NORTH LINCOLNSHIRE COUNCIL

Room F01e
Conference Room
Church Square House
Scunthorpe

Wednesday 14 February 2024

Dear Councillor,

You are summoned to attend a meeting of the **COUNCIL** to be held in **ROOM F01e, CONFERENCE ROOM, CHURCH SQUARE HOUSE, SCUNTHORPE** at **2.00 pm** on **22 FEBRUARY 2024**.

1. Declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests.

2. Scheme of Members' Allowances - Independent Remuneration Panel Report (Pages 1 - 16)
Report of the Director: Outcomes

3. To consider the following joint reports of the Director: Outcomes and Chief Financial Officer (s151) (Interim)

3 a Financial Strategy, Budget 2024-25 and Medium-Term Financial Plan 2024-27 (Pages 17 - 68)

3 b Capital Investment Strategy 2024-27 (Pages 69 - 96)

3 c Treasury Management Strategy 2024-25 (Pages 97 - 148)

3 d Implementation of the 2024-25 Pay Policy Statement (Pages 149 - 162)
Report of the Director: Outcomes

4. Outcome for North Lincolnshire of the 2021-23 Review of Parliamentary Constituency Boundaries in England (Pages 163 - 182)
Report of the Director: Outcomes.

Yours sincerely

H Manderson
Director: Outcomes

NOTE: ANY MEMBER WHO WISHES TO PUT A QUESTION UPON OR MOVE AN AMENDMENT MUST INFORM THE DIRECTOR: OUTCOMES IN WRITING BEFORE 9.30 A.M. ON TUESDAY 20 FEBRUARY 2024.

Report of the Director: Outcomes Meeting: 22 February 2024

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

SCHEME OF MEMBERS' ALLOWANCES – INDEPENDENT REMUNERATION PANEL REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To consider the report of the Independent Remuneration Panel in order to approve a scheme of Members' Allowances for the financial year 2024/25 (or for a further reasonable period, see paragraph 4.2) in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 (the Regulations).

2. BACKGROUND INFORMATION

2.1 The Council is required to make an annual scheme of Members' Allowances for each financial year. The Council may set a scheme for a minimum of one year or for a further reasonable period; previously the Council approved a scheme for the year to 2023/24 – but have previously also agreed a scheme for the remaining period of a four-year term of elected administration. The Council cannot make or amend a scheme without first having regard to recommendations of the Independent Remuneration Panel (IRP).

2.2 The Independent Remuneration Panel currently comprises four Independent Members, two who also sit on North East Lincolnshire Councils IRP.

2.3 The Members' Allowances Scheme includes a set Basic Allowance for all Members of the Council, defined Special Responsibility Allowances (SRAs), a Substitution Allowance, Co-optees Allowance and Mileage Allowances including a level of mileage rates claimable to a maximum of 5,000 miles at a recommended rate approved by Her Majesty's Revenue and Custom (HMRC) and associated Public Transport, Hired Transport and Overnight Rates. The Scheme does not provide for members to claim for subsistence. All elected members continue to use an audited digital e-claims iTrent software system for making claims for travel allowances (also used by officers).

2.4 The Independent Remuneration Panel has met almost monthly in person since October 2023. Its work has reviewed and considered North Lincolnshire Council's Scheme whilst comparing and benchmarking with several similar sized unitary and other local principal councils. It also provided the opportunity for members to comment on the Scheme and has welcomed the agreed suggestions of a cross-party elected member working group which has shaped its report and recommendations. The council's Chief Finance Officer (S151) has received a copy of the IRP report.

3. OPTIONS FOR CONSIDERATION

3.1 To consider the Independent Remuneration Panel's report appended to the report, and approve a Members' Allowance Scheme for 2024/25, or for a further reasonable period (see paragraph 4.2 below).

4. ANALYSIS OF OPTIONS

4.1 The proposed Members' Allowance Scheme recommended by the IRP for 2024/25 (or for a further reasonable period) is attached at Appendix 1 and includes five recommendations and two further observations with suggested action on Information Technology and Member Training and Development.

4.2 The Council is required to have regard to the recommendations of the Independent Remuneration Panel and approve a scheme for the financial year 2024/25 (or a further reasonable period but no longer than the forthcoming years within the period of elected administration 2023-2027). By not having regard to the Panel's recommendations and not approving a scheme, the Council will not comply with statutory requirements of the associated Regulations.

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

5.1 The proposed scheme based on the recommendations of the Independent Remuneration Panel should ideally be self-contained within existing budgets. Associated financial implications of the IRP's recommendations are set out in its report.

5.2 There are no other specific relevant implications other than that the Regulations require the Council to consider the Independent Remuneration Panel's report/recommendations before approving its Members' Allowances Scheme.

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

6.1 The current reduction in mileage claimed by members supported by the successful ongoing use of IT software platforms like MS Teams contributes towards themes of the council's greener environmental strategy 'A Green Future: Our Plan for Positive Change'.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 Not applicable

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 Members were given the opportunity to comment through their Group Offices as part of the review of the scheme and the cross-party elected member working group submitted agreed suggestions to the IRP. Members will be aware of the contents of the Independent Remuneration Panel's report prior to the meeting of the Council on 22 February 2024. There are no conflicts of interest.

9. RECOMMENDATIONS

9.1 That the Independent Remuneration Panel be thanked for its work and report.

9.2 That the Council consider and have regard to the recommendations of the Independent Remuneration Panel and approve a Members' Allowance Scheme for the financial year 2023/24 (or for a further reasonable period).

9.3 That the approved scheme be published on the Council's website in accordance with the Regulations.

DIRECTOR: OUTCOMES

Church Square House
30-40 High Street
SCUNTHORPE
North Lincolnshire
DN15 6NL
Author: R A Mell
Date: 5 February 2024.

Background Papers used in the preparation of this report - Report of the Independent Remuneration Panel and the Local Authorities (Members' Allowances) (England) Regulations 2003.

This page is intentionally left blank

NORTH LINCOLNSHIRE COUNCIL

REPORT OF THE INDEPENDENT REMUNERATION PANEL (IRP)

(MEMBERS' ALLOWANCES SCHEME)

February 2024

North Lincolnshire Independent Remuneration Panel –
Mr M Allingham, Mr T Forbes, Mr A Hall, and Mr R Johnson

1. The Council's Current Members' Allowances Scheme.

In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, a Members' Allowances Scheme was approved and set by the Council at its meeting in February 2023 for a one-year period – financial/council year 2023/24 (start of a four-year elected term of administration). *A copy is attached as Appendix 1.*

2. Independent Remuneration Panel's Review - Findings and Recommendations. An Open and Transparent Scheme

2.1 The Panel wishes to emphasise that although it has considered and reviewed the current Members' Allowance Scheme 2023/24 it was implemented in April/May 2023, and therefore has only been in operation for 9 months. Consequently, some of the Panel's findings from its previous report of 12 months ago in its opinion remain valid and applicable, however the Panel would like to record its sincere thanks to the cross-party elected member Working Group for its time, deliberations and agreed joint suggestions made for forthcoming member allowance schemes, which have been taken into consideration and incorporated into this report and recommendations.

2.2 The Panel acknowledges that the Council's Members' Allowances Scheme set for the above period provided residents with published open and transparent information on the levels and types of allowances associated with all responsibilities carried out by elected and co-opted members. All members were also aware of approved allocated allowances for the duration of the period. The scheme also provided operational and managerial flexibility and continued to remain in budget.

Significant reductions in mileage allowances claimed in 2020/21 and 2021/22 were experienced due to the restrictions on movement experienced during the Covid19 pandemic, and although these claims have increased in 2022/23 and 2023/24, they still remain well below mileage levels claimed pre-pandemic. It is however likely that mileage levels will slowly increase with increasing member activity and travel, but are expected to level out. With the increasing use of digital technology as 'normal practice' it is unlikely that levelling out will reach that claimed pre-pandemic. The Panel acknowledges that digital platforms like MS Teams continue to be embraced fully by and enable all North Lincolnshire members to carry out most responsibilities, participate in meetings and engage fully with residents. Business is conducted safely and adhering to all associated legislative requirements including data protection. It is also acknowledged that the success of using such digital platforms through IT hardware and software available to all members continues to provide members with modern operational and greener choices with efficiencies when carrying out their current responsibilities, especially ward work.

All allowances claimed by all members are published on the council's web site and in the local Telegraph on an annual basis.

2.3 All elected members continue to use the digital 'iTrent e-claims' software system successfully for making claims for travel allowances, which is effective and efficient software and supports monitoring and auditing requirements.

2.4 In addition, the Council's Internal Audit recently carried out an audit of Members' Allowances' concluding in the Autumn of 2023. In summary the overall statement regarding the audit is given below –

"Based on our findings, we can provide substantial assurance on the effectiveness of the control environment. Overall, we have assessed the residual risk as low."

