

- 4.17. According to Government calculations, North Lincolnshire's maximum core spending power in 2022/23 is £143.4m, which is an increase of £10.5m from 2021/22. Of the increase, £3.8m is predicated on council tax increases, with the remainder due to increased grant funding. This can be seen below:

Core Spending Power (N. Lincs)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Settlement Funding Assessment	58.5	50.9	45.3	42.1	38.7	39.4	39.4	39.6
Business Rate under indexation grant	0.4	0.4	0.5	0.7	1.1	1.3	1.7	2.7
Council Tax & ASC Precept	57.9	60.9	65.6	69.5	72.7	76.2	78.5	82.3
Improved Better Care Fund	-	-	3.7	5.0	6.3	7.0	7.0	7.2
New Homes Bonus	2.7	3.2	2.1	1.0	0.7	0.4	0.2	0.7
Rural Services Delivery Grant	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Adult Social Care Support Grant	-	-	0.8	0.5	-	-	-	-
Winter Pressures Grant	-	-	-	0.8	0.8	-	-	-
Social Care Support Grant	-	-	-	-	1.3	-	-	-
Social Care Grant	-	-	-	-	-	4.5	5.6	7.6
Market Sust. and Fair Cost of Care	-	-	-	-	-	-	-	0.5
Lower Tier Services Grant	-	-	-	-	-	-	0.3	0.3
2022/23 Services Grant	-	-	-	-	-	-	-	2.3
CORE SPENDING POWER	119.6	115.6	118.0	119.8	121.8	129.1	132.9	143.4

- 4.18. To aid future financial planning, officers have assessed how much resource North Lincolnshire might expect to receive from future settlements given the stated core spending power in 2023/24 and 2024/25 and reflected within the spending power estimate for those years in Table 1.

- 4.19. Council tax continues to become increasingly important. The changing composition of Council funding can be seen in the following table:

Core Spending Power (N. Lincs)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Settlement Funding Assessment	58.5	50.9	45.3	42.1	38.7	39.4	39.4	39.6
Other Grant Funding	3.2	3.9	7.2	8.2	10.3	13.5	15.0	21.5
Council Tax & ASC Precept	57.9	60.9	65.6	69.5	72.7	76.2	78.5	82.3
CORE SPENDING POWER	119.6	115.6	118.0	119.8	121.8	129.1	132.9	143.4

Council tax accounts for 57% of CSP in 2022/23, having accounted for 48% in 2015/16. Non-specific grant funding which forms part of the settlement funding assessment has decreased significantly, offset by a series of increases in specific grant funding streams (e.g. social care grant).

- 4.20. The Council has funding certainty for one year. From 2022/23 onwards, as a minimum there are likely to be changes in respect of the relative needs assessment which determines grant allocations, and changes in respect of the business rates revaluation. Officers will continue to monitor developments – contributing to the direction of travel wherever possible – and keep Cabinet updated on a regular basis.

Council Tax & Adult Social Care Precept

- 4.21. Income from council tax equates to just over half of the Council's core funding base. It is the most important source of funding to the Council and is the one to which it has most control. There is generally a lower degree of volatility within council tax than other funding sources, such as business rates. Its relative importance continues to grow.
- 4.22. Gross forecast income from council tax is based on two key assumptions:
- (i) the Council Tax base (expressed in band D equivalents)
 - (ii) the band D rate of Council Tax.
- 4.23. Full Council set the 2022/23 council tax base on 14th December 2021 at 50,801.3 band D equivalents, an increase of 2.3% compared to the 2021/22 base which had itself been dampened due to the potential effects of Covid-19. The taxbase increase reflects the following (equivalent band D):
- An increase in the number of gross properties (481)
 - An increase in the collection percentage estimate (288)
 - Additional empty property surcharge cases (176 – see 4.8)
 - A natural reduction in council tax support recipients (161)
 - A reduction in the number of single adult households (58)
- 4.24. Beyond 2022/23, the taxbase is assumed to continue growing at a modest 0.8% growth per annum. This reflects a stable planning environment, with the primary difference each year relating to property growth of around 400 houses per annum. The Council has established robust taxbase management processes which ensure clear line of sight in respect of progress against the assumptions supporting the taxbase over the medium term.
- 4.25. In the Local Government finance settlement, the Government maintained the council tax referendum limit for general council tax increases at 2%. When making its assessment of spending power for Local Government, the Government assume that councils will maximise their

flexibilities to increase council tax. **This plan assumes a 1.99% annual increase across all years.**

- 4.26. In addition, Councils are also able to levy an additional increase in the adult social care precept. This represents a local charge to contribute towards the cost of social care services. The Council has maximised its possibilities under the precept date, assuming the 1% deferred from last year is implemented in 2022/23. **This plan assumes a 2% increase in the adult social care precept in 2022/23, with 1% annual increases thereafter.**
- 4.27. The average property banding in North Lincolnshire is band B. The general rate increase in 2022/23 equates to £2.02 per month, while the adult social care precept increase equates to £2.03 per month for a band B property.
- 4.28. In recognition of the increased pressure to households brought about by rising energy costs, the Government have announced a £150 council tax rebate for certain households (e.g. band A – D properties) at the start of 2022/23. To put this into context, the council tax increase proposed in this report will increase the annual charge for a band A property by £41.75.
- 4.29. The relative importance of council tax has increased significantly over the last ten years, in line with Government intent and policy. It now accounts for around half of total funding. Total funding from council tax and the adult social care precept is expected to be 48% higher in 2024/25 than it was in 2016/17. This is demonstrated in the table below:

Council Tax	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Base (band D)	46,498.1	48,147.2	48,602.1	49,442.8	49,889.5	49,640.3	50,801.0	51,193.0	51,585.0
Rate (band D):									
General	1,273.86	1,286.72	1,313.61	1,354.75	1,382.49	1,404.94	1,436.17	1,468.65	1,502.10
ASC Precept	25.48	64.46	104.99	104.99	134.18	164.51	195.90	212.22	229.03
Yield:									
General	59.2	62.0	63.8	67.0	69.0	69.7	73.0	75.2	77.5
ASC Precept	1.2	3.1	5.1	5.2	6.7	8.2	10.0	10.9	11.8

- 4.30. Achieving financial sustainability remains a major long-term aim for the Council, where the Council generates enough resource from local sources to fund local need. Under the current funding system, the Treasury requires local decision making about council tax income levels relative to investment need within the national policy framework.
- 4.31. Increasing the rate of council tax is a local choice, considering factors such as investment need, financial resilience, and the burden on taxpayers – particularly during a period of relatively high levels of inflation. The cost base is at risk of increasing quicker than funding and is complicated further by inflation pressures which manifest for the Council and its taxpayers. If a decision is subsequently taken to not maximise the council tax increase in any year(s), this will result in a permanent funding impairment which cannot be recovered in later years.

- 4.32. The Council also collects council tax on behalf of other major precepting bodies (Humberside Police and Fire) and town and parish councils. Properties within Scunthorpe also pay a Special Expense charge, instead of a parish precept. Full Council sets the Scunthorpe Special Expense charge within the budget resolution. All precepts requested from precepting bodies are contained in Appendix 4.
- 4.33. Lastly, several bodies impose levies on the Council's general income from council tax. This includes: the Environment Agency, five internal drainage boards and the port health authority. The levy demands contribute towards the cost of activities undertaken by those bodies which provide benefit to North Lincolnshire, particularly water management and flooding prevention. The levies that have been requested are contained in Appendix 5 and equate to a charge per band D property of £31.97 funded from the Council's general council tax income.

Business Rates

- 4.34. Since 2013/14, the Council has been able to keep a share of the business rates paid in its area, under the 50% business rates retention scheme. In its simplest form, the Treasury currently receives 50%, with the Council keeping 49% and passing 1% to Humberside Fire and Rescue. The scheme provides financial incentives for local authorities to grow their economies.
- 4.35. In recent years, the Government had planned to make changes to the system and increase the amount of business rates that could be retained locally, to further sharpen the incentives in the system. However, the current system has integrated features which undermine the extent to which local authorities are rewarded for achieving local growth, specifically with regards to downward pressures on rateable values caused by business rate appeals. Furthermore, the Covid-19 pandemic has necessitated unprecedented Government intervention to support businesses in the form of additional business rate relief and grants. Hundreds of thousands of businesses will still be in receipt of expanded retail relief in 2022/23. On the whole, the business rates system is not wholly effective as a means of funding local services and as such the Government need to maintain a high degree of control over the system.
- 4.36. Rather than focus on fundamental changes to the rates retention system, the Government will now focus on the mechanism for redistributing funding to the authorities most in need, in support of its levelling up agenda.
- 4.37. The current business rates retention system sets out a baseline funding level for the Council (what it is deemed to need) and a forecast of the net yield (what it is expected to collect). The difference results in a tariff due to be paid. The tariff is structurally fixed until the next revaluation or reset of business rate baselines. The baseline funding is incorporated into the core spending power assessment (see 4.17), and is set out as follows:

Settlement NNDR Assessment	2021/22 £M	2022/23 £M
Estimated Net NNDR Yield	75.3	75.3
Split between:		
Central Government	37.7	37.7
Fire Authority	0.8	0.8
Local Authority	36.9	36.9
Tariff (-) / Top-Up (+)	(3.7)	(3.7)
NNDR Baseline Funding	33.2	33.2
Safety Net Threshold	30.7	30.7

Settlement Funding Assessment	2021/22 £M	2022/23 £M
Revenue Support Grant	6.2	6.2
NNDR Baseline Funding	33.2	33.2
Total	39.4	39.4

- 4.38. The amount retained by the Council from business rates is determined by a detailed calculation in the 'Setting the National Non-Domestic Rates Tax Yield 2022/23' report, which was approved under delegated powers on 31st January 2022. The report sets out that the Council expects to retain £47.9m from a total collectable income estimate of £85.5m (56.1%).
- 4.39. Collectable income is forecast to be similar in 2022/23 as it was in 2019/20 due to the additional reliefs now available and the freezing of the multiplier since 2020/21. However, the Council is forecasting to retain £6.9m more in 2022/23 than it did in 2019/20. Of this, £5.4m is from additional section 31 compensatory grant funding from Government.
- 4.40. The amount of forecast retention in 2022/23 is significantly more than baseline need and is due to a combination of growth within the system and increase from fully retained items (e.g. renewables). The additional resource retained from business rates is both a success and a risk. It is a success in that the Council yields more resource from business rates which enables it to invest more in local services, and a risk in that its resources from business rates could fall to £30.7m before safety net support. The Council employs risk mitigation measures to support the organisation's financial resilience.
- 4.41. The Government committed to conduct a review of business rates at Spring Budget 2020. It concluded its review of business rates and presented the findings in the Autumn Budget. The objectives had been to: reduce the overall burden on business; improve the current business rates system; and consider more fundamental changes in the medium-to-long term. In concluding the review, the Government committed to:
- Provide 50% business rate relief for eligible retail, leisure and hospitality businesses in 2022/23
 - Freeze the multiplier until the next revaluation, due in 2023/24
 - Introduce a new relief to support investment in property improvements, whereby enhancements do not attract higher charges until a year after they have been made
 - Introducing measures to support green investment and de-carbonisation, providing exemptions for eligible plant and equipment
 - Move to three yearly revaluations from 2023
 - Invest in business rates systems to ensure fundamental change
 - Providing stability ahead of the 2023 revaluation by extending transitional relief and the supporting small businesses scheme

- Consider the arguments for and against an online sales tax which, if introduced, would raise revenue to fund business rate reductions
- 4.42. The next revaluation of rateable values will take effect in 2023 – administered by the Valuation Office Agency – and will lead to updated property valuations for every business property. Valuations will reflect economic conditions at 1st April 2021, meaning updated property valuations will reflect the impact of the pandemic on cost inputs such as rents. At a national level, revaluations are required by law to be fiscally neutral which is achieved through an adjustment in the multiplier. The Council’s funding from business rates is expected to remain substantially unchanged, with an adjustment to the tariff it pays likely.
- 4.43. The Humber was announced as one of eight freeports in the Autumn Budget, with the stated aim to “encourage businesses from around the world to create new hubs of global trade that will transform economic prospects and job opportunities for local communities”. The Council is currently finalising arrangements with partners to establish the freeport. The freeport present opportunities and risks to the funding base considered further in the taxbase setting report. The taxbase calculation assumes that there will be no freeport relief awarded during 2022/23, which reflects the current position. Any retained business rates from the freeport site will be ring-fenced for the economic objectives of the freeport.
- 4.44. The Government continues to provide some support to business impacted by Covid-19 through additional relief announced for 2022/23 and business grants in recognition of the challenges brought about by the Omicron variant. As the economy – and by extension the business rates system – transitions back to normal and the level of support provided reduces, the underlying impact of the pandemic to North Lincolnshire businesses will start to become clearer.
- 4.45. The current business rates retention system is the source of funding with the greatest volatility due to the potential impact of external factors, therefore greatest risk. There are downward pressures to rateable values, an area where the Council has no control. The current system enables businesses to appeal rateable values, with potential refunds back to the start of the rating list (2017). Downward pressures encompass business rate appeals, and case law determinations which require the Valuation Office Agency (VOA) to take a different approach to certain types of non-domestic property. During 2022/23, the VOA have applied adjustments to North Lincolnshire’s rating list which have reduced the area rateable value by £2.5m. This takes the total appeal led downward adjustments on the 2017 list to £7.3m, which drags against other non-appeal growth of £11.2m. The downward pressure is expected to continue, thereby increasing the importance of generating increases elsewhere in the taxbase to maintain an ‘as is’ position.
- 4.46. It is important to note that the Council’s business rate taxbase is dominated by large ratepayers. The top 50 properties by rateable value account for over half of the total rateable value, made up from 5,657 properties. Any change in valuation for any of these properties could significantly impact the Council’s funding from business rates, both in terms of backdated appeals and ongoing revenue loss.

4.47. The Council has a limited number of risk management tools to mitigate against the risk of backdated refunds. The Council maintains an appeals provision within the collection fund, which represents a set aside of business rates income to fund the future cost of backdated refunds and sets aside resource each year to contribute towards this pot. The Council also sets resource aside within reserves, recognising that the Council's funding from business rates is forecast to be £17.3m more than the safety net level, thereby meaning the Council's funding could significantly fall within in the event of a funding shock. Whilst a possibility, it is hoped that such a scenario would be unlikely. Financial resilience requires the Council to pro-actively manage and mitigate identified financial risks wherever possible.

Collection Fund

- 4.48. The council maintains a separate collection fund for council tax and business rates. The council makes an estimate of the total level of income it expects to receive into the collection fund at the start of the financial year and pays out the relative share to each precepting authority. It then reviews the actual performance of the collection fund in its January estimate, which is used to forecast whether a surplus or deficit is expected to arise at the year end. The estimate is then shared amongst the major precepting authorities, according to the relative share for each, with the Council's share reflected in the funding base for the next year. At the year-end, the definitive calculation is undertaken which gives rise to the actual surplus or deficit. If the actual differs from the estimate, the difference will impact the funding base in the year following.
- 4.49. The optimum position would be a nil collection fund surplus/deficit, as it would mean that the council accurately forecast the level of locally generated taxation at the start of the year. However, this is highly unlikely because the estimate is based on lots of variables which inevitably change during the year.
- 4.50. Last year, the Government amended the collection fund regulations to enable Councils to spread collection fund deficits arising in 2020/21 over a three-year period instead of the usual one-year time period, recognising the potential for large deficits being generated and enabled the Council to smooth its forecast deficit over a three-year period.
- 4.51. In respect of council tax, a collection fund surplus is forecast for 2021/22 and reflects a better collection fund outturn from 2020/21 relative to the January forecast and an improvement in the in-year collection forecasts relative to the tax base assumption. The forecast surplus includes an allowance to fund the residual deficit from 2020/21 that is being spread over three years.
- 4.52. In respect of business rates, the 2021/22 estimate comprises a collection fund deficit caused through allocation of additional business rate relief, particularly the additional Covid-19 retail relief, as well as a series of successful appeals resulting in backdated refunds. This is deemed to be offset by compensatory section 31 grants and a reduction in the size of the appeals provision.
- 4.53. The 2020 Spending Review confirmed that the local authorities will be compensated for 75% of irrecoverable losses in council tax and business

rates income in respect of 2020-21, through the local tax income guarantee scheme. The Council received slightly more funding under the local tax income guarantee funding scheme for council tax than it had expected to following 2020/21 outturn. However, it did not receive any support under the business rates element of the scheme, due to the Council receiving increased rates from renewable energy schemes.

Funding for Social Care

- 4.54. Since 2016/17, the Government has provided a package of funding to support Local Government in managing increasing social care need and transformation in integrated provision. The package of funding has increased year on year, recognising that shared objectives and outcomes of health and social care require investment. The Government’s commitment to social care reform (see 1.11) has led additional funding to support market sustainability and the shift towards a fairer cost of care. The total funding provided and enabled to contribute towards the cost of social care has therefore increased, as shown below (with forecasts for 2023/24 and 2024/25):

Social Care Funding (all in £M)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Social Care Precept	3.1	5.1	5.2	6.7	8.2	10.0	10.9	11.8
Improved Better Care Fund	0.3	5.0	6.3	7.0	7.0	7.2	7.2	7.2
Social Care Grant Funding	0.8	0.5	2.1	4.5	5.6	7.6	7.6	7.6
Market Sust. & C.O.C. Fund	-	-	-	-	-	0.5	4.4	6.3
Total	4.2	10.6	13.5	18.2	20.8	25.3	29.9	32.8
Change Per Year	-	6.4	2.9	4.7	2.6	4.5	4.6	2.9

- 4.55. The budget proposal assumes the Council will maximise its flexibilities under the adult social care precept in all years of the financial plan.
- 4.56. In total, social care specific funding is expected to increase by £4.5m in 2022/23. This enables social care budgets to be increased, ensuring the Council can continue to meet local need. However, the cost and demand of social care services is increasing quicker than specific funding, requiring the Council to fund some of the extra cost increase through other sources (see section 2 – analysis of net operating expenditure).
- 4.57. The adult social care precept is being used to contribute to maintaining effective local services. Adult social care services have been subject to significant cost pressures due to several factors including: demographic changes, inflationary pressures, permanent effects of the Covid-19 pandemic and inter-dependency with the NHS system, the increase in the national living wage, and increased complexity of demand. The adult social care precept, together with the approach to meeting need, contribute to containing the increasing cost of service delivery.
- 4.58. Use of the Improved Better Care Fund is agreed collectively with North Lincolnshire Clinical Commissioning Group (NLCCG), as its use is intended to benefit both Health and Social Care through more effective joint working as part of the Better Care Fund planning requirements.

Public Health Grant

- 4.59. The Council receives a Public Health grant from the Department of Health and Social Care, ring-fenced to public health activities. Specific allocations were confirmed on 7th February 2022, with the grant being inflated from 2021/22 levels in line with the wider health settlement. It is assumed that this continues to happen over the medium term financial plan period.

Other Government Grants

- 4.60. The Autumn Budget set out £1.6 billion of new grant funding in each of the next three years, on top of the funding to implement social care reform, to increase investment in supporting vulnerable children and support the provision of other local services. The settlement confirms it is being distributed between: a new 2022/23 services grant, a top up to the existing social care grant, and an inflationary increase to the improved better care fund. In total, this amounts to £4.6m for the Council, and is expected to remain in future years, although the distribution of the 2022/23 services grant may change in line with the wider review of resource and needs assessment.
- 4.61. A long-standing feature of local government finance has been the Revenue Support Grant, a general contribution from Government towards the cost of local services. This has been increased by inflation in 2022/23.
- 4.62. The Council also receives a Rural Services Delivery Grant, acknowledging that the cost of providing some services in rural areas carries with it a greater cost. The Government have frozen allocations at 2021/22 levels.
- 4.63. The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. The grant incentive has been significantly diminished in recent years, with the system in scope for review. The Government have confirmed it is rolling over the current approach for 2022/23. No resource is expected from this scheme beyond then.
- 4.64. The Council received a modest lower tier services grant in 2021/22. This has increased slightly for 2022/23, with no funding expected in future years.
- 4.65. The Dedicated Schools Grant (DSG Central Grant) contributes towards the cost of statutory education authority services, with Schools Forum approval required annually. It is assumed approval continues to be given.

Reserves

- 4.66. As per the reserves strategy in Appendix 3, the Council plans to utilise £1.5m of reserve funding to fund specific elements of the cost base on a one-year basis. This primarily reflects areas where income levels are yet to return to pre-pandemic levels (e.g. leisure income). In year financial management will consider whether the transition back to 'normal' levels is continuing. If income levels do not recover, the Council will need to think about a permanent resolution which could involve changing operating models or re-prioritisation.

4.67. In addition, the Council promotes an ethos of cost consciousness and achieving maximum value for money. The Council has identified a series of risks which, if unmitigated, could result in further increases to the cost base. Within the context of financial sustainability, these will be subject to a separate monitoring exercise during 2022/23 to ensure all necessary action is being taken to mitigate. However, if any do materialise, there needs to be capacity within reserves to offset. Accordingly, the reserve statement sets aside additional resource in recognition of the identified risk.

5. Analysis of Net Operating Expenditure (Tables 2 – 5)

- 5.1. The Council's Net Operating Expenditure represents the day-to-day cost and income sources of council. The Council aligns revenue investment with the intent set out in the Council Plan, which outlines the priorities for the area and the outcomes it is seeking to maximise for residents.
- 5.2. The Council has a strong track record of financial management, fostering a cost conscious culture within an organisation which focusses on how services can best work together to develop the best solutions to reach the best outcomes. This is a considerable shift from the traditional model whereby local authorities think in the sole context of services.
- 5.3. During 2021/22, the Council conducted a fundamental review of its financial resilience. The requirement to undertake an assessment of financial resilience as part of sound financial management derives from the Financial Management Code. The report represented a deep dive into the range of financial indicators which together enable the organisation to better understand its areas of strength, and areas which pose the greatest risk and could therefore undermine resilience going forward. The key highlights from the report are as follows:
 - The Council emerged from 2020/21 in a position of strength. As a whole, the Council met heightened need and continued to keep people safe and well during an extremely challenging time, and did so within the additional resources provided by Government.
 - The 2020/21 financial outturn enabled the Council to increase reserve balances by over £30m. While some of this will be utilised in 2021/22, the underlying position will help the organisation to remain financially safe amidst short and medium-term uncertainty.
 - The Council has a strong track record of cost consciousness and working together to develop solutions to resolve emerging risks. This is evident in financial outcomes and will need to remain a key part of the organisation's modus operandi moving forward
- 5.4. The report also identified areas of development in order to ensure the Council remains in a strong position, particularly as the organisation approaches a highly uncertain and potentially volatile period. It remains vital that the strong current position does not translate into a complacency mindset. There are significant economic and sector-specific risks which mean the outlook for all local authorities remains challenging, regardless of the current position. It is vitally important to recognise that the current reserve position does not provide long-term financial resilience, instead it should be viewed as a means of helping to achieve sustainability.
- 5.5. Financial sustainability will always remain a key aim of the Council, even if the financing framework makes this difficult to achieve beyond short-term cycles. It requires continuous improvement in the way it plans and utilises resources, and recognition that saving £1 is harder than containing £1 of new spend.