Future Scheme from 2024/25 onwards

2.5 The Panel acknowledges and emphasises the need to take into consideration continuing budget pressures and the impact of inflation on the current cost of living. Consequently, any adjustments to a future scheme should ensure costs are self-contained within budget with any additional expenditure kept to a realistic minimum.

2.6 Taking into consideration paragraph 2.5 above, it is the Panel's view that not to increase members' allowances could be a preferred option because of economic constraints and associated public perception. However, this must be balanced against the facts that (i) the amount of time being spent by councillors carrying out council responsibilities including associated ward work (especially on an evenings and weekends) attending Town and Parish Councils, Neighbourhood Action Teams, and similar community groups for example, whether in person or through digital platforms continues to increase with additional follow up work. (ii) Findings of the recent Local Government Boundary Commission (England) North Lincolnshire Council Periodic Electoral Review indicated that resident representation per councillor continued to increase, and (iii) compared to other regional principal councils North Lincolnshire Council member allowances were the lowest by a significant margin, with the comparative gap only continuing to widen because of no significant increase for almost 12 years.

The above, together with the impact of inflation and the need to recognise proportionate remuneration as a real life incentive to contribute to the recruitment of younger/next generation of modern councillors and effective succession planning - it is therefore recommended that - **Recommendation (1)** that a realistic 'flat rate one-off' increase of £500 be applied to the Basic Allowance of the 2024/25 scheme for all members, together with a 3.9% increase for 2024/25 linked to the (CPI) Consumer Price Index (average), and further annual increases up to a maximum of 3% linked to the CPI (average) for 2025/26 and 2026/27 – the percentage increase to be agreed by full Council and thereafter also applied for future four year terms of administration, subject to a required first year IRP review at the beginning of each of the four-year term of administration or as required by relevant statutory regulations.

This total cost for 2024/25 equates to £21,500 (flat rate) + £11,524 (3.9%) = £33,024 (an additional £500+£268 = £768 per member) a new total Basic Allowance for 2024/25 per member of £7642.

Please note that with the Basic Allowance not increasing for approximately 12 years - for this period 2012-2024, inflation would be 36.15% (or an annual average inflation rate of 2.84%) which would equate now to a possible Basic Allowance of £9,359).

2.7 The Panel's work has led to its conclusion that the current levels of Special Responsibility Allowances (SRAs) within the current scheme continue to be proportionate and fit for purpose, however like the Basic Allowance these have also not been increased for the same long period.

Remuneration levels within schemes adopted by other similar sized unitary and principal councils do vary with some applying a higher or lower allowance to some responsibilities, subject to frequency of all meetings and associated business, but in comparison North Lincolnshire Council's remain low. It should be noted that proportionately, more North Lincolnshire Council members do receive an SRA on top of the Basic Allowance compared to some other local Humber region councils' schemes. However, the balance between executive and non-executive functions appears consistent and a proportionate level of spend similar in most cases. Local preferences must also to be taken into consideration. Although all statutory roles and responsibilities are being carried out, how these are prioritised and applied locally remains at the discretion of individual councils so that their business can be carried out effectively and efficiently, achieving local ambitions and essential value for money. It also remains important that all roles and arrangements defined in the council's Constitution are carried out and monitored.

The Remuneration Panel having regard to the statutory and constitutional responsibilities of Cabinet Members and other committee chairs/vice-chairs is of the opinion that although Lead Members provide valuable support to the Executive and carry out ambassador roles for various people and services, they have no decision-making responsibilities or statutory roles. The Panel acknowledges the role of the Ambassador for Inward Investment and Steel has now been adopted within the portfolio of the Leader of the Council.

Consequently, and having regard to above, the panel recommends that - **Recommendation (2)** that the Ambassador for Inward Investment and Steel be deleted as a Lead Member SRA and **Recommendation (3)** that remaining Special Responsibility Allowances increase by 3% for 2024/25 and then further annual increases linked to CPI (average) up to a maximum of 3% for 2025/26 and 2026/27 – the percentage increase to be agreed by full Council and thereafter also applied for future four year terms of administration, subject to a required first year IRP review at the beginning of each of the four-year term of administration or as required by relevant statutory regulations.

The total cost for 2024/25 being approximately £8500 (subject to number of meetings held/attended for some allowances).

2.8 It is therefore recommended - **Recommendation (4)** that the above cost in Recommendations (1) and (2) should be offset by savings made in levels of the Special Responsibility Allowance (SRA) not being claimed by members who have two responsibilities but under the provisions of the scheme are only entitled to one SRA (that being the greater of the two), together with the ongoing reduction in overall savings from members' annual mileage claims and the deletion of the Ambassador for Inward Investment and Steel Lead Member.

2.9 The Panel has observed that meetings for all four scrutiny panels are now being timetabled more regularly by each panel and welcomes this.

This and all levels of remuneration will continue to be monitored by the Panel alongside associated guidance and suggested good practice and reviewed in accordance with its recommendations above.

2.10 Regarding Travel Allowances, the Panel recommends - **Recommendation (5)** that the levels within the current scheme remain appropriate and consistent with recommended HMRC (Her Majesty's Revenue and Custom) rates and could be rolled forward into a future scheme. Consideration should still be given to increasing the current Overnight Rate for London of £100.50 to £150.50 bearing in mind increasing higher pricing accommodation levels in the capital, which should be self-contained within the scheme, however, acknowledges that the number of these claims are small annually.

Please see the proposed scheme for 2024/25 in Appendix 2 based upon the above recommendations for Council's consideration.

3. Further Observations

Information Technology

3.1 The Panel would like to reiterate it view from last year's report that - the increasing accessibility of councillors through available IT and mobile devices, and the increasing expectations from the public to respond immediately continues to be the role and responsibility of the 'modern day' councillor.

The Panel emphasises that it is essential therefore that all councillors have 'the digital tools' to carry out their work effectively to meet public expectations and to supports and enhance their roles. This should also provide councillors with improvements to their safety especially if working alone. The whole 'modern service package' for councillors is more effective, efficient, enabling and self-sufficient and councillors' roles must continue to be a priority factor within the council's IT Plan. The Panel acknowledges that the council's member 'case management system', 'iTrent e-claims' software and Civica/ModernGov meetings management software provide digital enhanced support for all members.

Member Training and Development

3.2 The Panel would also like to reiterate it view from last year's report that – it would like to emphasise strongly that member training and development remains key to providing all councillors with ongoing knowledge and skills. This is required to enable them to carry out their roles and responsibilities effectively, especially as decision makers who influence and shape the local place and services people desire and require. Ongoing training and development of elected members are an expectation of the electorate, providing additional value for money. It also assists with and aids succession planning as long serving members retire from office. Delivering continuing professional development for new and existing members also strengthens community leadership.

The Panel acknowledges that in recent previous years resources have been committed to supporting a dedicated part-time Member Development Officer post enhancing and improving the delivery of digital and 'in-person' training opportunities for members. However, although statutory training obligations are being met for those councillors involved in planning, licensing and safeguarding functions for example, the panel remains concerned that some members do not receive or participate in training and development annually especially in relevant key disciplines, like overview and scrutiny techniques, chairing skills, information technology skills and local government finance for example. Take-up and participation have been encouraged and improved through web based/on-line opportunities but remains low and concern is again expressed as the above Member Development Officer post still remains vacant. Members' personal and group learning and development in key skills and knowledge goes someway to underpin their roles and responsibilities associated with all allowances received.

4. Recommendations

4.1 That having regard to the Independent Remuneration Panel's report and recommendations, a Members' Allowance Scheme suggested at Appendix 2 be approved as the scheme for 2024/25, and it proposal in Recommendations 1 and 3 for future years be considered and applied by full Council.

4.2 That the council notes and considers supporting action and improvements suggested following the observations made by the Panel in paragraphs 3.1 and 3.2 above.

(RAM February 2024)

This page is intentionally left blank

MEMBERS' ALLOWANCE SCHEME
Financial Year 2023/24

Appendix 1

Scheme of Allowances - The council's approved scheme of allowances payable to members of the council for the financial year 2023/24 is set out below -

	2023/24	
	Special Responsibility Allowance	Allowance £
1	Leader of the Council	16,799
2	Deputy Leader of the Council	11,127
	Mayor	11,781
3	Cabinet Members (x 9)	10,162
	Chairman of Planning Committee	9,146
	Chairman of Licensing Committee	8,130
	Chairman of Scrutiny Panels (x 4)	8,637
	Leader of Minority Group	8,400
4	Chairman of Health and Wellbeing (Board)	6,040
	Chairman of Audit Committee	5,312
	Deputy Mayor	5,902
	Deputy Leader of Minority Group	5,563
5	Vice Chairman of Planning Committee	4,461
	Vice Chairman of Licensing Committee	3,965
	Vice Chair of Scrutiny Panels (x4)	4,213
	Lead Members (x 10)	4,957
	Ambassador for Inward Investment & Steel	8,400
	Appeals Committee	£253 per annum
	Co-optees Allowance Independent Persons Allowance	£42 per meeting £42 per complaint referral
	Substitute Allowance (Procedure Rule D1.07 of the Council's Constitution)	£47 per meeting
6	**Basic Allowance**	£6,874

(1) Mileage Rates

Travel to be paid at the following approved Her Majesty's Revenue and Custom (HMRC) rates -
Cars - 45p per mile
Motorcycles - 24p per mile

An additional 5p per mile can be claimed in respect of each passenger carried to whom a travelling allowance would otherwise be paid.