Financial Resilience

- 5.6. Financial resilience, the ability to weather financial shocks, is an important consideration for council sustainability. There are a number of indicators of the current health of council finances, which form part of the overall consideration in determining financial plans and budgets.
- 5.7. External auditors gave a clean bill of health on the council's accounts for 2020/21 as they have each year since the inception of North Lincolnshire Council. The external auditors also review the arrangements for securing economy, efficiency and effectiveness in the use of resources. The Council achieved an underspend in 2020/21 – despite difficult and unprecedented circumstances – achieved through a combination of pro-active cost management initiatives, appropriate use of specific and non-specific Government grants and a managed general slow-down in 'normal' core spending while focus turned to the response to the Covid-19 pandemic.
- 5.8. The council is currently forecasting that its net operating cost will balance against the 2021/22 budget. The forecast includes an increase in complex need within adult social care, combined with an increase in the cost of care packages. This has been recognised in the Local Government finance settlement with additional grant funding being provided and precept funding enabled in 2022/23.
- 5.9. The Chartered Institute of Public Finance and Accountancy (CIPFA) publish a financial resilience index, which is designed to support and improve discussions surrounding the financial resilience of individual Council's. The index shows each Council's performance against a range of measures associated with financial risk, covering: reserve levels, social care spending, fees and charges, and debt. Relative to other Council's, North Lincolnshire is deemed a lower risk in respect of social care spending, and a higher risk in respect of reserves being held. This is considered further in Appendix 3.

2022/25 Medium Term Financial Plan & Risk Management

- 5.10. Each year, the Council undertaken a strategic financial planning process which principally aims to establish a robust and balanced budget proposal which ensures affordable investment in Council outcomes and priorities. The medium term financial plan considers different factors, such as: the current cost base, new and/or emerging local and national policy intent, the Council plan, the economic context and availability of funding.
- 5.11. In its simplest form, the medium term financial plan represents an amalgamation of assumptions in respect of anticipated Council expenditure, income and funding. The Council is legally bound to set a balanced budget for the upcoming financial year, having due regard to the adequacy of reserves and robustness of estimates (see Appendix 6).
- 5.12. The medium term financial plan is set out in Table 3 and contains a plethora of adjustments from the 2021/22 budget position. As can be expected given

the financial planning environment, inflation accounts for the largest permanent change to the cost base in 2022/23:

BUDGET ADJUSTMENT	2022/23 £000's	2023/24 £000's	2024/25 £000's
Inflation	6,802	3,326	3,520
Social care inflation	2,628	1,972	1,677
Social care reform	-	3,925	1,902
Social care activity	2,608	(336)	-
Non-social care activity	1,247	301	8
Covid-19 funding adjustment	(4,779)	-	-
Vacancy management	(2,500)	-	1,500
Capital financing	(700)	884	695
Other	222	(222)	-
TOTAL ADJUSTMENT	5,528	9,850	9,302

5.13. There are several different elements to inflationary pressures. In addition to normal business forward planning elements in respect of pay awards and contract inflation, there are additional items to consider for 2022/23:

- **Health and social care levy** – the new levy is the mechanism by which the Government will generate sufficient resource to fund the clearance of the health system backlog and social care reform. This has cost implications for the Council, with the employer rate of NI increasing from 13.8% to 15.05% - an underlying increase of 9.1%. It is also a cost due to be paid by employees.
- **Backdated pay award for 2021/22** – In the 2021/22 medium term financial plan, the Council had assumed that there would not be a pay award for staff as part of the national public sector pay restraint policy. However, a pay award is now likely, with a full and final pay offer of 1.75% proposed for most employees. To bring policy and finances into alignment, the additional cost will need to be funded.
- **Energy cost inflation** – the cost of energy has significantly increased in recent months largely due to the increase in wholesale gas prices. This is leading to higher energy costs for the Council, particularly as previously contracted rates mature.

The elements considered above are not North Lincolnshire specific. They impact across most sectors. The financial plan in future years assumes more normal inflation levels. If inflation and wholesale energy costs continue to increase/remain high, there are likely to be consequences for the budget in future years. To reiterate, this would be a national issue and as such it would be hoped that a national led solution would be identified and implemented (e.g. increase in resources for the sector).

5.14. In mitigation of pay pressures, the financial plan assumes a slight increase in cost reductions due to its sensible approach to vacancy management, which partly reflects the difficulty of recruitment in some areas.

5.15. In addition to funding inflation costs, the budget proposal for 2022/23 also makes adjustments to fund increasing activity levels within social care, as well

as some increased activity elsewhere in the organisation (e.g. waste tonnages). Social care activity – particularly within adult social care – continues to increase both in terms of quantum and complexity, which reflects the permanent impact of the pandemic on a generation of residents, with reduced social interaction and therefore less opportunity for early help.

- 5.16. The budget assumes the cost of capital financing will be lower in 2022/23, which reflects revised borrowing estimates. Whilst of short-term benefit, the medium and longer-term position need to be kept under review considering the expected pathway of increases in the Bank of England base rate.
- 5.17. The Government provided temporary funding for the ongoing Covid-19 impact in 2021/22. This is not being maintained for 2022/23, necessitating the removal of the associated expenditure budget.
- 5.18. In addition to permanent adjustments reflecting £13.5m of cost increases together with £3.2m of cost reductions and the £4.8m Covid-19 adjustment, the medium term financial plan proposes short-term investment to support transition back to 'normal' in some service areas. This principally reflects areas where the delivery model and operating environment remain temporarily different to the situation pre-Covid. Accordingly, £1.5m of reserves will be used to support financial recovery in these areas. If the operating model shows no signs of returning during the next twelve months time, the Council will need to consider future policy in these areas.
- 5.19. Beyond 2022/23, the medium term financial plan assumes that the anticipated funding in respect of social care reform will be set aside to fund additional costs not currently borne by the Council.
- 5.20. Strong financial management cannot exist without strong risk management. The ability to identify, influence and ideally mitigate risk is a fundamental prerequisite to being a sustainable Council. Within financial plans, there are a series of identified risks which could materialise and translate into cost pressures if mitigating action is not taken. In stress testing every pound spent, it remains a key part of the medium term financial plan that nominated leads will be tasked with taking action to reduce the chance of risks materialising. This approach has avoided cost increases in previous years. However, the reality is that not all risks can be mitigated, and this approach relies upon there being sufficient capacity within reserves if needed (see Appendix 3).
- 5.21. The financial planning process is strategic in nature and incorporates the best knowledge from across the Council which informs investment need. It also adjusts for materialised risks which have been flagged during 2021/22 financial reporting (e.g. social care activity and 2021/22 pay award).
- 5.22. The base for 2022/23 is therefore considered to be solid. However, uncertainty beyond 2022/23 – and indeed uncertainty over the next year – mean that financial plans may need to change in future. This budget represents a solid base for future years, noting the scope for changes in the future which reflect clarifications in the operating environment and future

opportunities borne out of the widescale organisational review of priorities and emergent Council plan.

- 5.23. The Council focusses its spending power to maximise outcomes and conforms to the financial strategy for achieving a sustainable council. The financial plan reflects strong tax base growth and a path towards re-increasing income for some commercial services with a clear intent for full cost recovery. The budget leverages in funding from Government through the settlement, and from delivery partners where relevant (e.g. health and social care). The Council plan assumes ongoing innovation to deliver and enable services to the public, thereby containing cost increases in some areas compared to what they could be. Lastly, the financial plan is based on the best information available, ensuring robust plans that enable us to secure best value and matches the Council's ambitions for best place and best Council. In summary, the medium term financial plan proposes allows the Council to continue to make a significant difference to the lives of its residents through its investment choices
- 5.24. The medium term financial plan beyond 2022/23 is unbalanced, with residual challenges remaining in each of the latter two years. This is the norm and reflects the operating environment in which the Council operates.

Financial Accountability

- 5.25. The day-to-day management of revenue budgets is allocated to officers to ensure clear lines of oversight and accountability. Gross and net investment categorised under the accountability structure is contained in Table 2. The table incorporates gross expenditure and income for each area in 2022/23.
- 5.26. Investment can be presented subjectively as well as by area of activity. This gives an indication of how much the Council expects to spend on different spend categories (e.g. pay, goods and services). The 2022/23 forecast is summarised in Table 4.
- 5.27. Government policy sets the mandate to what Local Government does, how it operates, and determines the financial context of resource availability. Locally, the Council interprets national policy to establish and tailor its offer to maximise outcomes for North Lincolnshire, based on understanding the local population and area's need, forecasting and managing demand, determining affordability limits and ensuring the link between all areas are understood. This inevitably gives rise to some prioritisation. The local policy also sets out how the Council operates within the law.
- 5.28. Under section 25 of the Local Government Finance Act 2003 it is a legal requirement for the council to have assurance, in the form of a report, that delivery activity in the plan period is properly costed, that proposals for spending are quantified and deliverable, and that risks are properly evaluated. The council is required to set a balanced budget; that is, it may not budget for a deficit. The budget contained within this report complies with this requirement.

School Expenditure and Funding

- 5.29. In addition to core Council funding, the Council also receives direct government grants provided for a specific purpose. Direct grants are either passed through the council to the intended recipient (e.g. housing benefit), or fund specific activities required by Government but not included within the overall financial settlement to local government (e.g. dedicated schools grant).
- 5.30. Dedicated Schools Grant is the main source of funding for the schools' sector. The funding is planned to be distributed in accordance with the relative proportions set out in Table 5. This primarily relates to four main blocks: schools block; early years; high needs; and a central block.
- 5.31. As can be seen in Table 5, total dedicated schools grant funding for North Lincolnshire is increasing to £159.3m, an increase of £6.5m (4.3%). The majority of the increase is planned to be invested within individual school budgets and in high needs provision, reflecting the national trend of increased need for specialist educational support. The national funding formula determines per pupil factor amounts. The local schools funding formula set out in Table 5 is subject to Cabinet Member (Children and Families) approval in consultation with Schools Forum.

RESERVE STATEMENT AND STRATEGY

Appendix 3

Table 1 – Reserve Statement

2020/21 £000's	2021/22 £000's		2022/23 £000's	2023/24 £000's	2024/25 £000's
Actual	Estimate	REVENUE RESERVES	Estimate	Estimate	Estimate
		Organisational Reserves			
7,158	7,158	General Fund	8,420	8,764	9,158
30,326	28,417	Risk and Transformation	23,096	22,752	22,358
6,465	-	NNDR s. 31 grant funding (timing adj.)	-	-	-
1,752	1,659	Public Health	1,359	1,059	759
45,702	37,235	Total Organisational Reserves	32,876	32,576	32,276
		Earmarked Reserves			
697	397	PPE	-	-	-
430	106	Adult Social Care	-	-	-
392	392	DSG - Delegated Items	392	392	392
273	263	Taxi Licensing	253	253	253
1,236	1,152	Other Earmarked Reserves	725	725	725
3,028	2,310	Total Earmarked Reserves	1,370	1,370	1,370
		Covid-19 Resources			
3,608	255	Covid-19 LA Support	255	255	255
1,671	161	Contain Outbreak Management Fund	16	16	16
2,029	392	Business Support	392	392	392
762	200	Test & Trace	110	110	110
725	4,707	Other Covid-19 Resources	3,772	3,266	3,266
8,794	5,715	Total Covid-19 Resources	4,545	4,039	4,039
		Grant Reserves			
917	611	Rural Mobility Grant	611	611	611
446	207	Syrian Resettlement Grant	-	-	-
372	183	Troubled Families Grant	183	183	183
359	359	Asylum Seekers (Children)	359	359	359
4,112	2,448	Other Grant Reserves	2,022	1,647	1,647
6,207	3,810	Total Grant Reserves	3,177	2,801	2,801
63,731	49,069	TOTAL COUNCIL RESERVES	41,967	40,786	40,486
		School Reserves			
6,217	6,217	Schools Balances	6,217	6,217	6,217
3,860	3,860	Dedicated Schools Grant	4,202	4,202	4,202
10,077	10,077	Total School Reserves	10,419	10,419	10,419
73,808	59,146	TOTAL RESERVES	52,386	51,205	50,905

Table 2 – Risk, Recovery & Transformation Reserve Breakdown

2020/21 £000's	2021/22 £000's		2022/23 £000's	2023/24 £000's	2024/25 £000's
Actual	Estimate	RISK, RECOVERY & TRANSFORMATION	Estimate	Estimate	Estimate
22,879	15,824	General	11,682	13,911	13,517
-	5,146	Identified MTFP Risk	2,573	-	-
1,452	1,452	Self-Insurance	1,452	1,452	1,452
5,995	5,995	NNDR Risk	7,389	7,389	7,389
30,326	28,417	TOTAL	23,096	22,752	22,358

RESERVES STRATEGY

- 6.1 The Chief Financial Officer of the authority is required, under section 25 of The Local Government Act 2003, to report to it on the adequacy of the proposed financial reserves. Section 26 of the same act places an onus on the Chief Financial Officer to establish a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined when finalising the proposed budget.
- 6.2 The Council adopts a risk led approach to the setting of reserves, seeking to ensure the amount set aside is sufficient to cover identified risk. This appendix sets out the Council's assessment of risk, which in turn informs the level of reserves it plans to carry and the capacity available to support delivery of the Council Plan.
- 6.3 The Council holds reserves for three key purposes. They are held either; to responsibly manage risk, for a specific purpose, or on behalf of others. Reserves help the Council manage risks and challenges in several ways:
- Provide sufficient resilience to withstand funding or expenditure shocks
 - Facilitate transformation and provide additional capacity to transition to a financially sustainable council
 - Carry forward unapplied grant to cover costs which are expected to arise in future years
- 6.4 This report considers the uncertainty within the Council's operating environment, brought about by: the current economic context, the transition to a new and unknown 'normal' following the Covid-19 pandemic, the potential for higher and more complex need, and the short-term focus of Government in planning public service delivery. The increased uncertainty amounts to an increased risk of funding or expenditure shock, which has materialised at a handful of Councils elsewhere, and needs to be reflected in the Council's reserve statement to ensure the organisation be kept financially safe.
- 6.5 The Council continues to consider the financial resilience index collated and published by the Chartered Institute of Public Finance and Accountancy, which aims to aid scrutiny and oversight of financial sustainability for each Council.
- 6.6 In addition, the Council conducted a comprehensive review of financial resilience during 2021/22. The financial resilience assessment represents a deep dive into the range of financial indicators which together enable the organisation to better understand its areas of strength, and areas which pose the greatest risk and could therefore undermine resilience going forward. The outcomes from this report contribute to the reserve strategy.
- 6.7 The Council breaks down its reserves into three categories. Strategic reserves have the greatest flexibility and include the general fund and risk, recovery and transformation reserve. Earmarked and grant reserves are held to meet service/project specific costs and must be spent in line with any applicable

grant conditions. School reserves are held on behalf of schools, with their usage decided by schools themselves, subject to Council oversight.

Strategic Reserves

- 6.8 The Chief Financial Officer determines that the General Fund is to be maintained at approximately 5% of core net revenue expenditure to cover any unforeseen demands that could not be reasonably defined when finalising the proposed budget, as required under section 26 of the Local Government Act 2003. The reserve statement assumes the balance is adjusted to equate to 5% of core net operating expenditure proposed in Appendix 2 for all years.
- 6.9 The risk, recovery and transformation reserve provides capacity to maximise invest to save opportunities and cover the specific identified risks set out below:

Element	Analysis
NNDR risk	<p>The Council's income from business rates has been volatile since 2013/14, reflecting the inherent external risks within the current system. The Council's share of income from business rates is £14.8m more than its baseline funding level, and in a perfect storm its income from business rates could fall by in excess of this figure before safety net support is received.</p> <p>Downward pressures to rateable values are a permanent feature of the system. This is particularly applicable to older industrial properties, of which North Lincolnshire has several. Over the course of the 2017 list, the growth in rateable value (£11.2m) has been dragged back by appeal losses (£7.3m). Without the Hornsea development, the area rateable value would now be lower than at the start of the list.</p> <p>Under the current system, income levels are not guaranteed because circumstances could quickly change. The Council is especially susceptible for the reasons set out above and needs to guard against this to reduce the risk of any shocks necessitating immediate spending reductions.</p>
Other funding or expenditure shock	<p>The Council provides and enables a plethora of activity led interventions, required through legislation and regulation, thereby having the potential to remove an upper limit on cost. Council expenditure must also be seen within the context of uncertainty, due to the reasons set out in this report (e.g. economic position). The Council has processes established to ensure strong risk management, but even with this some risks cannot be stopped from materialising and could have near-term cost base implications.</p> <p>Specifically in respect of funding, it remains the case that the Council only has one-year certainty. Notional allocations have been estimated for future years, however they are not guaranteed and are predicated on national finances being stable in future years. If inflation persists and it leads to permanently higher interest rates, it could stifle economic growth and lead to lower tax receipts and higher debt interest repayments, giving rise to the potential for a different national policy environment/affordability.</p> <p>The quantification of risks most likely materialise financially in 2022-23 amount to £5m-£6m. When combined with the other strategic operating environment risks which are possible the overall level of reserves is deemed prudent.</p> <p>Other risks are identified in Appendix 6 Robustness of Estimates table, however the main premise of this section is that it is not unreasonable that cost or funding could change quickly, and therefore the Council must have regard to this in the reserves it holds</p>
Self-insurance	<p>The Council has contracted external specialists to review its approach to insurance provisions and reserves, which identified a need to hold a specific self-insurance reserve, to complement the provision to adequately cover outstanding insurance risks.</p>

Transformation to lower cost base	<p>The Council is on an ongoing journey of continuous improvement, whereby it constantly seeks to improve connections with residents and businesses all within the context of our ambition to be Best Place for residents and the Best Council it can be. Phase one of the Senior Leadership review has reshaped the portfolios of responsibility, The council plan is being refreshed and a new Organisational Development Plan will focus on the approach to enabling, progressive and sustainable implementing system re-design where required.</p> <p>Having capacity to invest could be a key enabler for the organisation, which will help to control increases in its cost base and achieve reductions where necessary.</p> <p>The application of recovery reserve will be closely monitored throughout the year.</p>
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- 6.10 The size and scope of risks to which the Council is exposed can quickly change, requiring a fluid approach from the Council to ensure risk mitigation strategies are tailored appropriately. The level of identified risk is regularly reviewed which therefore means the level of reserves needing to be held is also regularly tested, to ensure a proportionate level is held at any given time.
- 6.11 The budget proposal and use of reserve is based upon the assumption of council tax rates being set at the referendum limits: 3.99% total council tax increase in 2022/23. Where the Council resolution varies from this assumption the short-term funding gap could be met from the risk reserve. For every 1% of foregone council tax, there would be a permanent loss of funding in the region of £0.8m, increasing annually thereafter. Given the risks discussed within this report, it would not be prudent to use more than £1.6m in this way.

Earmarked and Grant Reserves

- 6.12 There are some modest earmarked reserves and grant reserves, which must be spent in line with the conditions attached to the original allocations. The Council also has a public health reserve, which must be spent in accordance with the Public Health outcomes framework.
- 6.13 In addition, the Council has residual funding from Covid-19 specific schemes which are expected to unwind over time as and when they are utilised.

Schools Reserves

- 6.14 The Council holds two reserves that may only be used to support spending in schools or in support of schools. These balances have been set aside from Dedicated Schools Grant. How school reserves are applied is a matter for individual schools according to their individual circumstances. There are several drivers that can affect these balances over the period of the plan, including variations in pupil numbers; cost pressures; and funding changes. At a collective council level there are impacts to be managed in High Needs funding and in ensuring the stability of the local school funding system.

Parish and Major Precepting Authority Precepts 2022/23

Appendix 4

Parish or Area	Taxbase	Precept (£)	BAND (all figures in £)							
			A	B	C	D	E	F	G	H
Alkborough	167.9	6,152.0	24.43	28.50	32.57	36.64	44.78	52.93	61.07	73.28
Amcotts	78.5	4,429.00	37.61	43.88	50.15	56.42	68.96	81.50	94.03	112.84
Appleby	232.7	11,517.00	33.00	38.49	43.99	49.49	60.49	71.49	82.49	98.99
Ashby Parkland	239.6	4,500.00	12.52	14.61	16.69	18.78	22.95	27.13	31.30	37.56
Barnetby le Wold	553.7	25,000.00	30.10	35.12	40.13	45.15	55.18	65.22	75.25	90.30
Barrow on Humber	1,047.4	55,000.00	35.01	40.84	46.68	52.51	64.18	75.85	87.52	105.02
Barton upon Humber	3,763.7	165,950.00	29.39	34.29	39.19	44.09	53.89	63.69	73.49	88.18
Belton	1,202.0	39,000.00	21.63	25.24	28.84	32.45	39.66	46.87	54.08	64.89
Bonby	195.0	12,800.00	43.76	51.05	58.35	65.64	80.23	94.81	109.40	131.28
Bottesford	3,632.9	91,000.00	16.70	19.48	22.27	25.05	30.62	36.18	41.75	50.10
Brigg	1,734.8	120,620.64	46.35	54.08	61.80	69.53	84.98	100.43	115.88	139.06
Broughton	1,705.4	125,312.79	48.99	57.15	65.32	73.48	89.81	106.14	122.47	146.96
Burringham	214.8	17,079.00	53.01	61.84	70.68	79.51	97.18	114.85	132.52	159.02
Burton upon Stather	965.2	72,951.00	50.39	58.79	67.18	75.58	92.38	109.17	125.97	151.16
Cadney cum Howsham	155.8	6,000.00	25.67	29.95	34.23	38.51	47.07	55.63	64.18	77.02
Crowle	1,599.8	65,000.00	27.09	31.60	36.12	40.63	49.66	58.69	67.72	81.26
East Butterwick	42.6	-	-	-	-	-	-	-	-	-
East Halton	207.1	8,514.00	27.41	31.97	36.54	41.11	50.25	59.38	68.52	82.22
Eastoft	147.4	5,750.00	26.01	30.34	34.68	39.01	47.68	56.35	65.02	78.02
Elsham	172.3	8,000.00	30.95	36.11	41.27	46.43	56.75	67.07	77.38	92.86
Epworth	1,589.9	73,000.00	30.61	35.71	40.81	45.91	56.12	66.32	76.52	91.83
Flixborough	528.9	17,000.00	21.43	25.00	28.57	32.14	39.28	46.43	53.57	64.28
Garthorpe & Fockerby	142.0	9,000.00	42.25	49.30	56.34	63.38	77.46	91.55	105.63	126.76
Goxhill	814.0	77,183.00	63.21	73.75	84.28	94.82	115.89	136.96	158.03	189.64
Gunness	636.7	35,192.00	36.85	42.99	49.13	55.27	67.56	79.84	92.12	110.54
Haxey	1,695.7	39,221.54	15.42	17.99	20.56	23.13	28.27	33.41	38.55	46.26
Hibaldstow	813.4	20,000.00	16.39	19.12	21.86	24.59	30.05	35.52	40.98	49.18
Horkstow	58.0	1,800.00	20.69	24.14	27.59	31.03	37.93	44.83	51.72	62.07
Keadby with Althorpe	499.7	35,525.00	47.40	55.29	63.19	71.09	86.89	102.69	118.49	142.19
Kirmington & Croxton	129.8	11,625.00	59.71	69.66	79.61	89.56	109.46	129.37	149.27	179.12
Kirton in Lindsey	1,119.8	97,500.00	58.05	67.72	77.39	87.07	106.42	125.77	145.12	174.14
Luddington & Haldenby	119.4	6,000.00	33.50	39.08	44.67	50.25	61.42	72.59	83.75	100.50
Manton	43.6	-	-	-	-	-	-	-	-	-
Melton Ross	72.3	4,800.00	44.26	51.64	59.01	66.39	81.14	95.90	110.65	132.78
Messingham	1,339.1	72,107.00	35.90	41.88	47.86	53.85	65.81	77.78	89.75	107.69
New Holland	254.0	14,000.00	36.75	42.87	48.99	55.12	67.37	79.62	91.86	110.24
North Killingholme	90.0	6,219.00	46.07	53.74	61.42	69.10	84.46	99.81	115.17	138.20
Owston Ferry	460.7	29,944.60	43.33	50.55	57.78	65.00	79.44	93.89	108.33	130.00
Redbourne	161.4	12,500.00	51.63	60.24	68.84	77.45	94.66	111.87	129.08	154.89
Roxby cum Risby	155.5	6,000.00	25.72	30.01	34.30	38.59	47.16	55.73	64.31	77.17
Saxby all Saints	91.0	6,850.00	50.18	58.55	66.91	75.27	92.00	108.73	125.46	150.55
Scawby cum Sturton	820.5	35,000.00	28.44	33.18	37.92	42.66	52.14	61.62	71.09	85.31
Scunthorpe	16,593.1	607,307.46	24.40	28.47	32.53	36.60	44.73	52.87	61.00	73.20
South Ferriby	213.4	12,473.00	38.97	45.46	51.95	58.45	71.44	84.43	97.41	116.90
South Killingholme	309.1	16,768.80	36.17	42.19	48.22	54.25	66.31	78.36	90.42	108.50
Thornton Curtis	102.9	2,614.00	16.94	19.76	22.58	25.40	31.05	36.69	42.34	50.81
Ulceby	577.9	20,000.00	23.07	26.92	30.76	34.61	42.30	49.99	57.68	69.22
West Butterwick	284.3	2,300.00	5.39	6.29	7.19	8.09	9.89	11.69	13.48	16.18
West Halton	117.2	4,861.00	27.65	32.26	36.87	41.48	50.69	59.91	69.13	82.95
Whitton	86.7	2,567.00	19.74	23.03	26.32	29.61	36.19	42.77	49.35	59.22
Winteringham	340.9	20,500.00	40.09	46.77	53.45	60.13	73.50	86.86	100.22	120.27
Winterton	1,380.7	116,116.87	56.07	65.41	74.76	84.10	102.79	121.48	140.17	168.20
Wootton	194.5	9,000.00	30.85	35.99	41.13	46.27	56.56	66.84	77.12	92.54
Worlaby	201.2	16,000.00	53.02	61.85	70.69	79.52	97.19	114.87	132.54	159.05
Wrawby	522.7	12,210.27	15.57	18.17	20.76	23.36	28.55	33.74	38.93	46.72
Wroot	182.4	10,235.00	37.41	43.64	49.88	56.11	68.58	81.05	93.52	112.23
50,801.0	2,307,995.97									