A maximum of 5,000 miles has been set as eligible for claim. Any mileage incurred by members in the course of their duties, including meetings where members are representing North Lincolnshire Council's interests, which involves travelling outside the boundary of North Lincolnshire will not count against the maximum amount of mileage claimable.

In addition, the actual cost of tolls, ferries and parking fees may be claimed. Receipts, must be provided.

(2) Public Transport

If you are using public transport for journeys out of the council's area you may use standard class travel only. Wherever possible travel arrangements should be pre-booked in advance in order to allow better access to discounts. These can be obtained through the group office. Receipts or used tickets (train tickets tube fare tickets etc) should be retained and produced as receipts. The reimbursement of public transport costs is not taxable or subject to NI contributions.

(3) Hired transport

If you wish to hire a vehicle, please contact your group PA who will ensure that the best possible rates are obtained.

(4) Bicycle - Travel to be paid at the approved HMRC rate of 20p per mile.

(5) Subsistence

Subsistence allowances will no longer be included in the member allowance scheme and members will not therefore be able to claim.

(6) Overnight rates
<u>Actuals, claimed to a maximum of (exc. VAT)</u>

London	£100.50
Elsewhere	£88.10
Out of pocket expenses	£4.39 per night
Overseas allowance	£20.50 per night

Accommodation should be pre booked by group office staff in order for the council to reclaim VAT and take advantage of discounts.

PROPOSED MEMBERS' ALLOWANCE SCHEME
Financial Year 2024/25

Appendix 2

Scheme of Allowances - The council's approved scheme of allowances payable to members of the council for the financial year 2024/25 is set out below -

	2024/25	
	Special Responsibility Allowance ***(Recommendation 3)***	Allowance £
1	Leader of the Council	17,303
2	Deputy Leader of the Council	11,461
	Mayor	12,134
3	Cabinet Members (x 9)	10,467
	Chair of Planning Committee	9,420
	Chair of Licensing Committee	8,374
	Chair of Scrutiny Panels (x 4)	8,896
	Leader of Minority Group	8,652
4	Chair of Health and Wellbeing (Board)	6,221
	Chair of Audit Committee	5,471
	Deputy Mayor	6,079
	Deputy Leader of Minority Group	5,730
5	Vice Chair of Planning Committee	4,595
	Vice Chair of Licensing Committee	4.084
	Vice Chair of Scrutiny Panels (x4)	4,339
	Lead Members/Cabinet Support (x 10)	5,106
	Appeals Committee	£261 per annum
	Co-optees Allowance Independent Persons Allowance	£44 per meeting £44 per complaint referral
	Substitute Allowance (Procedure Rule D1.07 of the Council's Constitution)	£49 per meeting
6	**Basic Allowance** ***(Recommendation 1)***	£7642.

***(Please note: Basic Allowance** increase in 2024/25 - includes 'one-off' increase of £500 together with a 3.9% increase linked to the (CPI) Consumer Price Index (average), and then further annual increases up to a maximum of 3% to be linked to the CPI (average) for 2025/26 and 2026/27 – the percentage increase to be agreed by full Council and thereafter also applied for future four year terms of administration, subject to a required first year IRP review at the beginning of each of the four-year term of administration or as required by relevant statutory regulations.*

***Special Responsibility Allowances** increase in 2024/25 includes increase by 3% for 2024/25 and then further annual increases up to a maximum of 3% to be linked to the CPI (average) for 2025/26 and 2026/27 – the percentage increase to be agreed by full Council and thereafter also applied for future four year terms of administration, subject to a required first year IRP review at the beginning of each of the four-year term of administration or as required by relevant statutory regulations).*

(1) Mileage Rates ***(Recommendation 5)***

Travel to be paid at the following approved Her Majesty's Revenue and Custom (HMRC) rates -
Cars - 45p per mile
Motorcycles - 24p per mile

An additional 5p per mile can be claimed in respect of each passenger carried to whom a travelling allowance would otherwise be paid.

A maximum of 5,000 miles has been set as eligible for claim. Any mileage incurred by members in the course of their duties, including meetings where members are representing North Lincolnshire Council's interests, which involves travelling outside the boundary of North Lincolnshire will not count against the maximum amount of mileage claimable.

In addition, the actual cost of tolls, ferries and parking fees may be claimed. Receipts, must be provided.

(2) Public Transport

If you are using public transport for journeys out of the council's area you may use standard class travel only. Wherever possible travel arrangements should be pre-booked in advance in order to allow better access to discounts. These can be obtained through the group office. Receipts or used tickets (train tickets tube fare tickets etc) should be retained and produced as receipts. The reimbursement of public transport costs is not taxable or subject to NI contributions.

(3) Hired transport

If you wish to hire a vehicle, please contact your group PA who will ensure that the best possible rates are obtained.

(4) Bicycle - Travel to be paid at the approved HMRC rate of 20p per mile.

(5) Subsistence

Subsistence allowances is not in the member allowance scheme and members will not therefore be able to claim.

(6) **Overnight rates**
Actuals, claimed to a maximum of (exc. VAT)

London	**£150.50**
Elsewhere	£88.10
Out of pocket expenses	£4.39 per night
Overseas allowance	£20.50 per night

Accommodation should be pre booked by group office staff in order for the council to reclaim VAT and take advantage of discounts.

This page is intentionally left blank

Report of the Director: Outcomes and Chief Financial Officer (s151)(Interim)

Meeting: 22 February 2024

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

FINANCIAL STRATEGY, BUDGET 2024-25 AND MEDIUM-TERM FINANCIAL PLAN 2024-27

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1. The purpose of this report is to set out the council's financial strategy, seek approval for the budget and Council Tax proposal for 2024/25 and the Medium-Term Financial Plan 2024/27.

1.2. The report provides assurance on the council's financial resilience, confirms that the estimates presented in the report are prudent 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 2024/25
- To set the Council Tax for 2024/25
- To approve an indicative medium term financial plan for 2024/27

2. BACKGROUND INFORMATION

2.1 The Council operates within legally defined powers to fulfil a range of duties informed by the agreed ambition and priorities set out in the Council Plan. The powers include the ability to raise funding to invest locally. The Council sets an annual budget based on its spending power, which takes account of government grants, business rates it will receive, the level of Council Tax it sets and any planned use of strategic reserves.

2.2 This report provides the basis upon which the council can set a balanced budget for 2024/25 and a robust financial forecast for the medium-term financial planning period 2024/27, as required by legislation.

2.3 In determining the budget for 2024/25 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 core spending power (funding) that the Council has available is determined by the Local Government Finance Settlement provided by DLUHC. The settlement for 2024/25 takes into consideration the financial pressures facing local authorities from inflation and demands on social care and sets the expectation that local authorities will apply the adult social care precept and council tax increases at the maximum permitted.

2.6 The framework governing what councils do is based upon legislation. Councils have freedoms and flexibilities to determine many things locally, based upon local circumstances and needs of the population. The Council sets it policy framework through two core strategic documents: The Local Plan (place shaping) and Council Plan (ambition, purpose, priorities, and use of resource) and supporting strategies and plans.

2.7 The Council Plan guides activity across the council and sets out the priorities, ensuring that people remain at the heart of everything the council does. The financial plan demonstrates how we invest our resources to maximise impact, improve outcomes and achieve value for money.

2.8 There is a strong financial management ethos across the council underpinned by the Council's values. The financial position is monitored, managed, and reported on a regular basis. The Council's forecast financial outturn in the current year is due to be reported to Cabinet next month and is currently anticipated that the council will drawdown £3.6m of reserves as opposed to the planned £7.6m drawdown. This forecast is the result of proactive and stringent financial management measures alongside net underspends across services. An underspend at outturn 2023/24 will enable resources to be transferred into Strategic Reserves to support financial resilience in the early years of the Medium-Term Financial Plan as the detail of transformational proposals are finalised and implementation is commenced. Further analysis on the impact of the operating environment and transformation progress is detailed in the Medium-Term Financial Plan at appendix 2.

2.9 The Council is committed to ensuring value for taxpayers' money as reaffirmed in the Council Plan. The Financial Strategy and Medium-Term Financial Plan provides the strategic framework to ensure investment priorities have the biggest impact on outcomes for people and place. They provide 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.

3. OPTIONS FOR CONSIDERATION

3.1 The annual Revenue Budget for 2024/25 and Medium-Term Financial Plan 2024/27 is proposed for approval in Appendix 2.

3.2 The Revenue Budget assumes a level of income from general Council Tax of £76.7m. This is based upon a general Council Tax band D equivalent rate of £1,468.04, which represents an increase of 2.99% from the total 2023/24 band D rate.

3.3 The revenue budget assumes the level of income from the Adult Social Care precept of £13.3m. This is based upon an adult social care precept rate of £257.02, which represents an increase of 2% from the total 2023/24 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**.**

4. ANALYSIS OF OPTIONS

4.1 The budget proposal detailed in this report sets out to match overall net spending with the Council's estimate of spending power for 2024/25. The estimate of spending power assumes a planned use of reserves of £2.955m in 2024/25 (and £1.0m in 2025/26 and 2026/27) as we transition to long term sustainability, embedding the One Council delivery model through transformation.

4.2 The 2024/27 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 The revenue budget for 2024/25 includes provision for elected member allowances set in the Member Allowance schemes, which is covered in a separate report on this agenda.

4.5 The revenue budget and financial plan includes the relevant estimates associated with the Capital Investment and Treasury Management strategies and plans, covered in separate reports on this agenda.

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 2024/25 to be based upon estimates that are prudent, deemed to be deliverable by Chief Officers 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 emerging risks, subject to the delivery of yet to be determined transformational efficiency savings across the medium term that allow for the elimination of the Council's continuing budget gap and a workable level of reserves to be maintained. Agility in the ability to re-engineer services will be key to longer term financial sustainability consistent with the Council's ambition on outcomes-based service delivery.

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 all 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:

a) The **robustness of the budget estimates** being considered (Part 2 Section 25 (1)(a) of the Act) (5.1); and,

b) 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 Interim Chief Finance Officer is the council's Chief Financial Officer under Section 151 of the Local Government Act, 1972. His 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 it's 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 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 The Financial Strategy, budget and Medium-Term Financial Plan 2024/27 has been considered by the Governance Scrutiny Panel on 13th February 2024.

8.3 No conflicts of interest have been declared.

9. RECOMMENDATIONS

9.1 To approve the revenue budget and Council Tax for 2024/25

9.2 To approve the indicative Medium Term Financial Plan for 2024/27.

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

9.4 That the oversight and use of resources to achieve the ambition and outcomes in the Council Plan 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 2024/25 in line with financial procedure rules.

9.6 That the council's Chief Financial Officer be authorised to distribute relevant inflationary contingencies when the impact is quantified.

9.7 To authorise the council's Chief Financial Officer to produce the necessary taxpayer information on the council website.

DIRECTOR OF OUTCOMES AND CHIEF FINANCIAL OFFICER (s151)(INTERIM)

Church Square House
High Street
Scunthorpe
North Lincolnshire
DN15 6NL

Author: Stuart Fair/Mark Kitching/Louise Allison
Date: February 2024

Background Papers used in the preparation of this report:

1. 2023/24 Financial Monitoring and Medium-Term Financial Plan Update (reports to Cabinet)
2. Calculating the Council Tax Base 2024/25 – Council 4th December 2023
3. Setting the National Non-Domestic Rates Tax Yield 2024/25 (NNDR 1 return to DLUHC)
4. 2024/25 Local Government Finance Settlement (Final Settlement 5th February 2024)
5. Schools Funding Formula 2024/25 (Cabinet Member report)

<u>TECHNICAL BUDGET RECOMMENDATIONS</u> **Appendix 1**

That the following technical recommendations be approved:

1) That the general council tax band D rate be set at £1,468.04, which represents an increase of 2.99% from the total 2023/24 band D rate.

2) That the adult social care precept band D rate be set at £257.02, which represents an increase of 2.00% from the total 2023/24 band D rate.

3) To note that at its meeting held on 4th December 2023 Council calculated the following amounts for the year **2024/25**. These are as required by regulations made under Section 33(5) of the Local Government Finance Act 1992:

   (a) **51,824.1** 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 **2024/25**, as required by Sections 31 to 52 of the Local Government Finance Act 1992 as amended, be approved:

   (a) **£90,034,548** being the **relevant basic amount of Council tax** for 2024/25 (Council Tax requirement for the Council's own purposes excluding parish precepts but including special expenses)

   (b) **£409,153,055** 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) **£317,197,452** 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) **£91,955,603** 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) **£1,774.38** 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) **£2,555,921** 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) **£1,725.06** 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) **£37.29** 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 2024/25 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 2024/25 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**.

FINANCIAL STRATEGY AND MEDIUM-TERM FINANCIAL PLAN Appendix 2

1 Local Policy Context

1.1 The Council Plan 2022-25 sets the aspiration and ambition for people and place and provides the strong foundation from which policy and use of resources is determined. Investment and use of resources is based upon the outcomes and priorities in the Plan, summarised below:

Priority	Intention		Outcome
Keeping people safe and well – to achieve a longer and better quality of life for our residents	1. Safeguard and support everyone to live safely and independently within their families and communities 2. Ensure the care sector is of high quality and care leavers receive the on-going support they need 3. Reduce health inequalities and promote wellbeing		SAFE WELL PROSPEROUS CONNECTED
Enabling resilient and flourishing communities – to develop greater resilience and community spirit and enable them to identify and meet their ambitions	1. Maintain a safe, clean and green local environment 2. Support our volunteers and create stronger communities with access to a range of leisure, culture and other facilities 3. Make it easier and safer for people to get around sustainably		
Enabling economic growth and renewal – to ensure there are highly skilled jobs and opportunities for a highly skilled workforce and the local economy supports efforts to reduce carbon emissions	1. Encourage personal ambition through access to life-long, high quality education, guidance, training and opportunities to upskill and gain experience through volunteering 2. Regenerate town centres and expand the local economy to secure more highly skilled jobs and encourage the business sector to transition to a net-zero carbon position 3. Work with home builders to develop high quality and environmentally sustainable houses		
Providing value for money for local taxpayers – to ensure high quality services are provided for residents and the Council is well-led	1. Get it right for our customers, first time 2. Meet our environmental responsibilities 3. Maintain our position as a well-managed and well-governed Council and remain financially sustainable		

1.2 The strategic operating model summarised below provides the framework of how investment enables the policy intent to be actioned and the impact of interventions evaluated.

Organisational goal	**We are an enabling, progressive and sustainable Council**
Operating model	**One Council, One Family, One Place**
▪ values driven	equality of opportunity, self-responsibility, integrity, excellence
▪ politically led	policy, resources, community
▪ actioned through	offer, interventions, infrastructure
▪ accountability aligned to investment	intent, implementation, impact
▪ impact evidenced by	quality of experiences and outcomes

So that… we achieve our ambition for North Lincolnshire to be the best place for our residents.

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 Using the operating model above, impact against outcomes is agreed by Cabinet as part of the strategic monitoring and oversight reporting.

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:

a) Grow the tax base – enabling economic growth and renewal in the local economy and housing market.

This primarily involves supporting growth in both the Council Tax and Business Rates base. Forward growth is assumed within the Council Tax base while a stable base is assumed for Business Rates (with risks to the Steelworks offset by growth potential from master planning on the site as well as specific growth anticipated in renewable energy). These assumptions reflect the Council's confidence in the local economy and its desire for increased local resource generation to enable enhanced financial resilience.

b) Maximise income by investing wisely in commercial activity and ensuring traded services fully recover costs.

Commercial activity (includes commercial property, trade waste and operations of leisure and cultural activities) is undertaken by the Council to complement and enable core business. These areas are operated with a commercial mindset to generate income alongside providing a positive economic, social and wellbeing impact. Ongoing review challenges full cost recovery, consideration of inflation, alongside a contribution towards council priorities and outcomes.

c) Take full advantage of opportunities to access external funding sources which will support achieving the council's ambitions.

The Council continues to be successful at leveraging in external investment to the area and the financial plans assume continuation of that success towards supporting delivery of the Council Plan. The revenue budget includes c £75m p.a. from government grants and the capital investment programme includes £117m of external funding over the three-year period from external funding and grants.

d) Finding innovative ways of preventing need and minimising demand.