Major Precepting Authority	Taxbase	Precept (£)	BAND (all figures in £)							
			A	B	C	D	E	F	G	H
North Lincolnshire Council	50,801.0	72,958,872.17	957.45	1,117.02	1,276.60	1,436.17	1,755.32	2,074.47	2,393.62	2,872.34
Adult Social Care Precept	50,801.0	9,951,915.90	130.60	152.37	174.13	195.90	239.43	282.97	326.50	391.80
Humberside Police	50,801.0	12,862,813.20	168.80	196.93	225.07	253.20	309.47	365.73	422.00	506.40
Humberside Fire Authority	50,801.0	4,577,678.11	60.07	70.09	80.10	90.11	110.13	130.16	150.18	180.22

* To be set at Council (table reflects band D proposed in budget)

Levies funded from Council Tax 2022/23

Appendix 5

Levying Body	Levy (£)	BAND (all figures in £)							
		A	B	C	D	E	F	G	H
Internal Drainage Boards:									
Ancholme	206,609.00	2.71	3.17	3.62	4.07	4.97	5.88	6.78	8.14
Doncaster East	16,543.00	0.22	0.26	0.29	0.33	0.40	0.48	0.55	0.66
Scunthorpe and Gainsborough	255,191.00	3.35	3.90	4.46	5.02	6.14	7.25	8.37	10.04
North East Lindsey	167,387.85	2.19	2.56	2.92	3.29	4.02	4.75	5.48	6.58
Isle of Axholme and North Nottinghamshire	752,687.00	9.88	11.53	13.17	14.82	18.11	21.41	24.70	29.64
Environment Agency (Anglian Northern & Trent)	88,997.57	1.17	1.36	1.55	1.75	2.14	2.53	2.92	3.50
Other:									
North Eastern Inshore Fisheries *	74,356.00	0.97	1.14	1.30	1.46	1.78	2.11	2.43	2.92
Hull and Goole Port Health Authority **	62,502.00	0.82	0.96	1.09	1.23	1.50	1.78	2.05	2.46
Total	1,624,273.42	21.31	24.87	28.42	31.97	39.07	46.18	53.28	63.94

* the Council receives a grant from DEFRA to contribute approximately 20% towards the cost of the levy

** TBC – amount shown reflects 2021/22 levy applied against 2022/23 taxbase

Under Section 25 of the Local Government Act 2003, it is the responsibility of the Chief Financial Officer of the authority to report to it on the following matters in the context of the budget proposal:

- the robustness of the estimates made for the purposes of the calculations, and
- the adequacy of the proposed financial reserves

It is important to start by recognising the strong track record of containing cost to within available resources, something which North Lincolnshire Council consistently does. This gives confidence that the organisation is adaptive enough to deal with any changes to the assumptions contained within the budget proposal.

The financial strategy emphasises the continuing importance of risk management if the Council is to remain financially resilient over the longer-term. The Council's operating environment continues to be highly challenging as considered elsewhere in this report, which is the same for all public service organisations.

Throughout this report and the supporting background papers, the assumptions which have been made are explained, including the supporting rationale. The risks to those assumptions are also considered, with the greatest risk arguably being the short-term funding certainty set against an increasing permanent cost base.

In recognition of heightened risk, the Council's reserves strategy has been updated to ensure it best reflects the short, medium, and long-term resilience needs of our organisation and so that the level of reserves to be held are enough to keep the organisation financially safe.

For the reasons set out in this and the various reports and papers I am presenting alongside this one, I am satisfied that the council's investment plans for revenue and capital in 2022/23 are robust and reserves are adequate to manage the risks the Council is exposed to.

In reaching this view, I have considered the areas which have the biggest potential to change or impact upon the assumptions contained within the budget report and set out what has been done to maximise the quality of the estimates, the risk to the estimates, and what action or mitigation could be taken if risks materialise.

Although I am not required at this stage to comment on the robustness of estimates for future years' budgets, it is my view that Councillors must have regard to the medium term financial position of the Council when deciding the budget and council tax for next year.

Despite there be an established medium term financial plan, the degree of uncertainty with future funding allocations combined with a fast changing economic context and a need to manage risk successfully to avoid further cost increases means that I cannot, at this stage, comment on the robustness of budget estimates with effect from 2023/24. This situation applies across Local Government, therefore is not North Lincolnshire specific, but is important to keep in mind the considerable challenges to ensuring long-term financial resilience.

Strategic Assessment: Robustness of Estimates

Covid-19 The Covid-19 pandemic has had a significant impact across the Council, requiring delivery models to continually be adapted so that they continue to meet the needs of residents. All restrictions are currently planned to be repealed by March 2022, which changes the risk profile of Covid-19. The Council will need to continue to ensure it delivers services safely and minimises public health risk where necessary. Some changes from the pandemic are expected to be temporary (e.g. leisure income reduction), some expected to be permanent (e.g. increase in social care complex cases). The budget proposal recognises this and amends investment limits where necessary. However, this report recognises the residual uncertainty for all public service organisations and the need for the Council to continue to adapt as necessary on an ongoing basis.

Inflation The rate of inflation is currently tracking well above the 2% Bank of England target, with latest Bank of England forecasts suggesting it could peak at 7.25% in April. Inflation is projected to fall back to a little above the 2% target in two years' time. There is a risk of further sustained increases, which could have implications across all Council spending. The medium term financial plan provides for additional inflation-led cost increases, which we think will be sufficient. Should the situation worsen, the Council has capacity within reserves to offset in the short-term. However, if it does worsen, it will become a national public finance issue and will partly require a national solution to ensure the sector as a whole remains sustainable.

Inflationary increases have been allowed where appropriate in other areas of expenditure (e.g. energy costs). Re-commissioning and re-procurement provides the Council with the opportunity to ensure contract prices remain market tested.

Social care reform The Government have set out its vision for social care reform, whereby the amount that individuals need to pay for care is capped. The wider reforms have implications for social care expenditure in the short and medium term, such as the supporting the market to move towards a fair cost of care. The Government have provided funding specifically for this aim, and this plan assumes the social care precept will be maximised to increase available resources further. The Council is also investing over and above these amounts. It is expected that this will be sufficient, however there is a risk that local care rates rise quicker than sector specific funding. This is combined with the health and care system risk and the interface between discharge from hospital and care need, which has been funded from NHS budgets in 2021-22.

Pay inflation Pay is the largest subjective cost element incurred by the Council. The medium term financial plan provides for the cost of pay awards up to a level (average 2.5%). The rate of inflation is considered elsewhere, but its impact on pay demands is expected to be clear. A further complication is that the 2021/22 pay award is

	still not agreed, meaning the relevant bodies cannot focus on 2022/23 and beyond. There is a risk that the pay award is agreed at a higher level than the Council has budgeted for, a risk which can be managed through the reserve strategy in the short-term.
Organisation Development	A key element of the Council's cost-conscious approach to delivery involves maximising the benefits of Organisation Development, expanding skill sets and knowledge across the organisation and transferability of staff to ensure the right people contribute to the right activity at the right time. This can at times reduce the pressure to recruit immediately, providing a short-term financial benefit. This behaviour is well established and is assumed to continue in 2022/23.
Social care activity levels	The cost of providing social care is based upon the volume of demand on the service and the cost of care packages for each tier of care. The budget proposal increases affordability limits within adults social care significantly, enabling increased price and activity to be funded. But the budget proposal makes an assumption that a one family, one council, community first approach continues to focus on early intervention and prevention and that the fewest best interventions have a lasting positive impact. Activity and cost are tracked during the year.
Other demographic changes	Other Council services are also subject to the impact of demographic changes, which could lead to an increase in demand for council involvement and intervention. An example is waste disposal. The budget makes a prudent assessment of forecast demand in 2022/23 and makes adjustments to affordability limits where necessary. In addition, the Council engages with the public where it can reduce demand where it is appropriate to do so (e.g. increase recycling).
Fees and Charges	The council has a full cost recovery policy for its services except where a policy decision has been taken to provide a subsidy, and with exception for services still transitioning back to 'normal' levels following the Covid-19 pandemic.
Council Tax	Income from council tax is the largest income stream and the most reliable. A prudent level of collection is assumed in setting the base and the risks to this stream are further mitigated by a provision for bad debt (impairment). Historically, the Council has been able to achieve budgeted collection rates, over a longer timeframe than one year. Robust monitoring processes exist for business rates and council tax which enable progress against budgeted targets to be measured with sufficient regularity.
Business Rates	Income from business rates can be volatile but there are a range of mitigations which make the volatility more manageable. The ultimate backstop is the safety net mechanism built into the Business Rates Retention Scheme which guarantees every council

	<p>a minimum level of funding. This limits the losses any council can incur in a particular year. Locally there are three other measures which mitigate risk. These include a provision for bad debt (Impairment) and a provision for appeals. The former provides for a certain level of uncollectable debt and the latter provides for the likely impact of businesses successfully appealing against the value of their properties. The council has also set aside an element of its Risk and Transformation reserve to manage the residual risk inherent in the Business Rates Retention Scheme.</p>
Government Funding	<p>The report considers funding base uncertainty beyond 2022/23. There could be material changes to the Local Government financing framework – focussed around the updated assessment of needs and resources in development –during the year which impact on the later year estimates. The Council will remain fully engaged in this process, and maximise local intelligence to ensure the position is as well understood as it can be.</p>
EU Exit	<p>The United Kingdom has left the European Union and entered into a Trade and Cooperation Agreement, which came into effect on 1st January 2021. The implications of the agreement for the wider economy and public service provision are not fully known. It is not expected to directly impact on financial plans in the short-term.</p>
Capital Financing	<p>Prudent estimates of the costs of financing the council’s borrowing have been built into the budget. There are two elements to these costs. The Minimum Revenue Provision (MRP) and Interest. The council’s policy on MRP can be found in the Treasury Management Strategy. The interest cost can be split between interest payments on already contracted debt, which are certain, and interest payments assumed on forecast borrowing. As most borrowing is already contracted, the majority of this cost is fully known. Future borrowing will potentially be subject to higher interest rates if the Bank of England base rate continues to increase.</p>

Strategic Assessment: Adequacy of Reserves

The reserves statement and strategy contained within Appendix 3 provides a clear and detailed explanation of the forecast reserves being held, the risks they are being held to mitigate against, and their planned usage.

The budget proposal contained within this report assumes that reserves held for a specific purpose reduce, and that strategic reserve balances be maintained broadly at current levels to reflect the reduced certainty beyond 2022/23, among other risks. The budget also assumes the General Fund Reserve is maintained at around 5% of net operating expenditure in future years, which I deem prudent.

On balance, I am satisfied that the Council’s financial plans are robust and that reserves are adequate to manage the risks the Council is exposed to.

In December 2017, the Secretary of State for the Ministry of Housing, Communities and Local Government announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme up to and including 2021/22, giving Councils the ability to use capital receipts from the sale of their own assets to help fund revenue costs of transformation projects and release cost base reductions.

The Government provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”

In the guidance issued by Government, local authorities should prepare a strategy prior to the start of the financial year (the “initial strategy”) listing as a minimum the projects which plan to make use of the capital receipt flexibility and that details of the expected savings/service transformation are provided on a scheme-by-scheme basis. The “initial strategy” may then be replaced at any point during the financial year with a “revised strategy”, which should reflect an up-to-date position.

This appendix outlines the “initial strategy” for 2022/23 which requires Council approval, with notification then being sent to the Ministry of Housing, Communities and Local Government (MHCLG). The Council’s plans to use of capital receipt flexibility in 2022/23 is as follows:

Theme	Activity	Amount (£M)	Notes
Funding the cost of service reconfiguration, restructuring or rationalisation	Transformation Support team, digital capabilities and systems	0.197	Investment in additional step-change intelligence gathering and enforcement in respect of homes in multiple occupancy, specifically with regards to standards and licensing which will improve living experiences for residents.

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NORTH LINCOLNSHIRE COUNCIL

COUNCIL

CAPITAL INVESTMENT STRATEGY 2022/25 AND REVISED CAPITAL PROGRAMME 2021/25

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To seek approval of the Council's capital investment strategy 2022/25.
- 1.2. To approve the revised £137.7m capital investment for 2021/25.
- 1.3. The Capital Investment Strategy meets the requirement of the Chartered Institute of Public Finance and Accountancy: Prudential Code for Capital Finance in Local Authorities.

2. BACKGROUND INFORMATION

- 2.1. Capital expenditure is a key enabler for the Council to fulfil its duties and for delivery of its ambitions and Council Plan priorities. Investment in the right things can underpin and support the achievement of improved outcomes for people who live in North Lincolnshire. Capital investment also contributes to efficiencies in the safe operation of the council and supports long-term financial sustainability.
- 2.2. From 2019/20, it became a requirement for Local Authorities to publish a Capital Investment Strategy as per the Chartered Institute of Public Finance and Accountancy (CIPFA): Prudential Code for Capital Finance in Local Authorities (2017). The code was updated to introduce more contextual reporting through the requirement to produce a capital strategy, which is intended to allow individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment.
- 2.3. The strategy contained within this report, and for which approval is sought, updates the strategy approved by Council last year. There are three key elements:
 - **Capital investment principles**
 - Invest in outcomes
 - Invest to save
 - **Prudential indicators**
 - Indicators required by the Prudential Code
 - **Local indicators**
 - Indicators of sustainability, value for money and risk management

The Strategy also sets out the legal and regulatory framework around capital investment. The Local Government Act 2003 is the main relevant legislation and CIPFAs Prudential Code is the core of the regulatory framework

- 2.4. The Council's approach to capital investment is not just an annual process. Capital initiatives are developed and tested throughout the year, ensuring sufficient time for due-diligence and making sure that the proposed investment supports delivery of the Council Plan. The Council's Executive have responsibility for scheme approval, implementation and delivery and monitoring impact against outcomes and strategic policy. Plan The capital investment for 2021/25 builds upon the latest approved capital programme 2021/24 and proposes an extension for 2024/25 of those schemes where government grant is anticipated and for lifecycle maintenance requirements to ensure safe operation of council assets.
- 2.5. The Council has utilised its capital investment tools to good effect over a long-term period. The Council's capital financing requirement and long-term need to borrow for capital investment purposes is expected to exceed £266m at the end of 2024/25. In balancing the need for investment with long-term affordability, it is proposed that the Council invests £9m p.a. every year from 2023/24 onwards, setting a longer-term planning horizon. This provides re-prioritisation phasing options to the Council for the period and enables long-term affordable investment decisions to be taken.
- 2.6. The Capital Investment Strategy aims to explore sources of external funding and attract inward investment that benefits the place of North Lincolnshire and the lived experience of residents. We will seek to maximise funding opportunities and the Council is actively pursuing various bids. These include a bid to the Levelling Up Fund. This fund has the following themes:-
 - Investing to support growth
 - Creating a positive context for housing growth
 - Enabling carbon reduction
 - Building capacity to protect and enable communities

The council has also bid for funding from the Shared Prosperity Fund. This fund has the following themes:

- Building Pride in Place
 - People & Skills
 - Supporting Local Business
- 2.7. During 2021/22, the council was awarded £20.9m as part of the Towns Fund, £10.7m from the Future High Streets Fund, £2.1m Complex Care Facility Grant and £1.9m for Green Homes.
 - 2.8. The proposed plan for Capital Investment provides an affordable and agile approach to investment prioritisation that acts as a catalyst for investment in North Lincolnshire in support of the council plan, enhancing the quality of life for residents and ensures the safe and efficient operation of the council.

3. OPTIONS FOR CONSIDERATION

- 3.1. To consider approval of the Capital Investment Strategy 2022/25 set out in appendix 1.
- 3.2. To consider approval of a revised capital investment 2021/25 summarised in appendix 2.

4. ANALYSIS OF OPTIONS

Affordability and Prudence

- 4.1. Appendix 2 identifies funding of £137.7m to finance the capital programme over the four-year period 2021/25. The funding is broken down as follows.
 - Grant and External Funding (£78.6m)
The Council seeks to maximise external funding for its capital schemes. This funding includes Government grants, funding from external organisations such as LEP funding. Some external funding requires match funding from the Council.
 - Capital receipts (£11.7m)
The Council has an ambitious programme of asset optimisation and disposal of assets no longer required. This generates capital receipts which reduce the council's need to borrow.
 - Borrowing (£47.1m)
Further borrowing is required to support the proposed programme. The revenue cost of this borrowing, in the form of interest payments and Minimum Revenue Provision (MRP) payments are incorporated into the Medium Term Financial Plan are presented alongside this report. Similarly the effect on Prudential Indicators are incorporated into the Treasury Strategy report also presented alongside this report.
 - Revenue Funding (£0.3m)
On an exceptional basis, revenue funds are used to contribute towards the cost of capital schemes, primarily within schools, where it is affordable to do so.
- 4.2. The appropriate level of borrowing for the council is locally determined, taking into account the advice of its Chief Financial Officer. The Chief Financial Officer has determined that the prudent limit for the council's capital financing costs as a proportion of the net revenue stream should remain between 10% and 12%.
- 4.3. Capital resources are limited and therefore robust prioritisation is a fundamental element of the Council's stewardship of public funds. A finite programme needs to work for the Council, make a difference to the people who live in North Lincolnshire and contribute to longer term financial sustainability. In extending the capacity of the programme it is important to avoid erosion of capital funding capacity through investment in schemes which may stand up on an individual basis, but collectively do not deliver the

impact they could or exposes the council to too much collective risk. Schemes need to be evaluated relative to each other as well as independently necessitating a programmed approach.

- 4.4. The Capital Investment Strategy sets out the framework for all capital investment decisions. To enable long-term financial sustainability, the Capital Investment Strategy puts in place a more business-like approach to asset management and use of capital to support delivery of the Council Plan. This report proposes an affordable level of internally funded capital resource to be made available to future projects, after taking account of the existing commitments.
- 4.5. In addition to the committed capital programme the council also recognises that additional capital investment will be needed to support its transformation plans, to meet new and existing legislation; to maintain the infrastructure required to carry out its day-to-day business effectively and efficiently, and to support the regeneration of the area. New investment needs are identified through the council's capital planning process and in line with our Capital Investment Strategy. Decisions are informed through a prioritisation process which takes account of such issues as local need, financial & social return, external funding availability and overall affordability.
- 4.6. Ongoing investment as part of lifecycle maintenance requirements is informed through asset management planning in core and infrastructure areas of the council's responsibilities; highways improvements, replacement of machinery and vehicles, replacing outdated technology and improving flood defences being good examples of where this is the case. The proposed capital investment for 2021/25 builds upon the latest approved capital programme 2021/24 of £121.2m and incorporates additional investment of £16.5m, of which £9.0m assumes new borrowing and £7.5m from government grants. The capital investment set out in Appendix 2 assumes the use of government grant for specific purposes as per the current programme (disabled facilities, school facilities and basic need and local transport plan) and will be adjusted accordingly in line with allocations. Internal sources of funding amounting to £11.8m is proposed for lifecycle maintenance.
- 4.7. The Council continues to develop as an agile, responsive and enabling organisation. Our organisational development is multi-stranded, an element of which is capital investment to facilitate in line with our goals of being sustainable, enabling and progressive. This might take the form of physical changes to council buildings or new customer focussed digital software and hardware amongst other things.
- 4.8. The medium-term financial plan considered in the revenue report requires some capital investment to support the achievement of ongoing reductions to the cost base, pending completion and approval of business cases.
- 4.9. For planning purposes the current capital programme is prudent in terms of the internal resources currently available for the period of the plan. Grant and external funding can provide additional resource, but the potential for increased operating costs associated with assets funded in this way must be

factored into our budget planning to determine affordability. The MTFP provides for the appropriate level of borrowing after taking account of grants and other external funding, and an ambitious target of capital receipts to be generated through the sale of surplus assets.