The Council has adapted to challenging circumstances over recent years at pace ensuring that it continues to meet local need well. It continues to focus on maximising enablement opportunities, minimising the increase in long-term complex needs and maximise outcomes for residents.

e) **Ensure decision making is based on the context of agreed and emerging policy informed by insight and demonstrates value for taxpayers' money.**

This is delivered through robust financial planning – investment decisions are supported by detailed business cases incorporating the financial case into the development process alongside the strategic, economic, commercial and management case aligned with council plan priorities.

f) **Continuous process of evaluation to ensure sufficient value to the experience and outcomes for residents is being achieved.**

Regular updates and annual reporting to the Executive through Cabinet evaluates achievement of priorities and plan.

g) **Balance robust challenge and support to meet financial stewardship requirement and advance sustainability aspirations.**

The Council's governance and assurance arrangements through overview and scrutiny and the role of the Audit Committee, combined with external regulatory oversight and assessment provides the context for effective probity of the council's use of resources.

h) **Seek opportunities with partners to maximise economies of scale whilst enabling communities to take more responsibilities for their local facilities.**

There is a strong ethos of partnership working and pooling of resources, examples include: the NHS Integrated Care Board Better Care Fund and Discharge Funding working together on integrated delivery of care; the Greater Lincolnshire Joint Strategic Oversight Committee and Strategic Public Health Alliance; joint commissioning and procurement with partners.

Financial Planning Environment

2.3 The Council's Medium Term Financial Plan needs to be considered in the context of ongoing financial pressures and uncertainties. Significant economic factors have impacted over recent years, including inflationary pressures on the cost of goods and services alongside the Council's pay bill. Inflationary pressures have also impacted upon the ability to generate service income and maintain collection rates. In addition, the Council has continued to face increasing demand (alongside increasing costs of provision) for some of its key services, including adults social care and SEND transport.

2.4 These factors, including significant global events e.g. Ukraine, Covid etc. have resulted in the Council's cost base increasing faster than its funding over recent years. There is a risk that this continues over the MTFP period especially if global conditions do not stabilise. There remains limited funding security for local government from 2025/26 onwards, beyond the current spending round and ahead of national funding reforms. Financial planning and development of the MTFP is therefore challenging in context of significant uncertainties.

2.5 Strong financial management and reporting systems will continue to be critical to ensure that the Council has the foresight and ability to respond to changing financial circumstances. The Council has shown ability to adapt and respond to changing circumstances, including through its rapid response, and supported recovery from the Covid-19 pandemic. This included the co-ordination of an unprecedented support system to the public health emergency, which included strengthened integration with partners and a focus on enabling through targeted early intervention and prevention. This legacy continues in the approach the Council and partners take, working together to improve health and social care outcomes.

2.6 An update on the Council's financial forecast for the current year is due to be considered by Cabinet on 18th March. At quarter 2 reporting it was forecast that there would be an underspend of £0.5m within core council revenue budgets in 2024/25. Updated projections are being finalised ahead of reporting to Cabinet in March. At this time, as a result of proactive and stringent financial management measures alongside net underspends across services (mainly relating to vacancies and one-off income), it is anticipated that the underspend will have increased to approximately £4m. This will enable resources to be set aside in strategic reserves to support financial resilience over the revised MTFP period. The reserve position presented in Appendix 3 assumes a contribution to the Transformation Reserve of £4m at outturn 2023/24.

3 Spending Power and Budget Requirement

3.1 The following tables set out the estimate of the Council's Spending Power 2024-27 and the proposed investment budget aligned to the delegated responsibilities of the Council's chief officers.

Table 1 – Estimate of Spending Power

2023/24 Approved Budget *** £000's	FORECAST CORE FUNDING	2024/25 Provisional Budget £000's	2025/26 Provisional Budget £000's	2026/27 Provisional Budget £000's
	LOCAL GOVERNMENT FINANCE SETTLEMENT FUNDING			
	Settement Funding Assessment			
(7,281)	Revenue Support Grant	(7,764)	(7,764)	(7,764)
(34,412)	NNDR Baseline Funding	(36,210)	(36,939)	(37,668)
(41,693)	**Total Settlement Funding Assessment**	**(43,974)**	**(44,703)**	**(45,432)**
	Other General Funding			
(73,358)	Council Tax (2.99% 24/25 1.99% 25/26, 1.99% 26/27)*	(76,715)	(79,094)	(81,564)
(11,493)	Social Care Precept (2% 24/25, 1% 25/26, 1% 26/27)*	(13,320)	(14,321)	(15,364)
(75)	New Homes Bonus	(327)	0	0
(7,237)	Improved Better Care Fund	(7,237)	(7,237)	(7,237)
(241)	Rural Services Delivery Grant	(279)	(279)	(279)
(12,494)	Social Care Grant	(16,399)	(16,399)	(16,399)
(1,782)	Adult Social Care Market Sustainability Fund	(2,679)	(2,679)	(2,679)
(1,015)	Adult Social Care Discharge Fund	(1,691)	(1,691)	(1,691)
0	Adult Social Care Sustainability & Improvement Fund (Workforce)	(650)	0	0
(1,342)	Services Grant	(232)	(232)	(232)
(109,037)	**Total Other Funding**	**(119,529)**	**(121,932)**	**(125,445)**
(150,730)	**TOTAL FINANCE SETTLEMENT FUNDING**	**(163,503)**	**(166,635)**	**(170,877)**
	Local Spending Power Funding			
0	Collection Fund Surplus (-) / Deficit (+): CTAX	1,581	0	0
(1,433)	Collection Fund Surplus (-) / Deficit (+): NNDR	(2,873)	0	0
(21,367)	NNDR Rate Retention Income**	(25,484)	(25,997)	(26,509)
(22,800)	**Total Local Spending Power Funding**	**(26,776)**	**(25,997)**	**(26,509)**
(173,530)	**TOTAL SPENDING POWER**	**(190,279)**	**(192,632)**	**(197,386)**
	Core Funding - Other Grants			
(495)	DSG Central School Services	(542)	(542)	(542)
(10,016)	Public Health Grant	(10,217)	(10,421)	(10,421)
(10,511)	**Total Core Funding - Other Grants**	**(10,759)**	**(10,963)**	**(10,963)**
(7,567)	**Use of Reserves**	**(2,955)**	**(1,000)**	**(1,000)**
(191,608)	**TOTAL CORE FUNDING**	**(203,993)**	**(204,595)**	**(209,349)**

** Local amounts will differ from Government assessment figures due to local decisions*

*** Includes compensation for underindexing to business rates multiplier which the Government include in core spending power assessment*

**** Approved Budget excludes temporary budget virements*

Table 2 – Proposed Investment by Priority

2023/24 Approved Budget* £000's	PRIORITY INVESTMENT	2024/25 Provisional Budget £000's	2025/26 Provisional Budget £000's	2026/27 Provisional Budget £000's
96,218	Keeping People Safe and Well	102,952	105,732	108,811
40,980	Enabling Resilient & Flourishing Communities	41,621	42,592	43,828
8,211	Enabling Economic Grow and renewal	8,362	8,586	9,228
35,501	Providing Value for Money for local taxpayers (Organisation)	34,710	36,173	36,936
10,698	Providing Value for Money for local taxpayers (Technical)	16,348	17,118	17,613
191,608	**SUB TOTAL**	**203,993**	**210,201**	**216,416**
0	**Budget Gap**	0	(5,606)	(7,067)
191,608	**NET OPERATING EXPENDITURE**	**203,993**	**204,595**	**209,349**

* excludes temp budget virements

Table 3 – Subjective Analysis

2023/24 Approved Budget* £000's	SUBJECTIVE**	2024/25 Provisional Budget £000's	2025/26 Provisional Budget £000's	2026/27 Provisional Budget £000's
	GROSS EXPENDITURE			
118,824	Employees	121,849	124,623	128,023
10,158	Premises Costs	10,360	10,329	10,329
9,412	Transport Costs	9,112	9,090	9,090
23,843	Supplies & Services	25,034	22,941	23,061
135,757	Third Party Payments	142,715	144,857	147,657
12,853	Support Services	13,222	13,572	13,922
11,223	Capital Financing	12,788	12,733	13,228
322,070		**335,080**	**338,145**	**345,310**
	GROSS INCOME			
(27,514)	Sales Fees & charges	(28,437)	(29,062)	(29,562)
(5,353)	Rents	(5,428)	(5,728)	(5,728)
(8,607)	Other Income	(9,517)	(8,402)	(8,852)
(351)	Payments from other LAs	(351)	(351)	(351)
(830)	Joint Finance	(830)	(830)	(830)
(77,567)	Government Grants	(75,841)	(73,213)	(73,213)
(525)	Interest	(800)	(475)	(475)
(9,715)	Internal Recharges	(9,883)	(9,883)	(9,883)
(130,462)		**(131,087)**	**(127,944)**	**(128,894)**
0	**Budget Gap**	0	**(5,606)**	**(7,067)**
191,608	**NET OPERATING EXPENDITURE**	**203,993**	**204,595**	**209,349**

* excludes temp budget virements
**figures exclude schools income and expenditure

Table 4 – DSG/Individual Schools Budget

2023/24 Total £000's	DSG FUNDING AND INVESTMENT	2024/25 Central £000's	Individual Schools £000's	Total £000's
	DSG Funding			
169,808	DSG Funding (before academy, NNDR and high needs recoupment)			183,237
(2,170)	NNDR and high needs recoupment			(2,726)
167,638	**Total DSG (after NNDR and high needs recoupment)**			**180,511**
	Budget Distribution			
65,170	Maintained mainstream school funding	0	66,469	66,469
65,475	Recouped Academy mainstream Funding	0	69,800	69,800
150	Growth & Falling Rolls Fund	0	0	0
998	Central Exp	1,022	0	1,022
9,892	Early Years	15,754	0	15,754
25,833	High Needs	24,071	3,805	27,876
167,518	**Total Planned Investment**	**40,847**	**140,074**	**180,921**
120	**Contribution to/(from) DSG Reserve**			**(410)**

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 £201.0m available to invest in Council plan priorities (before the planned use or reserves), funded by a combination of nationally allocated and locally generated resources. This is an increase of £17.0m (9.2%) from 2023/24 driven mainly by additional government funding intended for Social Care, locally generated council tax and business rates income and inflationary increases in core grants.