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

- 5.1. The capital programme has to be contained within available resources, including the impact of borrowing on revenue budgets.
- 5.2. Part 1, section 3 of the Local Government Act 2003 places a duty on the council to determine an affordable borrowing limit and to keep this under review. The proposed basis for measuring what is affordable is discussed in section 4.
- 5.3. Future revenue resources are not yet certain pending the Fair Funding Review and further proposed changes to the local government finance system including the reset of the Business Rates Retention Scheme. It is important, therefore, that the council does not overcommit resources to capital investment, which has an unsustainable impact on its revenue budget.
- 5.4. Calls for additional internally resourced capital schemes or contributions to match funded schemes should be carefully considered against the capital investment strategy which includes consideration of ongoing revenue costs and other priorities for the revenue budget. Possible financing costs should aim for the lower end of the affordability benchmark.
- 5.5. Changes to the overall capital investment total, re-prioritisation or approval of new schemes against the additional investment allocation will be reported through the relevant executive decision making processes throughout the year.

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. Individual capital schemes are subject to impact assessment as appropriate.
- 7.2. The Local Government Act 2003 provides the legal framework for local authorities in determining the use of capital resources and use of borrowing. The strategy has been written in line with the statutory guidance published by CIPFA: Code of Prudential for Capital Finance in Local Government.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 8.1. The capital strategy is part of the council's strategic and service planning. Consultation takes place on a number of these plans including the Local Transport Plan and an Asset Management Plan for schools.
- 8.2. These plans help the council to identify its priorities for capital investment. Plans are made with reference to professional and technical requirements and in consultation with relevant stakeholders.

9. RECOMMENDATIONS

- 9.1. To approve the capital investment strategy outlined in Appendix 1.
- 9.2. To approve a revised capital investment for 2021/25 at Appendix 2.
- 9.3. To confirm that, subject to the scheme of delegations to the Executive, re-prioritisation of the programme, further capital projects requiring use of internal funds or fully funded by external sources which are self-financing or which will not cause the council's capital financing costs to exceed 12% of its net revenue stream, may be added to the capital programme when known and assessed by a full business case.
- 9.4. To the Chief Financial Officer be delegated authority to:
 - Borrow within authorised limits and the operational boundaries for external debt
 - Effect movements between agreed borrowing figures and long-term liabilities, in accordance with option appraisal and the achievement of value for money for the council. Movements are to be reported to cabinet or council as appropriate at the next meeting following the change
- 9.5. To approve the Prudential Indicators contained in Capital Investment Strategy Annex F, as modified by changes made to the capital programme, in accordance with Part 1, sections 3 and 5 of the Local Government Act, 2003.
- 9.6. To report any amendments required to Prudential Indicators during 2022/23, to Audit Committee, Cabinet or Council as appropriate.

DIRECTOR OF GOVERNANCE AND COMMUNITIES

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Date: 14th February 2022

Background Papers used in the preparation of this report

- Local Government Act 2003
- CIPFA Code of Practice 2020-21
- CIPFA The Prudential Code for Capital Finance in Local Authorities (2017 Edition)
- Capital Investment Strategy and Revised capital programme 2020-24 (Full Council Feb 2021)
- 2021/22 Q1-3 Financial Monitoring and Medium Term Financial Plan Updates (Cabinet 2021/22)
- Latest approved capital programme detail working papers

2022/25 Medium Term Financial Plan:

Capital Investment Strategy

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Capital Investment Strategy

Executive Summary

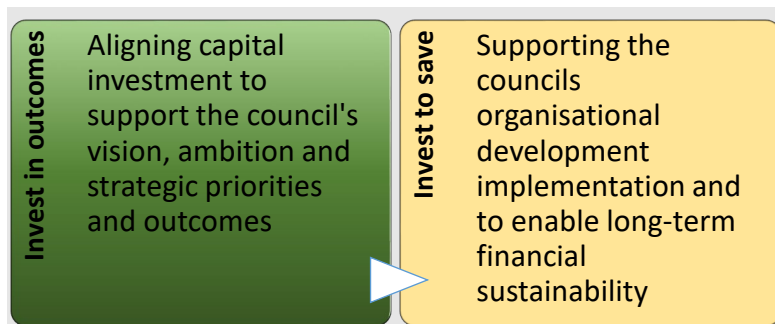
The North Lincolnshire Council’s Capital Investment Strategy provides the framework for all capital investment decisions. It is a requirement of the Prudential Code for Capital Finance in Local Authorities (2017). The purpose of the Strategy is to make sure borrowing decisions are prudent, affordable and that sufficient focus is given to:

- Longer term sustainability
- Managing the risk attached to capital plans
- Avoiding exposure of public funds to unnecessary or unquantified risk

The Capital Investment Strategy frames the programme of capital schemes which will enable the Council to meet its duties, strategic ambition and priorities for North Lincolnshire set out in the Council Plan and will facilitate the Council’s ambitious transformation programme. As the Council redesigns its offer to residents and communities and the way in which it operates, capital investment is required to support delivery, ensuring optimisation of assets in the right places to meet community needs and to enable agile ways of working.

There are key features of the Strategy:

The Capital Investment Principles at page 8, which translate into the two core strands of the capital investment programme.



The Prudential indicators at page 10 which ensure total council investment is sustainable

- The capital financing requirement
- The operational boundary and authorised limit
- Net financing costs set in the range 10-12% of the net revenue budget

The local indicators to manage the Council's exposure to risk (page 11)

- Total debt as a percentage of all long-term assets, maximum 40%
- Percentage of annual capital programme delivered in year 75% minimum

Previously the council had some indicators on Investment Property. Current and upcoming changes to the framework in which Local Government operates mean that no further acquisition of Investment Properties (properties held solely or primarily for yield or capital appreciation) will be undertaken. Future capital investment will have yield as a secondary consideration.

Legal and Prudential Framework

The Council undertakes capital investment within a legal and regulatory framework. This framework is particular to the Local Government Sector. It includes definitions of what constitutes capital expenditure, how this can be financed, and a prudential regime that sets limits on the scale of investment based on measures of prudence and affordability. Further detail is provided at Annex A.

Definition of Capital Investment

Capital expenditure is spending on assets and infrastructure required to deliver the best outcomes for the place and people of North Lincolnshire. That includes spending on:

- Operational property, plant, or equipment;
- School buildings and facilities;
- The area's infrastructure, primarily the road network and investment to stimulate the local economy;
- Investments in property designed to achieve a commercial return; and
- Grants or loans (see Annex C for more details) to other bodies or individuals for purposes which would be capital for the council;
- The establishment or purchase of shares in organisations designed to deliver public services

Funding Capital Investment

The Local Government Act, 2003 requires capital spending to be accounted for separately. The council also has to fund capital expenditure in certain ways. These include:

- Grants and other external funding;
- Borrowing;
- Capital receipts from the sale of council assets;
- Direct contributions from the council's revenue budget
- Funding through partnership arrangements.

There are restrictions to each type of funding;

Grants and external funding

These are usually from government, non-governmental public bodies and from private sector partners. These are generally allocated for specific schemes or areas of spending, such as investment in schools, with some limited scope to apply to other Council priorities.

Access to other forms of funding to promote regional growth and infrastructure development in the region are available through the Local Enterprise Partnerships. The Council aims to attract a diverse range of inward investment and explore external investment opportunities to enhance the place of North Lincolnshire and to improve the lived experience of residents.

Borrowing

For funds raised through borrowing Part 1, section 3 of the Local Government Act 2003 sets some specific requirements. It places a duty on the council to set an affordable limit to its borrowing and to keep this under review. The cost of all future borrowing for capital purposes falls wholly on the council and it must ensure that its revenue budget is sufficient to carry the cost of financing its debt.

Borrowing is primarily arranged through the Public Works Loans Board (PWLB), an arm of the Treasury, because of the generally favourable rates available. Recent changes to the PWLB's terms and conditions requires Councils to confirm whether their capital programme includes any purchases primarily for yield. If there are such investments the Council will be unable to borrow from the PWLB to finance its capital programme. Councils can also borrow from banks, public and private pension funds, and any other lending institutions approved to operate in the UK e.g. The Municipal Bonds Agency; they can also issue Bonds on the capital markets, but only on a large-scale.

There is an expectation that the term of borrowing will broadly match the useful life of the assets it will fund.

There are upcoming changes to the Prudential Code which strengthen those elements preventing councils borrowing primarily to generate income. Borrowing for purposes that are rooted in the function of the council and where income generation is incidental to the decision making will not be affected.

Capital receipts

These are generated by the sale of surplus assets – for example buildings or land no longer required for council purposes. Normally councils must use these receipts for new capital investment- they cannot be used to cover the day-to-day costs of running council services. However, for the 2021/22 financial year government waived these rules so that councils can apply receipts to short-term expenditure on service transformation. In February 2021 the Government announced an extension to this scheme for a further three financial years from 2022/23 to 2024/25, the enacting legislation is expected in this parliament.

Direct contributions from revenue

These are also permitted. In addition, in some circumstances if the council chooses to lease an asset rather than purchase it, the lease costs are paid for from the revenue budget. For reasons of value for money, the council has purchased new vehicles and equipment rather than entering into lease arrangements for a number of years now, but the option remains.

Funding through partnership arrangements

These can be with other public sector or private sector bodies and may take a number of forms including delivery through a commercial vehicle established for a specified purpose.

The Prudential Code

It is for Councils to determine their own programmes for capital investment in the delivery of public services. In undertaking capital investment, the Council is required by regulation (under part 1 of the Local Government Act 2003) to have regard to the Prudential Code for Capital Finance in Councils developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Prudential Code is a professional code of practice which is intended to support Councils' decision making in the areas of capital investment and financing.

The Prudential Code (2017) requires all Councils to produce a Capital Investment Strategy. The Council first approved a capital investment strategy in February 2019 ensuring that it complies with the current code and adopts best practice in managing its investment resources. The code also requires Councils to take a longer planning horizon than the required three years specified for setting of the prudential indicators. As part of this longer planning horizon Councils should consider the whole life costs of major capital investment decisions to establish their affordability over the whole life of the asset.

The Code was last updated in December 2021 but the reporting requirements do not come into force until 2023. These requirements include reference to Environmental, Social and Governance (ESG) factors in Capital Strategy, quarterly monitoring of Prudential Indicators and an annual strategy to consider exiting commercial investments.

The Council's Strategic Planning Framework

The Capital Investment Strategy does not stand in isolation. It is a part of the overall Governance framework of the Council, and it links to other key strategies and plans.

Its first point of reference is the **Council Plan** which sets the direction and priorities for all that the Council does. This sets out the Council's ambition for North Lincolnshire to be the best place to live, work, visit and invest. The Council is committed to deliver better outcomes for the people and place of North Lincolnshire by enabling economic growth and renewal, keeping people safe and well, and enabling communities to flourish.

This is translated into action through a range of other inter-related plans and strategies as shown in the diagram below:



There are Finance related plans and strategies:

The Medium-Term Financial Plan which translates the ambitions and priorities of the Council Plan into specific decisions on the deployment of resources, both revenue and capital, typically over a three year period. It does this through a set of resource assumptions, and a cross-cutting financial process driven by the Council’s outcomes, which feeds into business plans.

The Capital Investment Strategy which is integral to the delivery of the Investment Plans, and prioritises the use of capital to deliver the desired outcomes. It also ensures that Council investment is sustainable in the long-term and that financial risk is effectively managed.

The Treasury Management Strategy key purpose is to manage the risks surrounding cashflow, investment and debt management activity. It seeks to ensure the Council understands its Treasury Management risks and makes a conscious decision around how much risk it is prepared to accept. Professional and Government Guidance requires the Council to give priority to the security and liquidity of an investment over the return on that investment.

There are also a number of asset related plans and strategies:

The Integrated Asset and School’s Asset Plans which sets out the strategic approach to managing the Council’s property assets in a way which most effectively delivers the Council’s strategic and local service priorities and outcomes. It also seeks to achieve value for money from its property assets. This also includes plans for the Council’s vehicle fleet which sets out the optimum investment in the fleet, to ensure operational efficiency and value for money.

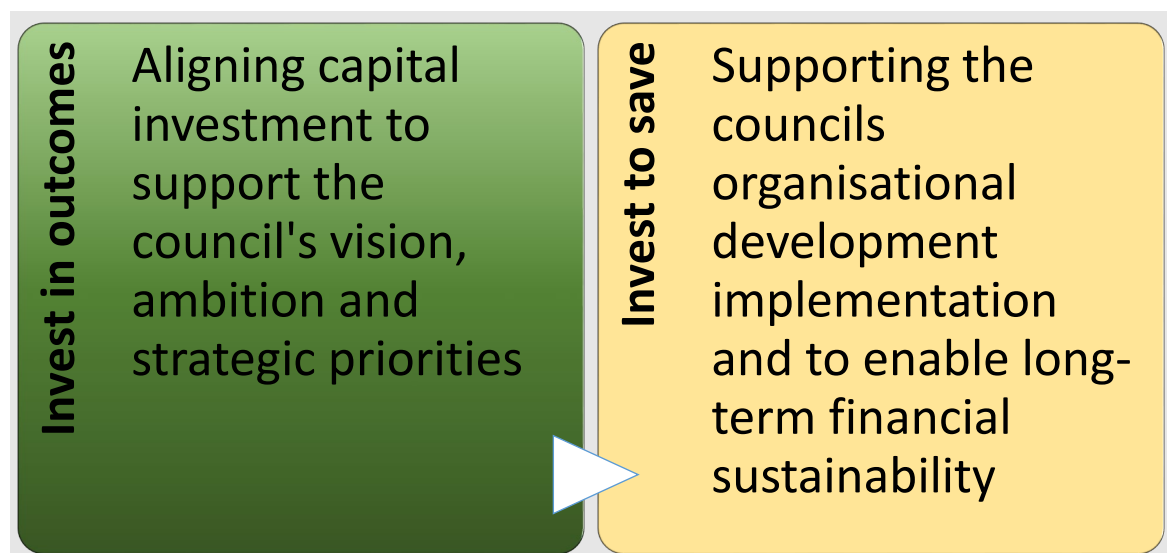
The Digital Vision and Roadmap which sets out the priority investment necessary to enable the council to operate its business securely and to maximise technology to change the way we work and the way we connect with the public.

The Local Transport Plan (LTP) is a statutory document setting out how the local authority will deliver strategic transport improvements over a given period of time.

The Asset related plans and strategies provide an informed view of current and future needs over a medium and longer planning horizon. These plans focus on the maintenance, improvement and acquisition of assets required to deliver the Council's strategic priorities and outcomes. They also provide an assessment of the long-run operating costs of the Council's assets and how they can secure value for money. The Property Transaction Framework aims for sustainable long term income to support the Council's budget; and also plans for the disposal of surplus land and assets to generate capital receipts for reinvestment.

Framework for Investment Decisions

The Investment Strategy focusses on two key strands of investment



Capital Investment Principles

Capital investment is informed by the following principles:

Theme	Investment Decisions
Making Informed Decisions	<ul style="list-style-type: none">• Investment decisions are aligned to agreed ambitions, goals, outcomes and priorities• Investment decisions and commercial operations demonstrate an ongoing tangible benefit and do not generate legacy revenue cost
Manage Risk	<ul style="list-style-type: none">• Investment decisions are congruent with Council values• Investment decisions meet the relevant regulatory requirements set nationally• Investment decisions avoid exposure of public funds to unnecessary or unquantified risk
Invest in Success	<ul style="list-style-type: none">• Investment decisions demonstrate benefits to local people, priority given to projects that provide social value and support vulnerable people.

Prioritising investment

Capital investment is one means the Council has to achieve the outcomes for the people and place of North Lincolnshire. Capital investment generally creates an asset which makes a contribution to delivery of Council priorities for periods of more than one year, and it is on this basis that the Council can choose to spread the cost of creating the asset over its useful life through borrowing. This ties up a proportion of the Council's revenue for long periods until the debt is discharged, and there needs to be a careful judgement of the trade-off between utilising limited revenue resource into capital investment for the long-term with the flexibility of investment into the direct running costs of services. At scheme level this should take the form of an appraisal of the different options available.

The council's own resource, primarily the statutory power to borrow for capital purposes, is limited by what it can afford to repay over the lifetime of its assets, and so must focus on the right things. The council has already committed significant funds of its own to finance its current asset base, and still carries a debt burden from that earlier investment; and there is further planned investment of own resources of £58.8m in the current programme, primarily from borrowing.

For some areas of investment there is national funding available from Government: grants for maintained educational and other provision for children, where the council has a statutory duty to ensure sufficient education places for the children of the area; grants for the local highway infrastructure and traffic management; and further funding via the Local Enterprise Partnership for infrastructure which supports economic growth.

A finite programme needs to work for the Council, make a difference to the people and place of North Lincolnshire and generate returns on the investment. The following considerations should apply:

- The need for **prioritisation** of resource due to finite resources, where schemes are not only considered on their own merit but also in relation to one another to avoid erosion of capital funding capacity
- The reality that the existing programme is close to the **limit** of what is **prudent** in terms of internal resources currently available in the plan period. This is based on the proximity of the current programme to the 10 - 12% range of borrowing costs limits set by Council
- If further borrowing is required outside this limit, it must be robustly **self-financing**
- A **risk based approach** to capital investment, with an understanding of how new investments affect the mix of risk and reward
- The requirement for a **full Business Case** to be produced for higher risk schemes
- High-level **evaluation** criteria

The council is transforming the way it does business. This will mean it delivers its duties and functions in different ways. It also means it will be focussing on optimising operational assets and releasing of surplus assets. This has the potential to generate capital receipts and revenue savings that can be reinvested to support the council's strategy. Schemes that deliver a positive return should be vigorously tested, monitored and evaluated. Schemes that require Council intervention to stimulate private sector investment should be tested against full return generated even if it is indirect (NNDR/Council Tax Growth).

Prudential Indicators

The Council also has a set of prudential indicators to help it decide what is prudent and affordable.

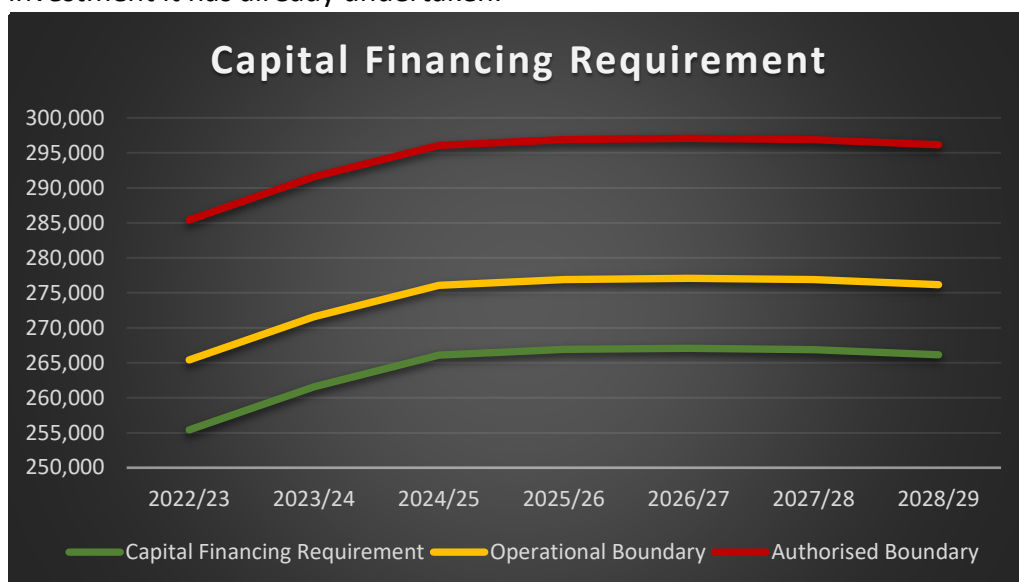
Prudential indicators were introduced as required proper practice when the Prudential regime was introduced by the Local Government Act 2003. This gave Councils the freedom to determine their own level of borrowing for long-term investment in place of the annual borrowing limits previously exercised by Government. The indicators were designed to provide councils with a reference point to test and ensure compliance with the central requirements of affordability, prudence and sustainability. **They provide a measure of how much capital investment the Council can afford to undertake and sustain over a longer term period. This is important since borrowing decisions taken now commit the council to payments over periods of up to fifty years depending on the nature of the asset.**

In setting or revising its prudential indicators, the Council is required to have regard to the following:

- **Council Priorities** (Council Plan)
- **Stewardship of Assets** (e.g. asset management planning)
- **Value for Money** (e.g. option appraisal)
- **Prudence and Sustainability** (e.g. risk, implications for external debt and whole life cost)
- **Affordability** (e.g. implications for the council's revenue income stream)
- **Practicality** (e.g. achievability of the forward plan)

The Key indicators prescribed in the Code are:

- **Capital Financing Requirement** – the Council's underlying need to borrow for capital investment purposes. This represents the actual need to borrow if the Council's current and future capital plans are delivered in full, on top of the investment it has already undertaken.



- **Operational Boundary** – an estimation of all the borrowing that the organisation may need to undertake (revenue and capital) to run the business.
- **Authorised Limit** – the level of borrowing that could be afforded but may not be sustainable, and if breached requires immediate corrective action to be taken.
- **Net Financing Costs** – the percentage of revenue budget set aside each year to service debt financing costs. **The Council has set its limit at 10-12%.** This is a key indicator of affordability. Although Council circumstances differ it is informative to note that the estimated Unitary Council average in 2018-19 was 6.56%.

These indicators can be supplemented by other **local indicators** to help the Council to determine what an appropriate limit to capital investment is, and the degree of risk for the organisation associated with its investment programme. It is proposed that the following are added as local indicators. The most pertinent criteria are those which have the greatest

bearing on the Council’s exposure to risk drawn from the Balance Sheet and its ability to deliver a balanced budget in-year.

- Total debt as a % of long term assets - total debt can pose both short term liquidity risk and long term cash pressures, therefore the lower the relative debt the lower the risk to the council. **The proposed limit is 40%**
- No further acquisition of Investment Properties is anticipated.
- Percentage of initial capital programme delivered by financial year-end. The higher the percentage the more robust the capital investment plans. A low percentage could be an indicator of a failure to deliver service outcomes in a timely way with an impact on the quality of service, or of poor value for money. **The proposed minimum is that at least 75% by value of the initial programme should be achieved**

CURRENT POSITION ON INDICATORS	2020/21	Trend	2019/20	Trend	2018/19	Trend	2017/18	Trend	2016/17
Total Debt as %age of long term assets	28.90%	↓	35.8%	-	35.8%	↑	34.2%	↑	31.4%
%age of capital programme achieved	59.4%	↑	59.0%	↓	87.3%	↑	59.1%	↑	52.2%

Risk and Return

The Council takes a risk-based approach to capital investment so that the council’s appetite for risk informs the size of investment available to higher risk projects.

In considering the initial financial risk of a business case the Net Present Value (NPV) on the whole life cost of the scheme, and Internal Rate of Return (IRR) financial appraisal techniques should be utilised where appropriate. NPV will be the key financial assessment tool. NPV calculations will be carried out using the Government’s Green Book discount rate, currently 3.5% (up to 30 years). These techniques are standard in business decision-making.

These techniques are most suited to schemes which are intended to deliver a financial return, whether in the form of cost savings which accrue by adopting a more cost-effective model of service delivery, or schemes with a specific purpose of generating income through rental income or capital appreciation. This would include ‘spend to save’ initiatives.

However, not all Council capital projects can be evaluated in this way as there may not be a direct financial return. Some schemes will generate social value; or may be a legal requirement, such as health and safety; or discharge a public duty, such as the requirement to ensure a sufficiency of school places in the local area. For these a different set of measures is required, which will include a value for money assessment.