4.2 The financing framework in which the Council operates is determined by national policy. Over the course of the previous decade, there has been a shift towards ensuring a greater proportion of the cost of local government is funded from locally generated resources, intended to further strengthen local accountability and act as an incentive for local authorities to promote economic growth to generate increased resources from a bigger taxbase.

4.3 The local government financial settlement has provided the Council with funding certainty for the financial year ahead. However, pending a general election in 2024/25 and a new spending review period (alongside ongoing uncertainly over the fair funding review and business rates reset) there remains significant uncertainty over local government funding from 2025/26 onwards. As a result, the Council, and local government as a whole, is undertaking it's financial planning in a very uncertain environment.

4.4 The analysis in this section sets out the national policy environment, and the impact on funding sources 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 (Autumn Statement 2023)

4.5 The Government set out the medium-term path for public finances in the Autumn Statement on 22 November 2023. The statement confirmed that departmental expenditure limit (DEL) budgets in 2024/25 will be maintained at least in line with the budgets set at the Spending Review 2021 (with small increases announced for uprating benefits, increasing local housing allowances and the pensions triple lock). As a result, departments will have to make efficiencies to deal with inflationary pressures, including pay settlements in the public sector.

4.6 The local government DEL will increase from £14.6bn in 2023/24 to £17.0bn in 2024/25. However, this is to accommodate the Government's decision to freeze the small business rates multiplier and to extend retail, hospitality and leisure discounts to businesses, and does not represent an increase in spending power.

4.7 In his Autumn Statement the Chancellor confirmed the assumption that in the next spending review period, from 2025/26 onwards, departmental resource spending will grow at 1% a year in real terms (which represents real terms cut of 1.5%p.a. for unprotected departments, including most of local government). In addition, the Chancellor announced that public services would be expected to deliver 0.5% annual efficiency savings, with the expectation that public services contribute towards "a more productive state not a bigger state".

4.8 In terms of capital spending Departmental limits will remain at current levels in cash terms over the next spending period.

4.9 The national economic context is an important aspect of the Autumn Statement. 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 Statement incorporated forecasts from the Office for Budget Responsibility and is guided by two fiscal policy rules established in the Autumn Statement 2022:

- Public sector net debt (excluding the Bank of England) needs to be falling as a percentage of GDP by the fifth year of the rolling forecast; and
- Public sector net borrowing (the deficit) needs to be below 3% of GDP by the fifth year of the rolling forecast.

4.10 Based on current projections the measurers announced in the Autumn Statement are expected to meet these two rules.

4.11 The Office of Budget Responsibility (OBR) published it's economic and fiscal forecasts alongside the Autumn Statement - the key messages relating to growth and inflation were:

- UK wide economic growth (GDP) is forecast to be 0.7% in 2024, increasing to 1.4% in 2025 and 2.0% in 2026 and 2027.

- ONS data shows CPI inflation was 4.0% and RPI inflation 5.2% (December 2023 data), which is a reduction down from the double-digit amounts experienced in 2022 and early 2023. The OBR expects inflation to be persistent and domestically fuelled in the coming months, gradually reducing to targeted levels (2% CPI) and stabilising by the first half of 2025.
- The OBR considers that risk around inflation forecasts remain high as a result of both domestic and international uncertainty.

4.12 The Bank of England Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target in a way that helps sustain growth and employment. In response to their projections for activity and inflation the MPC increased the Bank of England Base Rate by 1% in stages between March 2023 and August 2023 from 4.25% to 5.25%. The Base rate remains at 5.25% (as at February 2024). The potential implications for the Council are considered elsewhere in this report.

National Policy Intent

4.13 In addition to providing an update on the state of public finances, the Autumn Budget set out other policy announcements including:

Business Rates - The Chancellor will use new powers in the Non-Domestic Rating Act 2023 to decouple the standard and small business rate multipliers. For 2024/25 the small business rates multiplier will be frozen, and the standard rate multiplier will be fully indexed to CPI inflation September 2023 (as a result from 1 April 2023 the small Business Rates multiplier will be 49.9p and the standard multiplier 54.6p). In addition, 75% Relief for retail, hospitality, and leisure to continue in 2024/25

Social Care - Social Care grant allocation for 2024/25 announced in the Autumn Statement 2022 were confirmed.

Planning – The Chancellor will bring forward plans for authorities to offer guaranteed accelerated decision dates for major developments in England in exchange for a fee, ensuring refunds are given where deadlines are not met and limiting use of extension of time agreements. The Government are also investing £5m in additional funding for the Planning Skills Delivery Fund for planning authorities to target application backlogs.

Housing - Local Housing Allowance set at 30% of local market rent (increasing the rent levels funded by the Government through Housing Benefit), potentially easing pressure on homelessness and temporary accommodation. In addition, the Housing Revenue Account preferential rate for PWLB borrowing has been extended to June 2025 and an additional £450m was announced for the third round of the Local Authority Housing Fund.

Devolution - Four new devolution deals were announced including a mayoral deal for Greater Lincolnshire. Devolution powers are to be extended including for deals without a mayor, and deeper devolution for mayoral combined authorities. Long-term business rates retention arrangements are confirmed with Greater Manchester & West Midlands and a memorandum of understanding published to support of the provision of flexible single funding settlements for these combined authorities.

National Living Wage (NLW) - Following the recommendations of the independent Low Pay Commission (LPC), the government will increase the NLW by 9.8% from 1 April 2024. For individuals aged 21 and over this represents an increase to £11.44 per hour (age threshold also lowered from 23 to 21 from April 2024). This will have specific impacts for authorities with social care responsibilities.

Investment Zones – existing scheme extended from 5-10 years with an additional 10-year £160m investment package announced. A number of new investment zones announced.

Freeports - the window to claim Freeport tax reliefs will be extended from five to 10 years (until September 2031) in English Freeports, conditional on agreement of delivery plans with each Freeport.

Efficiency Savings – public services are expected to make 0.5% annual efficiency savings.

Local Government Finance Settlement 2024/25

4.14 The annual finance settlement is the mechanism by which the Government translates national funding allocations into specific funding for local authorities. The draft settlement was published on 18h December 2023 and the Final Settlement confirmed 5th February 2024. The Government have announced a one-year settlement again for 2024/25, broadly in line with intentions set out in a policy statement released 5th December 2023. The settlement is a holding position, designed for stability and certainty for planning purposes and to promote financial sustainability within available resources. Longer term finance reform which will give local government confirmation of likely funding over the medium term has been deferred until at 2025/26 at the earliest.

4.15 The 2024/25 local government finance settlement is based on the Spending Review 2021 (SR21) funding levels, updated for the 2023 Autumn Statement announcements. The main points are set out below:

- **Council Tax & ASC Precept:** The settlement confirms maximum annual core increases of 3% with the potential to levy an additional 2% ASC precept.

- **Settlement Funding Assessment (SFA):**
  - **Baseline Funding Level** – uplifted by weighted average index based on individual authority weighting of businesses subject to the Standard and Small Business Rates Multiplier
  - **Revenue Support Grant** (RSG) – uplifted by inflation (CPI Sept 2023 – 6.62%)
  - **Business Rates Multiplier Cap Compensation** - local authorities will be fully compensated for freezing of the small business rates

multiplier (uplifted by an under-inflation factor specific to each individual authority reflecting the weighted change between the standard and small business rates multipliers)

- **Social Care Grants** – confirmation of previously announced funding increase of £1.38bn in social care grants in 2024-25 plus an additional £500m confirmed in the final settlement (£1.88bn total). This includes:
    - £205m as the second year of the ASC Workforce Fund (£365m in 2023-24). This grant has been rolled into the larger ASC Market Sustainability and Improvement Fund grant in 2024/25
    - £283m increase in the ASC Market Sustainability & Improvement Fund
    - £1,192m increase in Social Care Support Grant (with the additional £500m announced in the final settlement aimed towards children's social care alongside maintained adult social care provision)
    - £200m increase in the Discharge Fund (managed through the Better Care Fund)

  Social care grants continue to be distributed based on the Adults Relative Needs Formula.