Any capital bid is based on a series of assumptions, and inevitably requires a degree of estimation. To help ensure cost assessment is robust the Council makes use of the

professional judgement of qualified surveyors and engineers for its building and infrastructure projects. It is important that estimations do not show an optimism bias.

It is also important that the phasing and scale of the programme reflects the **capacity** of the Council to deliver it. The consequences of not doing so will include:

- Projects not delivered to required timescales and/or budget which affects the quality of service provided
- The cost of delivering the programme is materially different to initial estimate

The Council is able to re-profile and reallocate capital resource, providing that no prudential indicator is breached. This may include the acceleration or deferral of schemes to a later year. It is also prudent to re-assess the programme from time to time to ensure it continues to align with Council priorities.

All capital projects should have a risk log that is regularly reviewed and updated. All risks that may affect a project must be considered. These can include political, economic, legal, technological environmental and reputational as well as financial. Projects should be managed using the **project management toolkit**, which provides guidance and templates which can be found at [KI 3456 Project Management Templates on Topdesk](#)

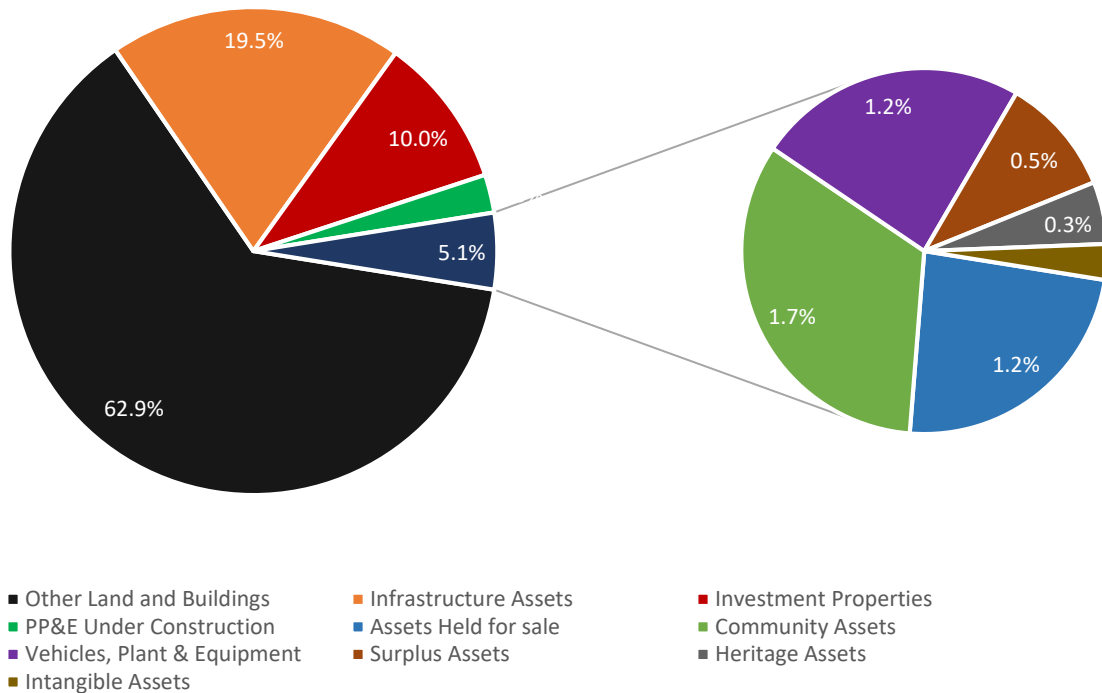
The council will not invest solely for a return. Any return will be a secondary consideration to meeting the Council's Priorities.

Current Commercial Portfolio

The Council has an extensive property portfolio valued at £57m as at 31/3/21, which earned £4m of income or 3.2% of net council spending in 2020/21. Property is held to deliver both the outcomes the Council desires and to earn income to support general council activity. The balance sheet categorisation of the Council's Investment Properties will be reviewed for the 21-22 Accounts as the duality of purpose means that some may not meet the definition of Investment Property which is they are held solely for capital appreciation or return.

The majority of the Council's Property Plant and Equipment portfolio is relatively low or very low risk. Investment properties are about 10% of the total portfolio by value. These properties are higher risk. The risks associated with these properties include exposure to fluctuations in the value of commercial property, difficulty in obtaining payment for rentals and breaks in tenancy leading to reduced income and increased costs. Most of the council's current Investment Portfolio was inherited from its predecessor councils and almost all of any associated borrowing has been repaid. There are therefore no associated costs of borrowing for these assets. Meaning that almost all of the income they yield can go to support the Council's Priorities. This portfolio will be reviewed in line with the changes to the Prudential Code.

NLC PROPERTY, PLANT AND EQUIPMENT PORTFOLIO 31/3/21

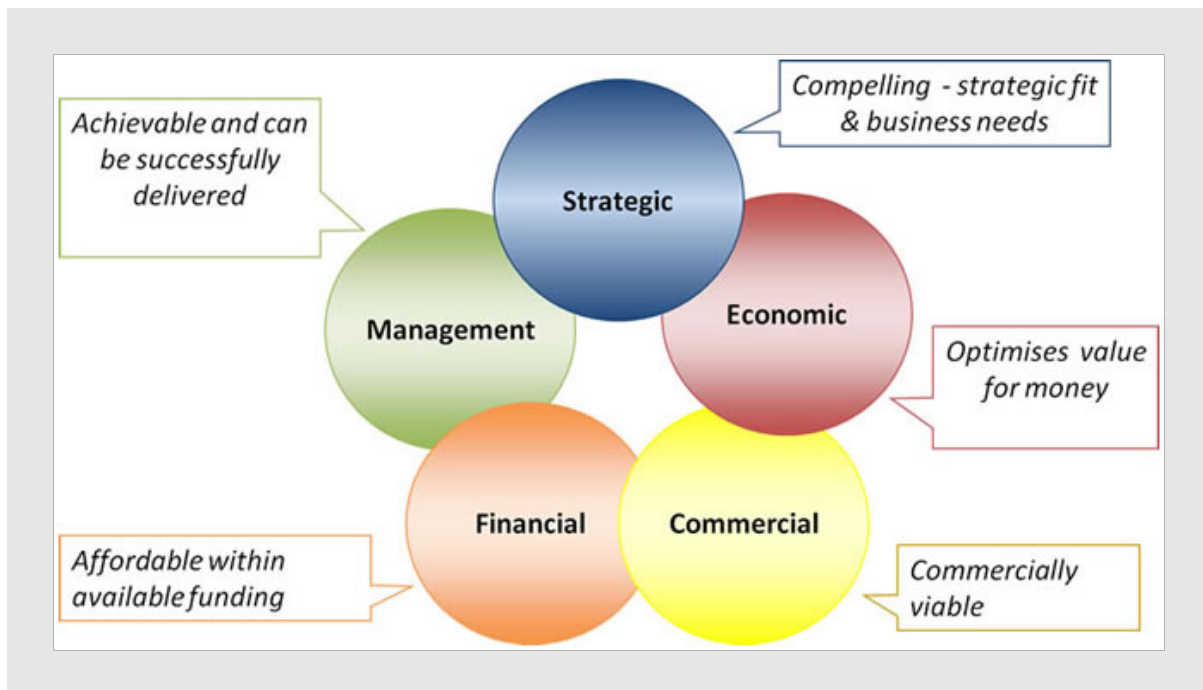


To assist in the consideration of risk, various techniques may be used. However it is proposed four techniques are utilised wherever possible:-

- Real rate of return on investment - this technique provides the net gain from the investment as a percentage. It uses the net present value of the cashflows which are generated by the scheme so that the time value of money is taken into account.
- Rate of return must be at least the Council's cost of borrowing, which fluctuates. To provide an adequate return above the cost of borrowing while not incurring excessive risk a target gross rate of return of between 8% and 12% has been proposed for evaluating each investment proposal. **This would generate a net return over the cost of borrowing of between 2% and 6%.**
- Internal Rate of Return (IRR) is a technique which calculates the discount rate that would need to be applied to a cashflow to make it zero. This technique allows a comparison to be drawn between different investments and types of investment and is a useful supplementary measure.

Making the Business Case

The council has developed a **toolkit to be used to create robust business cases**. It comes in two parts, a Mini Business Case that sets out the essence of the scheme at a high level and a Full Business Case which sets out the scheme in more detail. Both of these can be found on [Topdesk section KI 2060 Business Case Toolkit](#). This is based on the five case model for Capital Appraisal and Evaluation from the Treasury's Green Book:



As a public body which operates within the constraints of public policy and finite resources there is a need to choose among alternative capital investment opportunities. What makes this kind of decision demanding is not the problem of projecting return on investment under any given set of assumptions but making the right assumptions and a robust estimation of their impact. Taken together, these can generate significant uncertainty. For that reason, a degree of sensitivity analysis should be undertaken on those projects with greatest risk.

The scope of an evaluation should depend upon the complexity, scale of the impact of a programme or scheme, and also be informed by the level of benefit to the people of North Lincolnshire. Learning should be taken from previous schemes to inform future decisions.

The risk and impact of the current programme should add context to the decisions being taken and how investment proposals affect the mix of risk being taken. Higher risk investments should be judged in the context of impact.

In making an assessment of each scheme the full cost impact should be taken into account, both financing and running costs.

Governance of the Capital Programme

It is Full Council which sets the Capital Investment Strategy and approves the resource envelope for a multi-year programme of capital investment. The Constitution sets out the role of Cabinet which provides executive oversight and determines the powers and responsibilities delegated to cabinet members and officers.

Cabinet collectively leads on budget and performance monitoring across the whole range of council activities. Cabinet member portfolio holders delegations include delivery monitoring to support achievement of council outcomes within the strategic policy frameworks of the Local Plan and Council Plan.

An internal board of senior officers has been established to act as the Council's advisory body on the Council's major projects and capital investment within the authority and all asset management.

To support delivery of the Capital Investment Strategy, the following process will be applied in determining resource allocation and prioritisation of schemes. This process is based on the production of robust business cases. Initially only an outline business case is required but if the scheme passes the first stage of approval a detailed business case will be required. The process requires each proposed scheme cover the following:-

- (a) Strategic fit with Council Plan.
- (b) Relative importance and affordability and fit with Councils Strategic Asset Management Plan where a new or existing asset is to be developed.
- (c) Financial viability needs to be examined in 2 stages:-
 - Initial stage with 'order of costs' and indicative outputs
 - If approval is made on all the above, feasibility resources will be invested in developing the scheme to outline stage so it can be costed, while refining financial output data in order to produce the business case.

Annex A-The Statutory and Regulatory Framework

The Council has to work within a statutory framework. In practice this means that its spending must be in line with statutory powers and powers of competence and is not 'ultra vires'.

The relevant legislation and regulations include:-

- Local Government Finance Act 1992 which sets out the requirement to set a balanced budget.
- Local Government Act 2003 provides councils with the power to borrow within certain limits. The act also gives councils the power to make an investment.
- The Chief Financial Officer has a duty to ensure the limits referred to in the 2003 Act are not exceeded and can call on specific legal powers, if in their professional opinion, there is a danger this will happen
- Section 16 of the 2003 Act defines Capital Expenditure as:-
 1. Expenditure that results in the acquisition of, or the construction of, or the addition of subsequent costs to noncurrent assets in accordance with 'proper practices'
 2. Expenditure that meets one of the definitions specified in regulations made under the Act.
 3. The Secretary of State makes a direction that the expenditure can be treated as capital expenditure e.g. the capital receipts flexibility.
- Government have issued guidance on the calculation of the annual Minimum Revenue Provision which councils that have borrowed to finance their capital programme must make. This ensure that a prudent revenue provision is made to repay borrowing undertaken for capital purposes.
- Localism Act 2011 This Act includes a General Power of Competence which allows Councils some additional freedoms and sets out in Section 4 the need to operate through a Limited Company any activities it undertakes for purely Commercial purposes.
- A requirement to produce independently audited Council accounts each year. Each year every council must have its accounts and arrangements for obtaining value for money audited by 31st July. External Auditors also have the power to issue a Public Interest Report if they believe the council is failing in its duty to provide value for money services.
- Tax Legislation. The council generally is able to recover VAT on goods and services, but can only recover the VAT it incurs on VAT exempt activities e.g. education & training; and selling, leasing and letting of commercial land and buildings (this exemption can be waived) up to the value of 5% of all the VAT it incurs. This is known as the de minimis threshold or limit. If this limit is exceeded none of this VAT may be recovered and will be a significant cost to the council. The VAT implications of every capital scheme therefore need to be considered.

Annex B-Technical Accounting Matters

Accounting

The accounting for capital has some special rules that do not apply to revenue expenditure. For Local Authorities capital expenditure is defined under UK law as expenditure that can be capitalised under proper practice or the Secretary of State deems it to be capital. In this case proper practice is the CIPFA Code of Accounting Practice. The code defines capital as spending to purchase, enhance or construct a long term asset with the benefit gained from the spending lasting more than one year. Loans to organisations or individuals for them to spend on things that would be capital if the council had bought them can also be capital

Capitalisation policy

The Council has a capitalisation policy, which complies with the code and which sets out what types of costs can be capitalised. Under UK law anything that cannot be capitalised is a revenue cost.

Leasing

As a Lessee a lease can be a way of obtaining the use of a capital asset for a period of time. Conversely as a Lessor a lease can be used to generate an ongoing income from a capital asset. There are two different types of lease. These are Finance and Operating leases. Operating leases are purely rental agreements with the Lessor retaining the majority of the risks and rewards of ownership. Finance leases are agreements where the majority of the risks and rewards transfer to the Lessee.

There are important differences between the two types of lease. Finance leases require lessors to remove the asset from their balance sheets and lessees to include the asset on their balance sheet. Finance lease income to a lessor is received in a form that limits how this income can be used.

As the lessor there are five indicators of a finance lease they are:-

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised
- the lease term is for the major part of the economic life of the asset
- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Each lease has to be assessed on its own merits

Annex C-Principles for making of Council loans:

The following principles are a framework for making loan decisions. Loans should:

- Support the Council Strategy/help deliver council outcomes
- Be authorised under statutory powers
- Be planned not reactive
- Be part of the Capital Strategy and Capital Programme for consideration and prioritisation (revenue loans are to be discouraged)
- Be on a Commercial basis i.e. on commercial terms, or with clear justification if charging less than the commercial rate (e.g. passing on the PWLB rate which is generally below the market rate); and only after undertaking a robust due diligence process
- Minimise the risk to the public purse e.g. by being facilitated through a third party
- Be able to demonstrate clearly why the Council should act as lender

Table 1 – Programme Summary 2021/25

Proposed Programme	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	Total £000's
Investment in Priority					
Keeping People Safe and Well	3,522	7,343	593	185	11,643
Enabling Resilient and Flourishing Communities	10,120	8,930	7,681	6,166	32,896
Enabling Economic Growth and Renewal	19,289	22,452	12,812	8,332	62,885
Running the Business Well	4,780	7,511	6,755	1,750	20,796
Total Investment	37,711	46,235	27,841	16,433	128,220
Additional Capital Investment Allocation	0	1,000	1,142	7,356	9,498
Capital Investment Limit	37,711	47,235	28,983	23,789	137,718
Funding Analysis					
External & Grant Funding	24,679	26,359	15,943	11,668	78,649
Revenue Funding	254	0	0	0	254
Borrowing	11,078	10,876	13,040	12,121	47,115
Capital Receipts	1,700	10,000	0	0	11,700
Total	37,711	47,235	28,983	23,789	137,718

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

TREASURY MANAGEMENT STRATEGY 2022/23

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To approve the Treasury Management Policy Statement
- 1.2 To seek approval of the Council's Treasury Management Strategy 2022/23.
- 1.3 To approve the proposed Prudential Indicators 22/25
- 1.4 To approve the policy on the Minimum Revenue Provision
- 1.5 To approve the Investment Counterparties and Limits
- 1.6 To approve the Maturity Structure of Borrowing Limits

2. BACKGROUND INFORMATION

- 2.1 The proposed Treasury management Strategy Statement (TMSS) for 2022/23 is attached at Appendix 2. The Strategy has been developed in consultation with our treasury management advisors, Link Asset Services Ltd. This statement also incorporates the Investment Strategy.
- 2.2 Whilst the Council has appointed advisors to support effective treasury management arrangements, the Council is ultimately responsible for its treasury decisions and activity. No treasury activity is without risk. The successful identification, monitoring and control of risk is therefore an important and integral element of treasury management activities.

3. OPTIONS FOR CONSIDERATION

- 3.1 To approve the Treasury Management Policy Statement in Appendix 1.

- 3.2 To approve the Treasury Management Strategy 2022/23 at Appendix 2, including:
- The Counterparty limits
 - Maturity structure of debt
 - The Council's Minimum Revenue Provision Policy and
 - Prudential Indicators.

4. ANALYSIS OF OPTIONS

- 4.1 The Strategy and Policy Statement comply with the requirements of the Prudential Code, CIPFA Treasury Management in Public Services Code of Practice and related government guidance.
- 4.2 Further analysis is contained in the Strategy at Appendix 2.
- 4.3 The Strategy reflects best practice and advice from the Council's Treasury Advisors.

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

- 5.1 None, other than the those set out in the report and appendices.

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 Council is requested to:
- i. Approve the Treasury Management Policy Statement (Appendix 1)
 - ii. Approve the Treasury Management Policy and Treasury Management and Investment Strategy for 2022/23 (Appendix 2)

- iii. Approve the prudential indicators for 2022/25 set out in the Strategy (Appendix 2)
- iv. Approve the revised policy on the Minimum Revenue Provision set out in the Strategy (Appendix 2)
- v. Approve the Counterparty List contained in the Strategy (Appendix 2)
- vi. Approve the Maturity Structure of Borrowing Limits contained in the Strategy (Appendix 2)

DIRECTOR OF GOVERNANCE AND COMMUNITIES

Church Square House
SCUNTHORPE
North Lincolnshire
DN15 6NL
Author: Tracy Elliott/Mark Kitching
Date: 14th February 2022

Background Papers used in the preparation of this report –

- Local Government Act 2003
- CIPFA Treasury Management in Public Services Code of Practice (2017 Edition)
- CIPFA Code of Practice 2019-20
- CIPFA The Prudential Code for Capital Finance in Local Authorities (2017 Edition)

APPENDIX 1

The Treasury Management Policy Statement

1. The Council defines its treasury management activities as:

The management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.
3. This Council acknowledges that effective treasury management will provide support towards the achievement of its Council Plan priorities and outcomes. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. The Council's high level policies for borrowing, borrowing in advance and investments.
 - The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
 - This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.
 - The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

North Lincolnshire Council Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2022/23

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1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

“The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members of the Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking.
 - the capital plans, (including prudential indicators);
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).

- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee and Governance Scrutiny Panel (a).

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, Department of Levelling Up, Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was delivered in January 2022 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

1.6 Minimum Revenue Provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement

For capital expenditure incurred before 1 April 2008 the MRP policy will be to set aside 1/50th of the balance per annum.

From 1 April 2008 the MRP policy will be

- **Asset life annuity method** – MRP will be based on the estimated life of the assets, in accordance with the regulations using the annuity method.

These options provide for a reduction in the borrowing need over approximately the asset's life.

Repayments included in finance leases are applied as MRP over the life of the contract.

MRP Overpayments - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31.3.21 the total voluntary revenue provision overpayments were £3.0m.

2 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the annual investment strategy.

2.1 Current portfolio position

The overall treasury management portfolio as at 31.3.2021 and for the position as at 17.01.2022 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	Actual		Current	
	31.3.21	31.3.21	17.01.22	17.01.22
	£000	%	£000	%
Treasury investments				
banks	5,830	24%	13,823	17%
DMADF (H.M.Treasury)	10,500	44%	56,500	69%
money market funds	7,700	32%	12,000	15%
Total treasury investments	24,030	100%	82,323	100%
Treasury external borrowing				
local authorities	9,000	6%	6,000	4%
PWLB	152,245	94%	149,887	96%
Total external borrowing	161,245	100%	155,887	100%
Net treasury investments / (borrowing)	(137,215)	0	(73,564)	0

2.2 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8 February 2022. These are forecasts for PWLB certainty rates, gilt yields plus 80 basis points (bps).

Link Group Interest Rate View		7.2.22											
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

The coronavirus outbreak has caused significant economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged until December 2021.

Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes three increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%.

Forecasts for PWLB rates and gilt and treasury yields

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates.

There is a growing risk that medium to long term PWLB rates will increase.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- On 25.11.2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps (1%) in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its

three-year capital programme. The current margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for the Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a “cost of carry” but also wishes to mitigate future re-financing risk
 - While this council will not be able to avoid borrowing to finance new capital expenditure and to replace maturing debt, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

2.3 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Director of Governance and Communities will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions to borrow will be reported to the Audit Committee at the next available opportunity.

2.4 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs and will also not borrow primarily for yield.

2.5 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio will not occur due to the very large difference between premature redemption rates and new borrowing rates.

2.6 New financial institutions as a source of borrowing and / or types of borrowing

Consideration may need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the PWLB Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bond Agency and UK Infrastructure Bank where circumstances make their use value for money

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

2.7 Approved sources of long- and short-term borrowing

Funding Source	Fixed	Variable
Internal (capital receipts & revenue balances)	●	●
PWLB	●	●
Local authorities	●	●
Overdraft		●
Municipal bond agency	●	●
Banks	●	●
Finance leases	●	●
Local temporary	●	●
Local authority bills	●	
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Negotiable Bonds	●	●
Commercial Paper	●	
Medium Term Notes	●	
Lender Option, Borrower Option (LOBO) loans will not be used.		

3 ANNUAL INVESTMENT STRATEGY

3.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council’s investment policy has regard to the following: -

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity in accordance with the Council’s risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate, the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to

maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with less high credit quality, may be for periods of more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 5% of the value of its portfolio at the time of the potential investment.
 6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
 7. **Transaction limits** are set for each type of investment in 4.2.
 8. This authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
 9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
 10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
 11. All investments will be denominated in **sterling**.
 12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

3.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and

monitoring their security. This is set out in the specified and non-specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Governance and Communities will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by the Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed considering market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AA-
 and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):
 - i. Short Term – *BBB-*; *Baa3*, *BBB-*
 - ii. Long Term – *F-3*, *P-3*, *A-3*
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. This bank can be included provided they continue to be part nationalised or meet the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
 - i. Building societies. The Council will use all societies which meet the ratings for banks outlined above
- Money Market Funds (MMFs) – *AAAmmf*
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc
- Supranational institutions

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch long term rating	The higher of		Time Limit
		Value (£m)	% of portfolio	
Banks 1 higher quality	AAA-	5	12.5%	1 year
Banks 1 medium quality	AA-	3	7.5%	1 year
Banks 1 lower quality	BBB-	1	2.5%	1 year
Banks 2 – part nationalised	BBB-	3	7.5%	1 year
Limit 3 category – Council's banker	BBB-	5	20.0%	60 days
Building Societies	BBB-	1	2.5%	1 year
Debt Management Account Deposit Facility	UK sovereign rating	Unlimited		1 year
Local authorities	N/A	4	10.0%	1year
	Fund rating**	Value (£m)	% of portfolio	Time Limit
Money Market Funds per fund	AAAmmf	3	10.0%	liquid

The proposed criteria for specified and non-specified investments are shown in Appendix 5.4 for approval.