- **Funding Guarantee** continues into 2024/25 for affected authorities (mainly District Councils) and increased from 3% to 4%.

- **Services Grant –** Services Grant has seen a large reduction from £483m in 2023/24 to £87m in 2024/25.

- **New Homes Bonus –** confirmation that 2024/25 will be the final year of this grant. Overall total grant is the same as 2023/24 however there are variances in distribution between authorities.

- **Rural Services Delivery Grant** – an increase of £15bn was confirmed in the final settlement, increasing the total grant to £110m in 2024/25.

- **Productivity** – on the back of the additional resources allocated in the finance settlement local authorities will be required to produce productivity plans setting out how they will improve service performance and reduce wasteful expenditure. There will be a formal requirement to report back to government by July 2024 and the government have confirmed its intention to monitor plans and performance against plans will inform future funding settlements. Plans are to focus on ways to unlock productivity and are to set out key implementation milestones. Productivity Plans are to be approved by Council Leaders and member and required to be published on Council Websites. They are expected to cover 4 main areas:

    - Transformation of services to make better use of resources.

    - Opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design.

    - Ways to reduce wasteful spend within systems.

- Barriers preventing activity that Government can help to reduce or remove.

4.16 The settlement set out £64.7bn in core spending power for England, a £4.5bn (7.5%) increase from 2023/24. To realise the increase, the sector must generate an additional £2.1bn through council tax increases. Council tax setting is a local decision and therefore actual core spending power will differ. 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	23/24	24/25
Settlement Funding Assessment	21.2	18.6	16.6	15.6	14.6	14.8	14.8	14.9	15.7	16.6
Business Rate under indexation grant	0.2	0.2	0.2	0.3	0.4	0.5	0.7	1.3	2.2	2.6
Council Tax & ASC Precept	22	23.2	24.7	26.3	27.8	29.2	30.3	31.9	34.0	36.1
Improved Better Care Fund	-	-	1.1	1.5	1.8	2.1	2.1	2.1	2.1	2.1
New Homes Bonus	1.2	1.5	1.3	1	0.9	0.9	0.6	0.6	0.3	0.3
Rural Services Delivery Grant	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transition Grant	-	0.1	0.1	-	-	-	-	-	-	-
Adult Social Care Support Grant	-	-	0.2	0.1	-	-	-	-	-	-
Winter Pressures Grant	-	-	-	0.2	0.2	-	-	-	-	-
Social Care Support Grant	-	-	-	-	0.4	-	-	-	-	-
Social Care Grant	-	-	-	-	-	1.4	1.7	2.3	3.9	5.0
Market Sust. and Fair Cost of Care	-	-	-	-	-	-	-	0.2	-	-
ASC Market Sust. and Improvement	-	-	-	-	-	-	-	-	0.5	1.0
Lower Tier Services Grant	-	-	-	-	-	-	0.1	0.1	-	-
ASC Discharge Fund	-	-	-	-	-	-	-	-	0.3	0.5
Services Grant	-	-	-	-	-	-	-	0.8	0.5	0.1
Grants rolled in	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.5	-
Funding Guarantee	-	-	-	-	-	-	-	-	0.1	0.3
CORE SPENDING POWER (£bn)	**44.8**	**44.0**	**44.5**	**45.3**	**46.5**	**49.3**	**50.7**	**54.6**	**60.2**	**64.7**

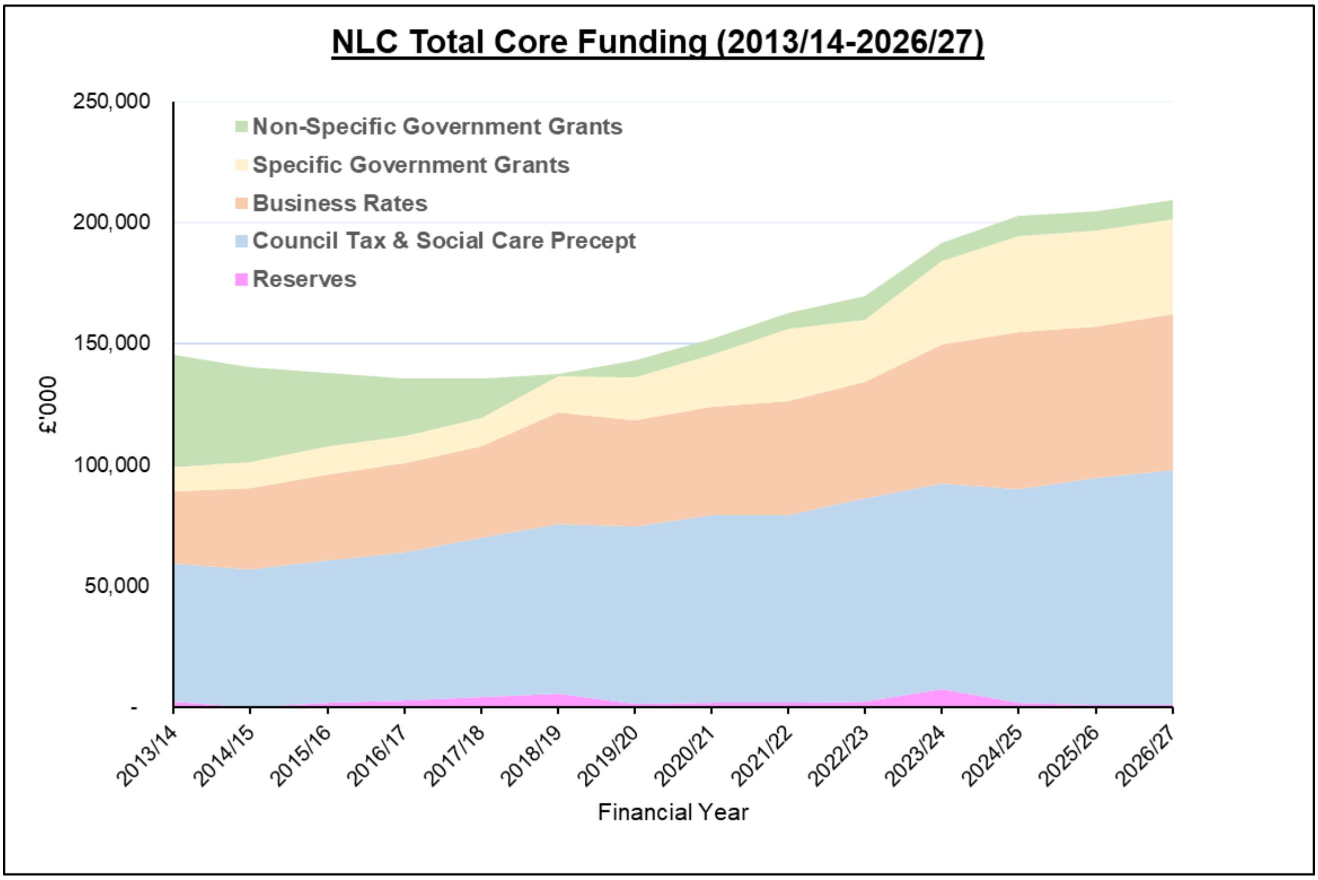
4.17 According to Government calculations, North Lincolnshire's maximum core spending power in 2024/25 is £170.0m, which is an increase of £12.3m (7.8%) from 2023/24. Of the increase, £5.0m is predicated on maximising council tax increases, with the remainder due to increased grant funding. This can be seen in the table below:

Core Spending Power (N. Lincs)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Settlement Funding Assessment	58.5	50.9	45.3	42.1	38.7	39.4	39.4	39.6	41.7	44.0
Business Rate under indexation grant	0.4	0.4	0.5	0.7	1.1	1.3	1.7	3.4	5.9	6.6
Council Tax & ASC Precept	57.9	60.9	65.6	69.5	72.7	76.2	78.5	82.6	84.9	89.9
Improved Better Care Fund	-	-	3.7	5.0	6.3	7.0	7.0	7.2	7.2	7.2
New Homes Bonus	2.6	3.3	2.0	1.0	0.7	0.4	0.2	0.7	0.1	0.3
Rural Services Delivery Grant	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Transition Grant	-	-	-	-	-	-	-	-	-	-
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	12.5	16.4
Market Sust. and Fair Cost of Care	-	-	-	-	-	-	-	0.5	-	-
ASC Market Sust. and Improvement	-	-	-	-	-	-	-	-	1.8	3.3
Lower Tier Services Grant	-	-	-	-	-	-	0.3	0.3	-	-
ASC Discharge Fund	-	-	-	-	-	-	-	-	1.0	1.7
Services Grant	-	-	-	-	-	-	-	2.3	1.3	0.2
Grants rolled in	0.7	0.8	0.8	0.8	0.7	0.7	0.7	0.7	1.2	-
CORE SPENDING POWER (£m)	**120.3**	**116.5**	**118.8**	**120.6**	**122.5**	**129.8**	**133.6**	**145.2**	**157.7**	**170.0**

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 2024/25 and these are reflected within the spending power estimate for those years in Table 1. However, funding post 2024/25 remains uncertain, pending a general election in 2024 and subsequent indicative policy statements and funding allocations.