Creditworthiness.

Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

3.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury

management investments to non-specified treasury management investments as being 5% of the total treasury management investment portfolio or £2m whichever is the larger.

- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch or equivalent . The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- c) **Other limits.** In addition:
- no more than 5% or £2m whichever is the larger will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

3.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow , where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for a first increase in Bank Rate in December 2021 though there is a high risk that it could be delayed until quarter 1 or 2 of 2022.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.25%
2023/24	0.75%	0.50%
2024/25	1.00%	0.50%
2025/26	1.25%	1.00%
Long term later years	2.00%	2.00%

For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

3.5 Investment performance / risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 1 month SONIA (Sterling Over Night Index Average) (Sterling Over Night Index Average) (Sterling Over Night Index Average)

3.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

3.7 External fund managers

The Council does not currently use external fund managers. However it will keep this decision under review and if it is proposed to engage external fund managers this will be reported to the Audit Committee.

4 APPENDIX 1

4.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

4.1.1 Capital expenditure

Capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Investment in Outcomes	28.1	37.7	47.2	29.0	23.8

4.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Minimum Revenue Provision	5,538.2	6,198.8	6,858.4	7,625.7
Interest Payable	5,873.6	5,704.9	5,368.5	5,151.6
Total Capital Financing Costs	11,411.8	11,903.7	12,226.9	12,777.4
Ratio of Capital Financing costs to Net Revenue Stream	7.3%	7.0%	7.0%	7.0%

The estimates of financing costs include current commitments and the proposals in this budget report.

4.1.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	40%
5 years to 10 years	0%	45%
10 years to 20 years	0%	50%
20 years to 30 years	0%	75%
30 years to 40 years	0%	60%
40 years to 50 years	0%	25%
Maturity structure of variable interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	90%
2 years to 5 years	0%	90%
5 years to 10 years	0%	90%
10 years to 20 years	0%	50%
20 years to 30 years	0%	20%
30 years to 40 years	0%	10%
40 years to 50 years	0%	10%

4.2 Capital financing

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital receipts	0.3	1.7	10.0	0.0	0.0
External Financing	18.8	24.7	26.4	15.9	11.7
Revenue	0.2	0.3	0.0	0.0	0.0
Net financing need for the year	8.9	11.1	10.9	13.0	12.1

The Council is now required to confirm to the PWLB that it does not plan to incur Capital expenditure on projects for yield schemes, if it wishes to access PWLB borrowing. PWLB borrowing remains a lower cost option than other borrowing available to councils.

4.3 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need.

Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g., finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently doesn't have any such leases within the CFR.

The Council is asked to approve the CFR projections below:

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Financing Requirement					
Services	28.1	37.7	47.2	29.0	23.8
Total CFR	245.2	250.7	255.4	261.6	266.1
Movement in CFR	0.9	5.5	4.7	6.2	4.5

Movement in CFR represented by					
Net financing need for the year (above)	9.0	11.1	10.9	13.0	12.1
Less MRP/VRP	8.1	5.5	6.2	6.9	7.6
Movement in CFR	0.9	5.5	4.7	6.2	4.5

4.4 Estimates of External Debt

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt					
Debt	161.6	152.6	157.3	163.5	208.0
The Capital Financing Requirement	245.2	250.7	255.4	261.6	266.1
Under / (over) borrowing	83.6	98.1	98.1	98.1	58.1

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for

2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Governance and Communities reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals in this budget report.

4.5 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	170,729	255,406	261,587	266,083
Other long-term liabilities	0	10,000	10,000	10,000
Total	170,729	265,406	271,587	276,083

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

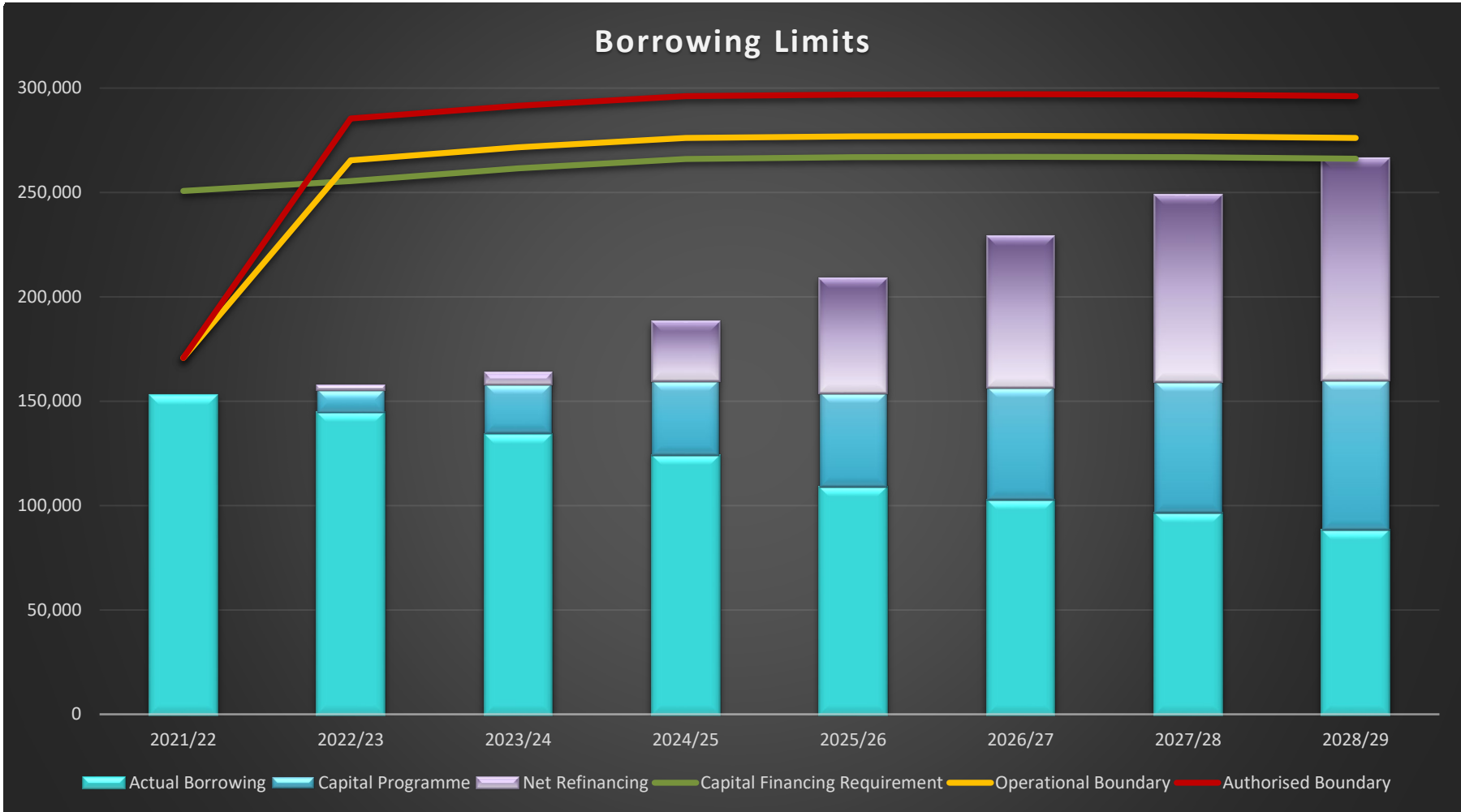
1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	170,729	275,406	281,587	286,083
Other long-term liabilities	0	10,000	10,000	10,000
Total	170,729	285,406	291,587	296,083

Forecast Borrowing compared to Prudential Indicators

Borrowing Limits

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NORTH LINCOLNSHIRE COUNCIL

COUNCIL

IMPLEMENTATION OF THE 2022/2023 PAY POLICY STATEMENT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To outline and seek approval for the council's proposed Pay Policy Statement for 2022/2023, in accordance with section 38 of the Localism Act 2011.

2. BACKGROUND INFORMATION

- 2.1 The council is required by the Localism Act 2011 (the Act) to prepare an annual Pay Policy Statement. The statement must articulate a council's own policy on a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees. Pay policy statements must be prepared for each financial year and must be approved annually by Full Council.
- 2.2 Councils retain the autonomy to make decisions on pay that are appropriate to local circumstances. The provisions of the Act do however require individual councils to be more open about their policies in relation to pay and how decisions are made in this regard.
- 2.3 In summary, the Act requires that authorities include in their Pay Policy Statements:
 - The approach taken to awarding other elements of pay including severance payments, any additional fees e.g., pay increases, honoraria etc.
 - The approach to the publication of and access to information relating to the remuneration of Chief Officers.
 - The organisation's pay multiple. The 'pay multiple' is the ratio between the highest paid employee and the median average earnings across the council which acts as a means of illustrating the relationship between the highest and lowest paid.

- 2.4 There have been no changes to the approach to pay and reward in the last financial year. The ratio between the highest paid remuneration in the council and the average median remuneration is 6.4:1.
- 2.5 The Government published the Local Government Transparency Code (2015) to ensure that transparency is the foundation of local accountability and to place more power in citizens' hands. The code sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published. The council's datasets can be viewed by searching for 'Open data' at www.northlincs.gov.uk

3. **OPTIONS FOR CONSIDERATION**

- 3.1 To consider and accept the proposed Pay Policy Statement for 2022/2023.
- 3.2 To reject the Pay Policy Statement for 2022/2023.
- 3.3 To make recommendations to extend the provisions of the proposed Pay Policy Statement 2022/2023 beyond the minimum statutory requirements.

4. **ANALYSIS OF OPTIONS**

- 4.1 The proposed Pay Policy Statement meets the requirements of the Act. Where possible it cross references other council policies on pay and terms and conditions of employment.
- 4.2 The Act sets out in detail the specific minimum elements which the Pay Policy Statement must include. Not agreeing and publishing a Pay Policy statement for Chief Officers would mean that the council has failed to meet a statutory obligation.
- 4.3 Given that Pay Policy statements must be published by 1 April each year following consideration by an open meeting of full council, a decision on its content has to take place at this meeting. Recommending changes to the proposed Pay Policy statement and the council's existing pay strategy would necessitate significant consultation and would mean the council is unlikely to meet its statutory obligations in this area.

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

5.1 There are no direct financial implications.

5.2 There are no direct staffing implications. The Pay Policy Statement for 2022/2023 reflects the council's existing practice on pay for Chief Officers.

5.3 A copy of the council's Pay Policy Statement for 2022/2023 will be published on the council's website.

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

6.1 None.

7. **OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 The council's Pay Policy Statement complies fully with the minimum requirements of section 38 of the Localism Act 2011.

8. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 The trade unions have been informed of the pay multiple and have been provided with a copy of the council's Pay Policy Statement for 2022/2023.

9. **RECOMMENDATIONS**

9.1 That the proposed Pay Policy Statement for 2022/2023 be approved and adopted.

DIRECTOR OF ECONOMY AND ENVIRONMENT

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Author: Rebecca Stanford
Date: 14 February 2022

Background Papers used in the preparation of this report – None.

Chief Officer Pay policy statement

1.0 Introduction

- 1.1 Sections 38 – 43 of the Localism Act 2011 (the Act) require that the council produce a policy statement that covers several matters concerning the pay of the council's employees, principally Chief Officers. This policy statement meets the requirements of the Act in this regard and also meets the requirements of guidance issued by the Secretary of State for Communities and Local Government to which the council is required to have regard under Section 40 of the Act.
- 1.2 This policy was considered and approved by the Full Council at the meeting which took place on 24 February 2022.
- 1.3 This policy also has some connection with the data on pay and rewards for employees which the council publishes under the Local Government Transparency Code (2015) and the data which is published under The Accounts and Audit (England) Regulations (2015).
- 1.4 It should be noted that the requirements to publish data under the Secretary of State's guidance, the Transparency Code and the Regulations do differ, the data requirements of the Transparency Code and the Accounts and Audit Regulations are summarised at section 11.0 of this document.
- 1.5 This policy statement does not cover or include school employees and is not required to do so.

2.0 Definition of officers covered by the policy statement

- 2.1 This policy statement covers Chief Officers under the Localism Act 2011 which are defined as:
- The council's Head of Paid Service designated under section 4(1) of the Local Government and Housing Act 1989;
 - The Monitoring Officer designated under section 5(1) of that Act;
 - A Statutory Chief Officer mentioned in section 2(6) of that Act;
 - A Non-Statutory Chief Officer mentioned in section 2(7) of that Act; and
 - A Deputy Chief Officer mentioned in section 2(8) of that Act.

In North Lincolnshire Council these definitions would apply to the following posts:

Head of Paid Service:

- Chief Executive

Chief Officer Pay policy statement

Statutory Chief Officers:

- Director: Adults and Health (Director of Adult Social Services)
- Director: Children and Families (Director of Children's Services)
- Assistant Director: Education and Deputy DCS (Chief Education Officer)
- Director: Governance and Communities (Section 151 Officer)
- Assistant Director: Governance and Partnerships (Monitoring Officer)

Non-Statutory Chief Officers (those who report directly to the Head of the Paid Service and are not a Statutory Chief Officer):

- Deputy Chief Executive

Deputy Chief Officers:

- Director: Economy and Environment
- Director: Public Health
- Assistant Director: Adult Social Services and Deputy DASS
- Assistant Director: Integrated Health and Care
- Assistant Director: Adult Early Help and Prevention
- Assistant Director: Children's Help and Protection
- Assistant Director: Children's Regulatory Services and Standards
- Assistant Director: Resources and Performance
- Assistant Director: Community Enablement
- All other senior managers if reporting directly to, or directly accountable to, a statutory or non-statutory Chief Officer in respect of all or most of their duties (excluding roles which are clerical or secretarial).'

3.0 Remunerating chief officers

3.1 The council's current arrangements for the remuneration of chief officers are set out on the council's website. It is the policy of this council to establish a remuneration package for each chief officer post that is sufficient to attract and retain employees of the appropriate skills, knowledge, experience, abilities and qualities, consistent with the council's requirements of the post at that time.

3.2 Grading of jobs is determined by the use of the council's job evaluation schemes to ensure that they are fair and non-discriminatory, comply with equal pay legislation and associated codes of best practice.

4.0 Remunerating the lowest paid in the workforce

4.1 The council applies terms and conditions of employment that have been negotiated

Chief Officer Pay policy statement

and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of council decisions, these are then incorporated into contracts of employment.

- 4.2 The lowest pay point in this council is Grade 1, point 1. This equates to an annual salary of £17,842, an hourly rate of pay of £9.25. This pay point and salary is part of a pay scale for employees employed on National Joint Council (NJC) for Local Government Service terms and conditions. These rates are effective from 1 April 2020 to 31 March 2021. The pay rate is increased in accordance with any pay settlements which are reached through the NJC for Local Government Services. No pay award for employees on NJC terms and conditions has yet been agreed for the period 1 April 2021 to 31 March 2022. If no pay award is agreed in time for 1 April 2022, a temporary uplift to £9.50 per hour will be made to the two lowest pay points to ensure compliance with the planned increase to the National Living Wage from that date.

5.0 Relationship between chief officer remuneration and that of other employees

- 5.1 The highest paid remuneration in this council is £168,951 per annum which is paid to the Chief Executive.
- 5.2 The average median remuneration (as at 31 January 2022) in this council is £26,232.79 per annum.
- 5.3 The ratio between the highest paid remuneration and the average median remuneration in the council (not including schools), the 'pay multiple', is 6.4:1. This council does not have a policy on maintaining or reaching a specific 'pay multiple'. However, the council is conscious of the need to ensure that the remuneration of the highest paid employee is not excessive and is consistent with the needs of the council as expressed in this policy statement.
- 5.4 The council's approach to the payment of employees is to pay that needed to recruit and retain employees with the skills, knowledge, experience, abilities, and qualities needed for the post at that time. In addition, the council will ensure it meets any contractual requirements for employees including the application of any local or national collective agreements, or council decisions regarding pay.

6.0 Other aspects of chief officer remuneration

- 6.1 Other aspects of chief officer remuneration are appropriate to be covered by this policy statement. These other aspects are defined as recruitment, pay increases,

Chief Officer Pay policy statement

additions to pay, performance related pay, earn back, bonuses, termination payments, transparency, and re-employment when in receipt of a Local Government Pension Scheme (LGPS) pension or a redundancy/severance payment. These matters are addressed in the schedule that is attached to this policy statement at Appendix 1.

7.0 Approval of salary packages in excess of £100,000

7.1 The council will ensure that any salary package for any post (not including schools) that is in excess of £100,000 will be considered by a committee of Full Council, at the latest, before an offer of appointment is made. The salary package will be defined as base salary, any bonuses, fees, routinely payable allowances, and benefits in kind that are due under the contract.

8.0 Flexibility to address recruitment issues for vacant posts

8.1 In the vast majority of circumstances the provisions of this policy will enable the council to ensure that it can recruit effectively to any vacant post. There may be exceptional circumstances when there are recruitment difficulties for a particular post and where there is evidence that an element or elements of the remuneration package are not sufficient to secure an effective appointment. This policy statement recognises that this situation may arise in exceptional circumstances and therefore a departure from this policy can be implemented without having to seek Full Council approval for a change of the policy statement. Such a departure from this policy will be expressly justified in each case and will be approved through an appropriate council decision making route.

9.0 Amendments to the policy

9.1 This policy does not normally need to be amended during the period it covers. However, given that a pay award has not yet been agreed for 2021/2022 for employees on NJC and JNC for Chief Officers terms and conditions, the relevant data will be updated and the pay multiple recalculated when this pay award occurs. If a change of policy is considered to be appropriate following this, then a revised draft policy will be presented to Full Council for consideration.

10.0 Policy for future years

10.1 This policy statement will be reviewed each year and will be presented to Full Council each year for consideration in order to ensure that a policy is in place for the council prior to the start of each financial year.

11.0 Supporting legislation and statutory guidance

11.1 The Local Government Transparency Code (2015) indicates that councils should publish the following data concerning employees:

- Organisation structure (covering staff in the top three levels of the organisation), including grade, job title, department, permanent or temporary, contact details, salary in £5,000 brackets and the salary ceiling.
- Names of trade unions represented in the council, total number of trade union representatives, number of those trade union representatives who devote at least 50% of their time to union duties and a basic estimate of spending on unions as a percentage of the pay bill.
- The 'pay multiple' – the ratio between the highest paid salary and the median average salary of the whole council workforce.

11.2 The Accounts and Audit (England) Regulations (2015) require that the following data is included in the council's accounts:

- Numbers of employees with a salary above £50,000 per annum (pro-rata for part-time employees) in multiples of £5,000.
- Job title, remuneration and employer pension contributions for senior officers. Senior officers are defined as Head of Paid Service, Statutory Chief Officers and Non-Statutory Chief Officers by reference to Section 2 of the 1989 Local Government & Housing Act.
- Names of employees paid over £150,000 per annum.

For the above remuneration is to include:

- Salary, fees or allowances for the current and previous year.
- Bonuses paid or receivable for the current and previous year.
- Expenses paid in the previous year.
- Compensation for loss of employment paid to or receivable, or payments made in connection with loss of employment.
- Total estimated value of non-cash benefits that are emoluments of the person.

For the above pension contributions to include:

- The amount driven by the authority's set employer contribution rate.
- Employer costs incurred relating to any increased membership or award of additional pension.

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Chief Officer Pay policy statement

Appendix 1 – Additional remuneration

Recruitment

- 1.1 The post will be advertised and appointed to at the appropriate approved salary level for the post in question unless there is good evidence that a successful appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package is appropriate under the council's policy and any variation will be approved through the appropriate council decision making process.

Pay increases

- 1.2 The council will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. The council will also apply any pay increases that are as a result of council decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts. Where a change in the duties of the post are significant a revised job description will be submitted for re-evaluation in accordance with the council's approved job evaluation scheme and Grading policy B.5.
- 1.3 If the evaluation results in a change in grade, the manager will prepare a delegated decision report for consideration by the relevant directors.

Additions to pay

- 1.4 The council would not make additional payments beyond those specified in the contract of employment.

Performance related pay

- 1.5 The council does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure

Chief Officer Pay policy statement

Appendix 1 – Additional remuneration

high performance from its senior officers. Any areas of under-performance are addressed rigorously.

Earn-back (Withholding an element of base pay related to performance)

- 1.6 The council does not operate an earn-back pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.

Bonuses

- 1.7 The council does not pay bonus payments to senior officers.

Termination payments

- 1.8 The council applies its normal redundancy payments arrangements to senior officers and does not have separate provisions for them. The council also applies the appropriate pensions regulations when they apply. The council has agreed policies on how it will apply any discretionary powers it has under pensions regulations. These discretions are set out in the council's Local Government Pension Scheme (LGPS) Discretionary Options and Compensation for Termination of Employment policy A.8a.
- 1.9 Any costs that are incurred by the council regarding senior officers are published in the council accounts as required under the Accounts and Audit (England) Regulations 2015 and can be viewed at www.northlincs.gov.uk.

Transparency

- 1.10 The council meets its requirements under the Localism Act, the Local Government Transparency Code and the Accounts and Audit Regulations in order to ensure that it is open and transparent regarding senior officer remuneration. Detailed information can be viewed by searching for 'Open data' at www.northlincs.gov.uk.

Chief Officer Pay policy statement Appendix 1 – Additional remuneration

Re-employment of staff in receipt of an LGPS pension or a redundancy/severance payment

- 1.11 The council is under a statutory duty to appoint on merit and has to ensure that it complies with all appropriate employment and equalities legislation. The council will always seek to appoint the best available candidate to a post, who has the skills, knowledge, experience, abilities and qualities needed for the post. The council will therefore consider all applications from candidates to try to ensure the best available candidate is appointed.
- 1.12 If a candidate is a former employee in receipt of an LGPS pension or a redundancy payment this will not rule them out from being re-employed by the council. Clearly where a former employee left the council on redundancy terms then the old post has been deleted and the individual cannot return to the post as it will not exist. The council will apply the provisions of the Redundancy Payments (Continuity of Employment in Local Government etc.) (Modification) Order 1999 (the 'Modification Order') regarding the recovery of redundancy payments if this is relevant. Pensions regulations also have provisions to reduce pension payments in certain circumstances to those who return to work within the local government service.

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Date approved	
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NORTH LINCOLNSHIRE COUNCIL

COUNCIL

SCHEME OF DELEGATIONS TO OFFICERS AND APPOINTMENT OF PROPER OFFICERS

<p>1. OBJECT AND KEY POINTS IN THIS REPORT</p> <p>1.1 For Council to consider approving consequential amendments to the Scheme of Delegations to Officers and Appointment of Proper Officers ('Scheme') following completion of phase 1 of the Chief Executive's senior management review.</p>

2. BACKGROUND INFORMATION

2.1 Following the completion of phase 1 of the senior management review, it has been necessary to update the Scheme to reflect the new titles and roles of Directors.

2.2 As part of the updating process, the opportunity has also been taken to have the Scheme externally reviewed to ensure that it remains in tune with legislative developments and best practice.

2.3 The revised and updated Scheme is attached at Appendix 1.

2.4 As the Scheme forms part of the Council's Constitution, Council's approval to the revised and updated Scheme is sought so that it can be incorporated into the Constitution.

3. OPTIONS FOR CONSIDERATION

3.1 Option 1: Not to approve the revised Scheme as detailed at Appendix 1 of this report.

3.2 Option 2: To approve the revised Scheme as detailed at Appendix 1 of this report.

4. ANALYSIS OF OPTIONS

- 4.1 Option 1: Not to approve the revised Scheme would mean that the Scheme does not reflect the new Director titles and roles that are now operational following completion of phase 1 of the senior management review.
- 4.2 Option 2: To approve the revised Scheme would ensure that the Scheme reflects the new titles and roles of Directors and following external review, accords with best practice.

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

- 5.1 There are no financial or resource implications arising from this report.
- 5.2 The Scheme has been externally validated by specialist public sector solicitors to ensure that it accords with legislative developments and best practice.

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

- 6.1 No other relevant implications have been identified arising from this report.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 7.1 An Integrated Impact Assessment is not required for this report.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 8.1 No conflicts of interest have been declared or identified arising from this report.

9. RECOMMENDATIONS

- 9.1 Council approves Option 2 of this report and adopts the revised Scheme as detailed in Appendix 1 for inclusion in the Council's Constitution.

MONITORING OFFICER

Church Square House
30-40 Church Square
SCUNTHORPE
North Lincolnshire
DN15 6NL

Author: Will Bell
Date: 8 February 2022 v1

Background Papers used in the preparation of this report:

Scheme of Delegations to Officers and Appointment of Proper Officers
North Lincolnshire Council Constitution

**North
Lincolnshire
Council**

www.northlincs.gov.uk

APPENDIX 1

NORTH LINCOLNSHIRE COUNCIL

**DELEGATIONS TO OFFICERS
AND APPOINTMENT OF
PROPER OFFICERS**

NORTH LINCOLNSHIRE COUNCIL

SCHEME OF DELEGATION TO OFFICERS AND APPOINTMENT OF PROPER OFFICERS

1 GENERAL PRINCIPLES

- 1.1 The scheme of delegation authorises the Chief Executive, Deputy Chief Executive and Directors to exercise the functions of North Lincolnshire Council as set out in this document.
- 1.2 The Council and the Executive will make decisions on matters of significant policy, the Chief Executive, Deputy Chief Executive and Directors have authority through the scheme of delegation to take all necessary actions to implement decisions of the council and its executive that commit resources within agreed budgets in the case of financial resources as necessary and appropriate.
- 1.3 This scheme of delegation covers both executive and non-executive functions and is subject to the 'cascade' principle and, unless excluded by statute, bestows the power for the Chief Executive, Deputy Chief Executive and Directors to further delegate in writing all or any of these delegated powers to other officers (described by post title) either fully or in part and subject to such limitations as considered reasonable by the delegating officer. Any such delegation must be evidenced in writing, dated and signed by the officer delegating the authority, with a copy supplied to the Service Manager: Democracy. The officer delegating the function remains responsible for ensuring that delegated decisions are properly taken by sufficiently senior and experienced officers and for the decisions taken.
- 1.4 Where a function has been delegated to an Officer (including where sub-delegated through the cascade principle), the person or body making the delegation may at any time assume responsibility for the function and may therefore exercise the function despite the delegation.
- 1.5 Delegations relate to all provisions for the time being in force under any applicable legislation and cover executive, non-executive and local choice functions of the Council and all powers and duties incidental to that legislation, as well as authorising entering into contracts or deeds and affixing the common seal in pursuance of those decisions.
- 1.6 It does not delegate to officers:
 - 1.6.1 Any matter which by law may not be delegated to an officer.
 - 1.6.2 Any matter which is specifically excluded from delegation by this scheme, by a decision of the Council, the Cabinet/Executive or a Committee or Sub-Committee.
- 1.7 Any delegation must be exercised:
 - 1.7.1 In compliance with the Council Procedure Rules, Contract Procedure Rules and Financial Regulations of the Council.

- 1.7.2 In accordance with the decision-making requirements set out in Article 13, including requirements for decision-records.
 - 1.7.3 Having identified and managed appropriate strategic and operational risks within the Chief Executive, Deputy Chief Executive and Director's area of responsibility as set out in the council's risk management strategy.
 - 1.7.4 Within the approved budget and policy framework approved by the Council from time to time (or separate approval must be sought).
 - 1.7.5 Following any appropriate consultation, legislative, equalities or procedural requirements that may be required.
- 1.8 In relation to all delegated authority conferred on by the Deputy Chief Executive and Directors by this scheme, the Chief Executive may allocate or re-allocate responsibilities for exercising particular powers to any officer of the council in the interests of effective corporate management.
- 1.9 An officer, in exercising delegated powers, shall consult other appropriate officers including legal, financial and technical officers and shall have proper regard to any advice received.

2 DELEGATIONS TO THE CHIEF EXECUTIVE, DEPUTY CHIEF EXECUTIVE AND DIRECTORS

- 2.1 To take all lawful action consistent with overall council policy to deliver agreed strategy, plans and policy and to comply with statutory obligations within their area of responsibility and within approved budgets.
- 2.2 To incur revenue expenditure within estimates subject to prior consultation with the Cabinet Member as appropriate where the proposed expenditure is in respect of any new purpose or project or in pursuance of a new policy or extension of an existing policy involving a continuing financial commitment.
- 2.3 To incur capital expenditure provided that the project is included in the approved Capital Programme.
- 2.4 In consultation with either the Chief Accountant or Accountancy Strategic Lead to vire between heads of expenditure amounts between £50,000 and £100,000.
- 2.5 To authorise and approve all procurement exercises, exception requests and terms and conditions in accordance with the Contract Procedure Rules.
- 2.6 To sign contracts (except for the acquisition or disposal of land or of any interest in land which shall be entered into by the Head of Legal and Democracy in consultation with the Director: Economy and Environment), in accordance with the Contract Procedure Rules, provided:
 - 2.6.1 the contract does not exceed £100,000; and

- 2.6.2 the Council's scheme of delegations has not been exceeded.
- 2.7 To approve Local Government (Contracts) Act 1997 certificates, contract variations and exercise other contractual rights under contracts, including re-financing in consultation with the Director: Governance and Communities (acting in the capacity as Chief Financial Officer).
- 2.8 Subject to consultation with the Director: Governance and Communities (acting in the capacity as Chief Financial Officer) to set fees and charges for council services, based on a written business plan, including making any necessary changes to service delivery to achieve income targets and policy requirements included in the approved budget, together with the power to undertake consultation as necessary or appropriate, carry out promotional campaigns and take any other actions as may be required to achieve those targets.
- 2.9 To deal with all staffing and human resources matters affecting Directorate staff including:
- 2.9.1 Appointing employees to posts within the approved establishment at the position of Deputy Chief Officer as defined in section 2 (8) of the Local Government and Housing Act 1989 and below.
 - 2.9.2 Taking disciplinary/capability action against employees in accordance with approved procedures. This may include the precautionary suspension of employees provided that the agreement of the Director: Economy and Environment shall be obtained before any decision is made to suspend an employee.
 - 2.9.3 Approving ill health retirements; voluntary redundancy and/or early retirement; and early retirement in the efficiency of the service, subject to agreement with the Director: Economy and Environment.
 - 2.9.4 Training and development, granting special leave, progression, expenses and all remuneration of whatever type including ex gratia payments, and other benefits.
 - 2.9.5 Approving the establishment and grading of posts (including restructures and permanent establishment variations); changing job descriptions and titles; the deletion of posts; and the granting of honoraria and onerous duty payments subject to the agreement of the Director: Economy and Environment
- 2.10 The Director: Children and Families shall not have power to relegate or dismiss employees in schools with delegated powers and shall take any action in relation to such employees in accordance with the provisions of any relevant Articles and Instruments of Government for Schools.
- 2.11 To sign indemnities relating to loss or injury suffered by employees in their Directorate or pupils or students undergoing training or work experience.
- 2.12 In respect of functions exercisable through their service, the appointment or authorisation of officers to issue cautions and serve notices under statutory powers,

to act under public protection legislation, to examine and seize food or any other articles, things or matter, to make test purchases and to remove persons from all Council premises.

- 2.13 To authorise the service of any notice or requisition for information under any act requiring the owner or occupier of or any person having an interest in or managing any land or premises to give information to the local authority.
- 2.14 The declaration of land not exceeding £5,000 in value surplus to the requirements of their services.
- 2.15 The letting of rooms on licence or lease, or on a hire or use basis (for a day or less) in buildings under their control in consultation with the Director: Economy and Environment.
- 2.16 To represent the Council on partnerships and other bodies and undertake functions delegated to them by Joint Committees or other local authorities or public bodies.
- 2.17 To issue statements to the press and other media concerning the functions delegated to them, in consultation with the Director: Economy and Environment.
- 2.18 To respond to any Government consultations and submit expressions of interest to HM Government and other public sector bodies concerning the functions delegated to them.
- 2.19 In consultation with the Chief Executive and Deputy Chief Executive to develop and implement transformational programmes of activity in the functions delegated so as to realise outcomes in the priority areas for the Council.
- 2.20 In consultation with the Council's Head of Audit and Assurance to settle or compromise insurance related claims or proceedings following recommendation by the Council's Insurers.
- 2.21 To discharge any other functions assigned to them at the discretion of the Chief Executive.

3 DELEGATIONS TO THE CHIEF EXECUTIVE

- 3.1 To be Head of Paid Service and to discharge the statutory functions thereof.
- 3.2 To be Returning Officer for any constituency or part of a constituency coterminous with or contained in the District; for elections of Councillors for the District; for parishes within the District and any other elections or referenda. To exercise all elections, referenda and electoral registration functions not otherwise allocated, including the appointment of Deputing Returning Officers.
- 3.3 To take any action necessary in connection with an emergency, disaster or business interruption in the District including authorising expenditure.

- 3.4 To exercise any executive functions where the Council does not have a Leader and Deputy Leader in office.
- 3.5 To deal with such other decisions that they consider need to be taken immediately.
- 3.6 To exercise a power delegated to any officer when that officer is unable or unwilling to act.
- 3.7 To determine authorisations for surveillance undertaken under the Regulation of Investigatory Powers Act 2000 including the acquisition of confidential information and the deployment of a juvenile or vulnerable covert human intelligence source.
- 3.8 In consultation with the Monitoring Officer and the Chairman of the Standards Committee to grant dispensations to members who have declared a conflict of interest in decisions taken or to be taken.
- 3.9 In consultation with the Leader of the Council to approve on behalf of Council, appointments to Outside Bodies, save those appointed by Council.
- 3.10 To appoint or remove the Council's lead representative to the Children's Multi-Agency Resilience and Safeguarding Board (CMARS) constituted under section 16 (e) of the Children and Social Work Act 2017 and to hold such lead representative to account for the effective working of the CMARS.
- 3.11 To provide strategic leadership and hold to account the Directors: Children and Families and Adults and Health for the performance of their departments and delivery of the services and functions within the scope of their delegations.
- 3.12 To discharge the functions conferred on, or exercisable by, the Council under the Counter Terrorism and Security Act 2015 (as amended), including those relating to the CHANNEL Panel
- 3.13 To discharge the functions conferred on, or exercisable by, the Council in relation to the Domestic Abuse Act 2021 and any related statutory guidance, including that issued concerning the Delivery of Support to Victims of Domestic Abuse, including Children, in Domestic Abuse Safe Accommodation Services.
- 3.14 To discharge the functions conferred on, or exercisable by, the Council in relation statutory guidance concerning the Supporting Families Programme.

4 DELEGATIONS TO THE DEPUTY CHIEF EXECUTIVE

- 4.1 To deputise for the Chief Executive, including those duties held by the Chief Executive as Head of Paid Service, as required.
- 4.2 To provide strategic leadership and hold to account the Directors: Economy and Environment, Governance and Communities and Public Health for the performance of their departments and delivery of the services and functions within the scope of their delegations.
- 4.3 To promote North Lincolnshire as an area for economic development and/or tourism and as part of the Northern Powerhouse.

- 4.4 To lead on place marketing of North Lincolnshire as a premier location for business, leisure and housing.
- 4.5 In consultation with the Leader of the Council to commission and accept fact finding documents that contribute to and inform the evidence base for the Local Development Framework (LDF).
- 4.6 To be responsible for the development and presentation of policy that represents the councils interests through the Greater Lincolnshire Joint Strategic Oversight Committee, including positioning the council to achieve maximum benefit from the levelling up and devolution agenda.
- 4.7 To be responsible for the development and presentation of policy that represents the council's interests through the Humber Leadership Board.
- 4.8 To represent the council's interests in infrastructure and economic transformation that are beyond the place of North Lincolnshire, working with the relevant Directors to align local responses.
- 4.9 To ensure a system is in place for local business continuity and emergency planning and to represent the interests of North Lincolnshire at regional and national emergency response forums.
- 4.10 To oversee and ensure effective discharge of the Council's duties for prevent and counter terrorism.
- 4.11 To lead the council's Green Futures Strategy.
- 4.12 To lead the council's ambition for corporate parenting that goes above and beyond the statutory duties of the Director Children & Families.

5 DELEGATIONS TO THE DIRECTOR: PUBLIC HEALTH

- 5.1 To discharge the statutory functions of the Director of Public Health under section 73A National Health Service Act 2006, including exercising the duties and functions set out in statutory guidance.
- 5.2 To lead and exercise the powers and duties of the Council in relation to public health protection and prevention including authority:
 - 5.2.1 To exercise the local authority's functions in planning for, and responding to, emergencies that present a risk to public health.
 - 5.2.2 To deliver any public health protection or health improvement functions delegated by the Secretary of State to local authorities, as mandated by regulations made under the National Health Service Act 2006, including providing healthy start vitamins.
 - 5.2.3 To provide the Council's public health response as a Responsible Authority under the relevant Licensing Acts.

- 5.2.4 To lead on health improvement, health protection and public health advice for core services including the NHS, co-ordinate and drive reductions in local health inequalities, and ensure that health and wellbeing remains a key priority across North Lincolnshire.
- 5.2.5 To produce the Joint Strategic Needs Assessment and the Health and Wellbeing Strategy; ensure they are agreed by the Health and Wellbeing Board; and to ensure that implications are taken into account in decision-making across the exercise of all of the Council's functions.
- 5.2.6 To act as lead officer for the development of the Health and Wellbeing Board.
- 5.2.7 To deliver the Public Health Outcome Framework.
- 5.2.8 To produce an annual report on the health of the local population.
- 5.2.9 To produce, as necessary, health needs audits and health equity audits.

5.3 To commission mandatory and other services including:

- 5.3.1 Open access sexual health services
- 5.3.2 NHS health checks assessment.
- 5.3.3 The National Child Measurement Programme.
- 5.3.4 The Healthy Child Programme 0-5 years.
- 5.3.5 Public health advice service to the Clinical Commissioning Group in relation to their powers and duties to commission health services.
- 5.3.6 Information and advice to local health protection arrangements.

5.4 To keep under constant review the Council's public health emergency preparedness, resilience and response responsibilities to ensure that the Council can deliver such responsibilities effectively.

6 DELEGATIONS TO THE DIRECTOR: ECONOMY & ENVIRONMENT

6.1 To discharge the functions of the Council relating to:

Planning and Development Services

Building Control

Economic Development and Business Support

Housing Strategy, Private sector housing renewal

Registrars

Tourism

Public conveniences

Construction and Property services

Highways and Transport Services

Environmental cleaning, sweeping and grounds maintenance

Flood defence and land drainage

Parks and open spaces, Countryside recreation management

Cemetery, cremation and mortuary services

Catering Services

Building cleaning, maintenance and office services

Consumer Protection, including trading standards, water and food safety, environmental health and protection & animal welfare

Licensing and sports ground regulation

Pest Control

Fleet Services

Waste Management

Human Resources & Organisational Development

Occupational Health & Safety

Welfare Counselling Service

Information Technology

Marketing & Communications

Local Land Charges

- 6.2 To lead on Council wide industrial relations negotiations and related matters and negotiate and implement changes to policy and terms and conditions of service (national and local) including changes to rates of pay where changes are necessitated by way of statutory increases and/or nationally/locally binding agreements.

- 6.3 To compromise employment related claims and act as the Council's signatory to associated compromise and settlement agreements in consultation with the relevant Director.
- 6.4 To be responsible for the development and growth of HR and associated functions of the Council.
- 6.5 To be responsible for communications including approval and issue of all official publicity, press statements, media releases and official publications such as News Direct, including responsibility for developing and maintaining the editorial content of all North Lincolnshire Council web-sites, including maintenance thereof.
- 6.6 In the context of the Council's Property portfolio and functions and in accordance with the Property Portfolio Management Framework, to exercise powers for the sale, purchase, lease, licence or such other disposal or acquisition of land including:
 - 6.6.1 Undertaking valuation functions and negotiations on the Council's behalf.
 - 6.6.2 Commissioning development appraisals and project briefs as appropriate.
 - 6.6.3 Submitting Planning Applications in relation to Council land to assist potential disposal.
 - 6.6.4 Determining rent reviews, lease renewals, surrenders, applications for assignment or sub-letting, wayleaves, easements, serving notices to quit (including under the Landlord and Tenant Act 1954), repair, consents (including by mortgagors to carry out alterations to residential properties), applications for alterations and closure of properties pursuant to legislation and all other day to day property management functions.
 - 6.6.5 Enforcing breaches of covenant or non-compliance with the terms of leases, licenses or conditions of sale and determine dilapidation and compensation payments.
 - 6.6.6 Managing trespass on Council land (and private land where instructed) including applications to court for repossession and all action required to re-possess such land or property, including removal of persons or property.
- 6.7 To deal with matters under Building Acts and Building Regulations including dangerous structures, determining applications for relaxation or dispensation of the Building Regulations and building control fees.
- 6.8 To authorise the service of all enforcement notices and such other notices as may be required from time to time for the discharge of the functions detailed in paragraph 6.1.

- 6.9 Determination of all other matters required to be dealt with as part of the management and administration of the Council's development control function and powers, including appeals, orders conditions, enforcement and ancillary matters.
- 6.10 To carry out minor highway improvement and maintenance schemes, including provision and upkeep of highways signage (including street and town/village entry signs etc.) up to a maximum value per scheme not exceeding £50,000.
- 6.11 To discharge the Council's functions under the New Roads and Street Works Act 1991, street lighting, naming and numbering.
- 6.12 To object to applications to the Traffic Commissioners for goods vehicle operator licenses.
- 6.13 To approve or refuse applications for permits at existing authorised parking places for Doctors and at the Market Place, Brigg.
- 6.14 To act as agent to private land owners and land managers in applying to the Forestry Authority for woodland grant schemes on both public and private land and DEFRA for Countryside Stewardship grant schemes.
- 6.15 To determine applications under the Licensing Act 2003 as defined and detailed in the Council's statement of licensing policy in accordance with guidance issued by the Secretary of State.
- 6.16 To determine authorizations for surveillance to be undertaken under the Regulation of Investigatory Powers Act 2000.
- 6.17 The maintenance of the Land Charges Register and the response to Local Searches.
- 6.18 To discharge functions in the IT Continuity Plan in a major incident or civil emergency and take action including:
 - 6.18.1 Deciding priorities and direct resources.
 - 6.18.2 Shutdown IT services to minimize impact or allow recovery actions to proceed.

EXCEPTIONS TO THE SCHEME OF DELEGATION IN RESPECT OF PLANNING FUNCTIONS:

1. Applications made by members of the council, or senior officers (unit manager level and above) or any other officer responsible to the Director : Economy and Environment or the spouse of partner of any of the foregoing who resides at the same address, and/or applications relating to any land in which any of the foregoing have an interest.
2. Applications vetoed by any member of the council.
3. Approvals contrary to policy - i.e. departures and potentially justifiable exceptions.

4. Applications which have aroused significant public interest on valid planning grounds or an objection from a statutory consultee, at the discretion of the Director: Economy and Environment or his/her nominated representative.
5. Applications subject to a parish council objection on valid planning grounds where the recommendation is to grant permission or applications specifically supported by the parish council where the recommendation is to refuse.
6. Applications subject to a request from a member of the public that the matter be referred to the Planning Committee so that they may address the committee.
7. Confirmation of tree preservation or other orders or directions which are the subject of an objection.

7 DELEGATIONS TO THE DIRECTOR: GOVERNANCE & COMMUNITIES

7.1 To be the statutory role of Chief Financial Officer (S151 officer).

7.2 To discharge the functions of the Council relating to:

Community Safety

Community development

Integrated children's and community offer for wellbeing and targeted early help

Adult and Community Learning

Library Services

Positive activities for young people, including youth democracy

Sport and Leisure

Culture and Heritage

Finance services

Commissioning and Procurement

Audit Risk & Insurance

Local Tax Collection

Housing Benefit Administration

Welfare Assistance

Customer Experience

Customer Transactional Services

Information Governance and Data Protection

Legal Services

Democratic Services, including Civic Office

Corporate Management

Elections

Council Strategy & Insight

Strategic Projects

Business Performance and Improvement

- 7.3 To ensure the proper administration of the Council's financial affairs including the accounting arrangements of the Council including (but not limited) to the following:
- 7.3.1 All officer decisions on borrowing, investment or financing in accordance with the approved Treasury Policy Statement.
 - 7.3.2 The investment of the Council's funds in accordance with such policy as the Council may from time to time approve and with a view to achieving such enhanced returns as is consistent with security and liquidity.
 - 7.3.3 To adjust where necessary the authorised and operational limits agreed each year for external debt, and to effect movement between the separately agreed figures for borrowing and long-term liabilities. Any such changes to be reported to the Council at its next meeting following the change.
 - 7.3.4 Management of the Collection Fund, General and other Funds and accounts and the disbursement of monies therefrom.
 - 7.3.5 Raising of finance including leasing of vehicles, plant and equipment where the acquisition of the item concerned has all necessary approvals.
 - 7.3.6 The administration of Housing Benefits, Council Tax Benefits and Business Rates (NNDR), including recovery thereof and write off of any sums deemed irrecoverable, save as otherwise provided in this Constitution.
 - 7.3.7 The grant of rate relief to charities within principles laid down by the Council.
 - 7.3.8 To write off all types of debtor account save where the total for any one debtor account exceeds £10,000 the Director shall first consult with the Cabinet Member: Finance and Governance.
 - 7.3.9 To make mortgage advances to applicants fulfilling conditions set by the Council.
 - 7.3.10 Approve any individual loan or loan scheme.

- 7.3.11 Make applications for funding, receive grants and act as accountable officer.
- 7.3.12 Act in receivership of the property of the mentally ill.
- 7.4 To authorise officers to initiate and conduct legal proceedings in the Magistrates and County Courts on behalf of the council in connection with the council's finance and benefit functions.
- 7.5 On the recommendation of the Director: Economy and Environment to accept or reject blight notices in respect of planning or highway proposals and recover unclaimed compensation (from CPO's or otherwise).
- 7.6 Approve the council's insurance policies and maintain effective insurance cover in consultation, where necessary, with the relevant Cabinet Member and to take all necessary action regarding insurance and uninsured losses.
- 7.7 To exercise functions relating to petitions; community governance reviews; boundary changes and governance reviews.
- 7.8 To determine authorisations for surveillance, maintain the Register and to be the Council's senior responsible officer in connection with the Regulation of Investigatory Powers Act 2000.
- 7.9 To discharge functions under The Public Libraries and Museums Act 1964.
- 7.10 To discharge functions relating to adult community learning through further and higher education under the Employment and Training Act 1973 and Teaching and Higher Education Act 1998, as amended.
- 7.11 To discharge community safety functions under the Crime and Disorder Act 1998.

8 DELEGATIONS TO THE DIRECTOR: CHILDREN & FAMILIES

- 8.1 To be the Council's statutory director of children's services (appointed for the purposes of Section 18 of the Children Act 2004) with overall responsibility for services for children's social care.
- 8.2 To discharge the functions conferred or exercisable by the Council in its capacity as Local Education Authority.
- 8.3 To be responsible for ensuring discharge of the functions conferred on or exercisable by the Council in its capacity as Local Education Authority and Children's Services Authority and any other legislation that confers functions on the Council relating to children and families as may be prescribed by legislation or the Secretary of State or which the Council may consider appropriate.
- 8.4 To discharge the functions of the Council relating to:

Children's Social Care

Education Services - SEN, Schools, Post 16, Early Years, Young people's learning & development

- 8.5 To discharge the functions conferred on or exercisable by the Council in its capacity as Children's Services Authority, including for care and support under the Care Act 2014 and all other health and social care legislation for children including in relation to mental health.
- 8.6 To promote the wellbeing of children and lead on the safeguarding for children and young people and ensure that safeguarding is a corporate and universal priority.
- 8.7 To lead on establishing effective working relationships with Central Government, Ofsted and other inspectorates and regulatory bodies, regional and local agencies and partners.
- 8.8 To nominate at least one children's Social Worker and at least one educational professional to work within the Youth Offending Team as required by Section 39(5) of the Crime and Disorder Act 1998.
- 8.9 Discharge the duty to promote the educational achievement of looked after children as set out in the Children Act 1989.
- 8.10 To provide the Secretary of State if he/she so directs, with information on individual children as required by Section 83(4A) of the Children Act 1989 or otherwise.
- 8.11 To hear and determine any complaint by a user of the Children and Young People's Service or by a member of the public relating to the discharge of any functions and designated as the 'responsible person' required by the Local Authority Social Services and National Health Service Complaints (England) Regulations 2009 to ensure compliance with the procedure and ensure action is taken in the light of complaints and also for other statutory complaints procedures relating to children.
- 8.12 To obtain, where needed, any Grant of Probate of Letters of Administration on behalf of a child in the care of the Local Authority.
- 8.13 To lodge and administer, where needed, claims for Criminal Injuries Compensation on behalf of a child in care.
- 8.14 To license the employment of children.

9 DELEGATIONS TO THE DIRECTOR: ADULTS & HEALTH

- 9.1 To be the Council's statutory Director of Adult Social Services (appointed for the purposes of Section 6 of the Local Authority Social Services Act 1970, as amended).
- 9.2 To discharge the functions conferred on or exercisable by the Council in its capacity as Adult Social Services Authority conferred by the Local Authority Social Services Act 1970, the Care Act 2014 and all other health and social care legislation for adults including in relation to mental health.

- 9.3 To discharge any functions exercisable by the Council under Section 75 of the National Health Service Act 2006 on behalf of an NHS body and have responsibility for any adults functions integrated with any NHS body.
- 9.4 To discharge the functions of the Council relating to:
 - Adults Social Care
 - Relationship Management (Place Director NHS)
 - Homelessness & Housing Welfare and supporting people schemes
- 9.5 To be designated as the 'responsible person' required by the Local Authority Social Services and National Health Service Complaints (England) Regulations 2009 to ensure compliance with the procedures and ensure action is taken in the light of complaints and also for other statutory complaints procedures relating to adults complaints.
- 9.6 To obtain, where needed, any Grant of Probate of Letters of Administration on behalf of an adult in the care of the Local Authority.
- 9.7 To make applications for nearest relative status and receivership of the property of the mentally ill.
- 9.8 To lead on the integration between social care and the NHS both locally within Lincolnshire and across the local health economy.
- 9.9 To be responsible for developing effective working relationships with Central Government, Care Quality Commission and all other relevant inspectorates and regulatory bodies.
- 10.10 To undertake all operational housing functions including:
 - 10.10.1 To agree, subject to consultation with the Director: Governance and Partnerships, the disposal of housing association properties within North Lincolnshire.
 - 10.10.2 Authority to allocate tenancies outside the policy approved by the Council in exceptional circumstances, with a report being submitted to the cabinet member on a quarterly basis.

10 DELEGATIONS TO THE HEAD OF LEGAL AND DEMOCRACY

- 10.1 To be the Solicitor to the Council and the Council's designated Monitoring Officer and discharge Monitoring Officer functions set out in the Localism Act 2011, the Local Government Act 2000, the Local Government and Housing Act 1989 and elsewhere, including:
 - 10.1.1 Maintaining an up-to-date version of the Constitution, keeping it under review and ensuring that it is widely available for consultation by Members, officers and the public, including authority to amend the constitution to reflect re-organisations, changes in job titles/vacancies,

minor legislative changes or requirements and to correct any typographical errors or inconsistencies subsequently identified.

- 10.1.2 After consulting with the Head of Paid Service and Chief Financial Officer, the Monitoring Officer reporting to the Full Council, or to the Executive in relation to an Executive function, if he/she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
 - 10.1.3 Contributing to the promotion and maintenance of high standards of conduct through provision of support, advice and training to the Standards Committee.
 - 10.1.4 Receiving complaints about member conduct (including Town and Parish Council members) determining whether local resolution is appropriate and/or authorising or carrying out investigations; making appropriate reports relating to member conduct and alleged breaches of the Members' Code of Conduct under the Standards arrangements adopted by the Council from time to time, including determining sanctions where an investigation does not proceed to a standards hearing.
 - 10.1.5 Granting dispensations to members on the grounds set out in sub-sections (a) and (d) of Section 33 (2) of the Localism Act 2011.
 - 10.1.6 Establishing and maintaining the register of members' and co-opted members' interests pursuant to section 29 of the Localism Act 2011 and to consider and decide upon sensitive interests pursuant to section 32 of the Localism Act 2011.
- 10.2 To institute, settle, defend, withdraw, compromise or otherwise deal with claims or legal proceedings on behalf of the Council, save those insured claims or proceedings referred to in paragraph 2.20, in cases where such action is necessary to give effect to decisions of the Council or in any case where the officer considers that that action is necessary to protect the Council's interests, following consultation with the relevant Director.
- 10.3 To sign or execute on behalf of the Council any pleading, information, complaint, contract, transfer, lease, licence, agreement, grant application, agreement, notice, order or such other document which requires to be signed or executed pursuant to any Officer delegations, or other authority from the Council, unless some other person has been given authority to sign or execute such document or is required by law to sign or execute such document.
- 10.4 To certify the date when evidence came to the Council's notice for the purpose of health and safety at work and corporate manslaughter or other prosecutions and civil action.

- 10.5 To serve, publicise or advertise any notice, application or order, statutory or otherwise, following a recommendation from any Director and take any steps incidental to completing or obtaining the confirmation of any notice, application, order or other proceedings made by or against the Council.
- 10.6 To authorise officers of the Council to prosecute or defend proceedings in the civil and criminal courts.
- 10.7 To sign certificates under the Local Government (Contracts) Act 1997.
- 10.8 To attest the affixing of the Common Seal of the Council to any legal document required to be executed under seal and to authorise other senior officers to attest the Common Seal as required from time to time.
- 10.9 To sign contracts that exceed £100,000 which, unless determined otherwise by the Head of Legal and Democracy, shall be executed by way of deed under the Common Seal of the Council.

Function	Legislative Provision	Proper Officer	Deputy
Reference in legislation to the "Clerk"	Any legislation before October 1972	Chief Executive	Deputy Chief Executive
Director of Children's Services	Section 18 Children Act 2004	Director: Children and Families	Relevant Assistant Director
Director of Adult Services	Section 6 Local Authority Social Services Act 1970	Director: Adults and Health	Relevant Assistant Director
Director of Public Health	Section 73A NHS Act 2006	Director: Public Health	Public Health Consultant
Appointment as Parish Trustee with Chairman of as body corporate for a Parish Meeting; Officer responsible for convening newly created Parish Councils	Local Government Act 1972 Section 13 (3)	Chief Executive	Director: Governance and Communities
Witness and receipt of declaration of acceptance of office	Local Government Act 1972 Section 83	Chief Executive	Director: Governance and Communities
Receipt of notice of resignation by councillor	Local Government Act 1972 Section 84	Chief Executive	Director: Governance and Communities
Declare any vacancy in office	Local Government Act 1972 Section 86	Chief Executive	Director: Governance and Communities

Convening a meeting of Council to fill casual vacancy in office of Chairman	Local Government Act 1972 Section 88 (2)	Chief Executive	Director: Governance and Communities
Receipt of notice of casual vacancy from two local government electors (Also for Parish and Community Councils)	Local Government Act 1972 Section 89 (1)(b) Local Elections (Parishes and Communities) (England and Wales) Rules 2006/3305	Chief Executive	Director: Governance and Communities
Exclusion of reports, etc. from inspection	Local Government Act 1972 Section 100B Schedule 12A	Director: Governance and Communities	Monitoring Officer
Supply of documents to the press	Local Government Act 1972 Section 100B(7)(c)	Director: Governance and Communities	Monitoring Officer
Written Summary where minutes would disclose exempt information	Local Government Act 1972 Section 100C	Director: Governance and Communities	Monitoring Officer
Compilation of list of background papers	Local Government Act 1972 Section 100D	For each report, the officer named in it as author, or if more than one, the first named	Second named in absence of first named
Exclusion from production to members of documents disclosing exempt information	Local Government Act 1972 Section 100F	Director: Governance and Communities	Monitoring Officer
Receipt of money due from officers	Local Government Act 1972 Section 115(2)	Director: Governance and Communities	Relevant Assistant Director
Declarations and certificates with regard to securities	Local Government Act 1972 Section 146(1)(a)	Director: Governance and Communities	Relevant Assistant Director
The Officer having responsibility for the proper administration of the financial affairs of the Council.	Local Government Act 1972 Section 151 Also Local Government Finance Act 1988 sections 112-116 and any reference in legislation before October 1972 to the "Treasurer" of a local authority	Director: Governance and Communities	Relevant Assistant Director
Functions with respect to ordnance survey	Local Government Act 1972 Section 191	Director: Economy and Environment	Relevant Assistant Director

Charity functions	Local Government Act 1972 Section 210	Director: Governance and Communities	Relevant Assistant Director
Authorise Officers to appear in legal proceedings	Local Government Act 1972 Section 223 (Also Section 60 County Courts Act 1984)	Monitoring Officer and all Directors	Deputy Monitoring Officers
Deposit of documents pursuant to the Standing Orders of either Houses of Parliament or to any enactments/instruments and any action as may be directed	Local Government Act 1972 Section 225(1)	Director: Governance and Communities	Relevant Assistant Director
Certification of photographic copies of documents	Local Government Act 1972 Section 229(5)	Director: Governance and Communities	Monitoring Officer
Authentication of documents	Local Government Act 1972 Section 234(1)	Director: Governance and Communities	Monitoring Officer
Sending confirmed byelaws to the proper officer of every Parish and Community Council to which they apply	Local Government Act 1972 Section 236	Director: Governance and Communities	Monitoring Officer
Certification of byelaws	Local Government Act 1972 Section 238	Director: Governance and Communities	Monitoring Officer
Keeping of roll of Freemen	Local Government Act 1972 Section 248	Chief Executive	Director: Governance and Communities
Signature of summons to council meetings	Local Government Act 1972 Section 99 & Schedule 12 Para.4(1A)(b)	Director: Governance and Communities	Monitoring Officer
Officer to whom members shall give notice of address desiring Council summonses to be sent where not place of residence	Local Government Act 1972 Schedule 12 Para.4(3)	Director: Governance and Communities	Monitoring Officer
Certification of resolutions under paragraph 25 applying or disapplying provisions under the	Local Government Act 1972 Schedule 14 Para.25(7)	Director: Governance and Communities	Relevant Assistant Director

and marriages including appointment of superintendent registrars and local schemes and other ceremonies including citizenship ceremonies	Act 1949, Civil Partnership Act 2004		
Officer having responsibility for the storage and charge of cemetery records	Local Authorities' Cemeteries Order 1977 Article 12	Director: Economy and Environment	Relevant Assistant Director
Officer having responsibility for the signature of grants under Paragraph 1 of Part II of Schedule 2 of that Order and the granting of permission for the various matters referred to in Paragraph 1 of Part I of that Schedule	Local Authorities' Cemeteries Order 1977 Paragraph 1 of Parts I & II of Schedule 2	Director: Economy and Environment	Relevant Assistant Director
The Registration Officer for any constituency of part of a constituency coterminous or situated in the Borough.	Representation of the People Act 1983 Section 8 and 52	Chief Executive	Electoral Registration Officer/ Director: Governance and Communities
Acting Returning Officer for Parliamentary elections	Representation of the People Act 1983 Section 28	Chief Executive	Deputy Chief Executive
The Returning Officer for elections of Councillors of the District and for elections of Councillors of Parishes within the District and to receive and inspect returns and declarations of Election expenses	Representation of the People Act 1983 Section 35(1) Representation of the People Act 1983 Section 82 and 89	Chief Executive	Electoral Registration Officer/ Director: Governance and Communities
Receipt of notice of appointment of election agent	Representation of the People Act 1983 Section 67	Chief Executive	Electoral Registration Officer/ Director: Governance and Communities
Provision of accommodation for election court	Representation of the People Act 1983 Section 131	Chief Executive	Electoral Registration Officer/ Director:

			Governance and Communities
Receipt from Returning Officer of: the names of persons elected to the council; and election documents. Retention of election documents and making them available for public inspection	Local Elections (Principal Areas) (England and Wales) Rules 2006/3304	Chief Executive	Electoral Registration Officer/ Director: Governance and Communities
Publication of reports of Local Commissioners	Local Government Act 1974 Part 3 Section 30	Deputy Chief Executive	Director Governance and Communities
(a) Various purposes with regard to drainage, water supply, sanitary accommodation. (b) Purposes relating to building control other than those comprised in (a) above (c) authorise action in relation to dangerous structures under Section 78	Building Act 1984	Director: Economy and Environment	Relevant Assistant Director
To determine applications for exemption from the list of politically restricted posts Maintain a list of politically restricted posts	Local Government and Housing Act 1989 Section 3A Section 2	Chief Executive	Monitoring Officer
Receipt of Notice re changes to Political Groups Receipt of Notice of Cessation of Membership of Political Groups	Local Government and Housing Act 1989 Sections 15,16, 17 & 18 Local Government Political Groups) Regulations 1990 Paras 9, 10, 13 & 14	Chief Executive	Director: Governance and Communities

<p>To accept wishes of Political Groups in respect of proportionality</p> <p>Receipt of notice in writing that a Councillor wishes to forego any part of entitlement to an allowance</p> <p>To notify Political Groups of allocations</p>			
Discharging the functions for dealing with stray dogs	Environmental Protection Act 1990 Sections 149 - 151	Director: Economy and Environment	Relevant Assistant Director
Service of notices requiring details of any interests in land.	Local Government (Miscellaneous Provisions) Act 1976 Section s 16	All Directors	Relevant Assistant Director
Certification of copies of resolutions, minutes and other documents	Local Government (Miscellaneous Provisions) Act 1976 Section 41	Director: Governance and Communities	Monitoring Officer
Duty of local authority to supply forms to doctors for purposes of Section 48 - Removal of dead body to mortuary for burial. Section 58 - Authentication of documents Section 60 - Service of notices and other documents	Public Health Act 1936 Sections 11, 48, 58 & 60 Public Health (Control of Disease) Act 1984	Director: Economy and Environment	Director of Public Health
Receipt and disclosure of notification of suspected notifiable disease, infection or contamination in patients and dead persons.	Regulations 2, 3 and 6 of The Health Protection (Notification) Regulations 2010	Director of Public Health	Public Health Consultant
Preparation of certificate of Justice of Peace for removal of body to mortuary and for burial within a prescribed time or immediately.	Section 48 of the Public Health (Control of Disease) Act 1984 as amended by Health and Social Care Act 2008	Director of Public Health	Public Health Consultant

Signature and authentication of notices, orders or other documents	Section 59 Public Health (Control of Disease) Act 1984	Director of Public Health	Public Health Consultant
Power to enter premises	Sections 61 and 62 of the Public Health (Control of Disease) Act 1984	Director of Public Health	Public Health Consultant
The local registrar within the meaning of the Land Registration Act 2002 and Local Land Charges Act 1975 who shall register any matters specified by these Acts affecting land situate within the district.	Land Registration Act 2002 and Local Land Charges Act 1975	Director: Economy and Environment	Relevant Assistant Director
Entertainments, licensing control of sex shops and public health	Local Government (Miscellaneous Provisions) Act 1982	Director: Economy and Environment	Licensing Manager
Licensing and gambling functions	Licensing Act 2003 Gambling Act 2005	Director: Economy and Environment	Licensing Manager
Non-disclosure where potential to prejudice the effective conduct of public affairs	Freedom of Information Act 2000 Section 36	Chief Executive	Monitoring Officer
Scrutiny Officer	Local Government Act 2000 Section 9FB	Service Manager: Democracy	Assistant to the Service Manager: Democracy
Proper Officer Functions for petitions and referenda	Local Authorities (Referendums) (Petitions) (England) Regulations 2011/2914	Director: Governance and Communities	Relevant Assistant Director
29 – Establish and maintain a register of members' and co-opted members' interests 30 – 31 – Receipt of Members and co-opted members' declarations of interests and changes to those interests within 28 days 32 – Sensitive Interests	Localism Act 2011 Sections 29 - 33	Monitoring Officer	Director: Governance and Communities/ Deputy Monitoring Officers

33 – Dispensations from restrictions under Section 31(4)			
Proper Officer functions in relation to referendums	Local Authorities (Conduct of Referendums) (England) Regulations 2012	Returning Officer as the Chief Executive	Director: Governance and Communities
Proper Officer functions anti-social behaviour and community protection	Anti-Social Behaviour Act 2003 and Anti-Social Behaviour, Crime and Policing Act 2014	Director: Governance and Communities	Relevant Assistant Director
Proper Officer for notification to deal with objections by the Executive to appointments or dismissals of Chief and Deputy Chief Officers	Local Authorities (Standing Orders) (England) Regulations 2001/3384	Director: Governance and Communities	Service Manager: Democracy
Arrangements for network management and appointment of Traffic Manager	Section 17 of the Traffic Management Act 2004	Director : Economy and Environment (or any contractor appointed by that Director)	Relevant Assistant Director
Head of Paid Service	Local Government and Housing Act 1989 Section 4	Chief Executive	Deputy Chief Executive
Monitoring Officer	Local Government and Housing Act 1989 Section 5 and 5A	Head of Legal and Democracy	Deputy Monitoring Officers as appointed by the Monitoring Officer
Chief Inspector of Weights and Measures	Weights and Measures Act 1985 Section 72	Director: Economy and Growth	Relevant Assistant Director
Virtual School Head teacher	Children Act 1989 Section 22 and 23ZZA	Director: Children and Families	Relevant Assistant Director
Data Protection Officer SIRO	Data Protection Act 2018 UK GDPR	Data Protection Officer	Relevant Assistant Director
Nominated officer to receive disclosures on suspected terrorist property	Terrorism Act 2000 Part 3	Director: Governance and Communities	Relevant Assistant Director
Making accounts available to inspection by Members of the Council	Local Government Act 1972 Section 228(3)	Director: Governance and Communities	Relevant Assistant Director

Responsibility for Chief Finance Officer Reports	Proceeds of Crime Act 2002 Part 7	Director: Governance and Communities	Relevant Assistant Director
Appointment of Rent Officers under a scheme Certification of provision of suitable alternative accommodation	Rent Act 1977 Section 63 Schedule 15, Part IV, para 7	Director: Economy and Growth	Relevant Assistant Director
Receipt and inspection of complaints of category 1 and 2 hazards on residential premises	Housing Act 2004 Section 4	Director: Economy and Growth	Relevant Assistant Director
“Authorised Officer” to act in matters arising under the Food Safety Act	Food Safety Act 1990 Section 5	Director: Economy and Growth	Relevant Assistant Director
Appointment of agricultural inspectors and an agricultural analyst	Agriculture Act 1970 Section 67	Director: Economy and Growth	Relevant Assistant Director
Receipt of certificates approving dedication of highways to be maintainable at public expense and making certificates available for inspection. Power to adopt the highway by agreement	Highways Act 1980 Section 37(5) Section 38	Director: Economy and Growth	Relevant Assistant Director
Duties in relation to street works in private streets	Highways Act 1980 Section 205(3) and (5)	Director: Economy and Growth	Relevant Assistant Director
Certification of document giving details of any amendments to estimate of costs and provisional apportionment of costs of street works in private streets	Highways Act 1980 Section 210(2)	Director: Economy and Growth	Relevant Assistant Director
Making a final apportionment of costs of street works under the private street works code	Highways Act 1980 Section 211(1), 212(4), 216(2) and (3)	Director: Economy and Growth	Relevant Assistant Director
Agreements for the execution of works	Highways Act 1980 Section 278	Director: Economy and Growth	Relevant Assistant Director

Issuing of notice to require owners to remove materials from streets in which works are due to take place	Highways Act 1980 Section 295	Director: Economy and Growth	Relevant Assistant Director
Signature and authentication of notices, consents, approvals, orders, demands, licences, certificates and other documents.	Highways Act 1980 Section 321	Director: Economy and Growth	Relevant Assistant Director
Receive notification of, and having free access to, repairs of drains	Building Act 1984 Section 61	Director: Economy and Growth	Relevant Assistant Director
Access to the countryside	Countryside and Rights of Way Act 2000 Section 1	Director: Economy and Growth	Relevant Assistant Director
Nomination of Public Analyst	Food Safety Act 1990 Section 27	Director: Economy and Growth	Relevant Assistant Director
Any other provisions for which arrangements are not made above or in the scheme of delegation to officers (whether made before or after this list was last updated) requiring a proper officer or authorised officer from time to time – either to nominate a proper officer or exercise the functions.	Any	Chief Executive	Deputy Chief Executive

NB. The Chief Executive is also the Head of Paid Service.
The Head of Legal and Democracy is the Council's Monitoring Officer.

The officer of the Council named in the second column below is appointed the proper officer of the Council in relation to references to the officer named in the first column in:-

- (i) any enactment passed before the 26 October 1972 which reference is to be construed as a reference to the proper officer of the Council;
- (ii) any reference in any local statutory provision which, by virtue of any Order made under the Local Government Act 1972, is to be construed as a reference to the proper officer of the Council.

Reference Proper Officer

Town Clerk or Clerk of the Council
Treasurer (Chief Financial Officer)
Surveyor

Chief Executive
Director: Governance and Communities
Director: Economy and Environment

Public Health Inspector
Public Health in North Lincolnshire

Director: Economy and Environment
Director: Public Health

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