4.19 Core Spending Power, as assessed by the Government, increasingly relies on income generated through the council tax base through the levying of council tax and social care precept on local residents. The changing composition of Council funding is illustrated in the following table and chart:

Government Assessed Core Spending Power (N. Lincs)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Settlement Funding Assessment	58.5	50.9	45.3	42.1	38.7	39.4	39.4	39.6	41.7	44.0
Other Grant Funding	3.9	4.7	7.9	9.0	11.1	14.2	15.7	23.0	31.1	36.1
Council Tax & ASC Precept	57.9	60.9	65.6	69.5	72.7	76.2	78.5	82.6	84.9	89.9
CORE SPENDING POWER £m	**120.3**	**116.5**	**118.8**	**120.6**	**122.5**	**129.8**	**133.6**	**145.2**	**157.7**	**170.0**



4.20 Since 2018/19 council funding has been steadily increasing, in recognition of cost pressures across the sector. In 2013/14 Council Tax and Business Rates accounted for 60% of core funding, while in 2024/25 it will account for nearer 80%. This included funding generated through the adult social care precept, which was introduced in 2016/17 as an additional element to council tax. The adult social care precept now accounts nearly 15% of total council tax raised by the Council. Service specific grant funding has increased over the period with the Government recognising and providing for specific areas of cost (e.g. adult social care). By contrast non-specific grant funding has been reducing, replaced in the main by local taxation and the preference for specific funding.

Council Tax & Adult Social Care Precept

4.21 Income from council tax and adult social care precept equates to just over half of the Council's government assessed core spending power. 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 and its relative importance continues to grow.

4.22 Gross forecast income from council tax is based on two key assumptions:
- the Council Tax base (expressed in band D equivalents)
- the band D rate of Council Tax.

4.23 Full Council set the 2024/25 council tax base on 4th December 2023 at 51,824.10 band D equivalents, an increase of 1.1% compared to the 2023/24. The taxbase increase reflects the following (equivalent band D):

- An increase in the number of gross properties (463)
- Assumed collection rate percentage remaining at 98%
- Reduction in empty property surcharge cases (100)
- A natural reduction in council tax support recipients (273)
- An increase in the number of single adult households (100)
- An increase in exempt properties (127)

4.24 Beyond 2024/25, 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 350 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 When making its assessment of spending power for Local Government, the Government expects that councils will maximise their flexibilities to increase council tax and the adult social care precept, therefore this plan assumes a 2.99% increase in council tax for 2024/25 and 1.99% thereafter, and a 2% increase in the adult social care precept for 2024/25 and 1% thereafter.

4.26 Over 67% of properties within North Lincolnshire are in either band A or B. The general rate increase in 2024/25 for a band B equates to £3.18 per month, while the adult social care precept increase equates to £2.13 per month.

4.27 The relative importance of council tax has increased significantly over the last years, in line with Government intent and policy. It now accounts for over half of Government assessed funding. Total funding from council tax and the adult social care precept is expected to be 60% higher by 2026/27 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**	**2025/26**	**2026/27**
Base (band D)	46,498.10	48,147.20	48,602.10	49,442.80	49,889.50	49,640.30	50,801.00	51,270.50	51,824.10	52,216.10	52,608.10
Rate (band D):											
General	1,273.86	1,286.72	1,313.61	1,354.75	1,382.49	1,404.94	1,418.91	1,418.91	1,468.04	1,502.37	1,537.73
ASC Precept	25.48	64.46	104.99	104.99	134.18	164.51	195.9	224.16	257.02	274.27	292.04
Yield:											
General	59.2	62	63.8	67	69	69.7	72.1	72.7	76.1	78.4	80.9
ASC Precept	1.2	3.1	5.1	5.2	6.7	8.2	10	11.5	13.3	14.3	15.4

4.28 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.

4.29 In addition to investment need, other factors in considering the rate of council tax are financial resilience and the burden on taxpayers. If a decision is 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. A +/- change in the assumed council tax increase will result in an annual change in funding of +/-£0.9m for each year of the MTFP.

4.30 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.

4.31 Finally, several bodies impose levies on the Council's general income from council tax. These include: 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 £38.93 (£32.82 2023/24) funded from the Council's general council tax income.

Business Rates

4.32 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 aims to provide financial incentives for local authorities to grow their economies.

4.33 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 baseline funding is incorporated into the settlement funding assessment and is set out as follows:

Settlement NNDR Assessment	**2023/24 £M**	**2024/25 £M**
Estimated Net NNDR Yield	78.8	82.6
Split between:		
Central Government	39.4	41.3
Fire Authority	0.8	0.8
Local Authority	38.6	40.5
Tariff (-) / Top-Up (+)	(4.2)	(4.3)
NNDR Baseline Funding	**34.4**	**36.2**
Safety Net Threshold	31.8	33.5

Settlement Funding Assessment	**2023/24 £M**	**2024/25 £M**
Revenue Support Grant	7.3	7.8
NNDR Baseline Funding	34.4	36.2
Total	**41.7**	**44.0**

4.34 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 2024/25' report, which was approved under delegated powers on 31st January 2024. The report sets out that the Council expects to retain £61.7m from a total payable income estimate of £101.4m (61.1%).

4.35 Collectable income in 2024/25 is forecast to have increased compared to 2023/24 levels, primarily due to the current level of inflation. In 2024/25 small businesses have been protected from this increase by the Government through a freeze on the Small Business Rates multiplier. The Government will fully reimburse Local Authorities for the loss of income via new burdens grant funding. Therefore, the majority of increased income will be received through increased rates due from businesses subject to the standard business rates multiplier (which accounts for 79% of businesses in North Lincolnshire) with the rest due to be received from Government grant.

4.36 The amount of forecast retention in 2024/25 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 £33.5m before the Government would set in with safety net support. The Council employs risk mitigation measures to support the organisation's financial resilience.

4.37 The Humber was announced as one of eight freeports in the Autumn Budget 2021, 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 company. The taxbase calculation assumes that there will be no freeport relief awarded during 2024/25, which reflects the current position. Any retained business rates from the freeport site will be ring-fenced for the economic objectives of the freeport.

4.38 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. There remain unresolved appeals in the system relating to the 2017 ratings list (the list is now closed to new appeals) and appeals continue to be received against the 2023 list and can continue to be received until the next rating list is released (expected in 2026). 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 2023/24 to date, the VOA have applied adjustments to North Lincolnshire's rating list which have reduced the area's rateable value by £2.5m. This takes the total appeal led downward adjustments on the 2017 list to £10.4m, which drags against other non-appeal growth of £24.7m. Appeal led downward adjustments against the new 2023 list total £187k to date in 2023/24. The downward pressure is expected to continue, thereby increasing the importance of generating increases elsewhere in the taxbase to maintain an 'as is' position.

4.39 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 (and the top 20 companies account for over 44% of total rateable value), made up from 5,701 properties. Any change in valuation of these properties could significantly impact the Council's funding from business rates, both in terms of backdated appeals and ongoing revenue loss. This risk is well understood and mitigated through the priority given to enabling economic growth and renewal and the delivery of the Economic Growth Plan.

4.40 The Council deploys risk management tools to mitigate against the risk of backdated refunds. 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. In addition, a strategic risk reserve is maintained specifically to mitigate potential loss of growth retention above the safety net level which is currently forecast to reach £28m in 2024/25.

4.41 The government has previously committed to a review and rese t of the retained business rates system however timescales on this remain uncertain. Whilst recognising the potential for a reset to simplify the operation of the retained business rates system, the government has reconfirmed its previous position that a reset of the business rates retention system will not happen before 2025-26. The MTFP is therefore predicated on a continuation of the current system until future plans and timescales are confirmed.

Collection Fund

4.42 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.

4.43 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. This is unlikely in practice as the estimate is based on many variables which inevitably change during the year.

4.44 In respect of council tax, deficit has been forecast for 2024/25, of which the Council's share is £1.6m. The forecast takes into account the Council's share of undistributed deficit from 2022/23 (£0.7m) and a forecast deficit of £0.9m for 2023/24. The deficit primarily relates to assumptions around exempt and empty properties.

4.45 In respect of business rates, a surplus is forecast, of which the Council's share is £3.5m. The forecast takes into account the Council's share of undistributed surplus from 2022/23 (£2.4m) and a forecast surplus of £1.1m for 2023/24. The surplus primarily relates to the level of appeals, impairments, and reliefs. All of these reflect timing differences within the retained business rates system and will be managed through the local taxation smoothing reserve. In addition, a deficit of £0.7m is forecast for disregarded amounts (including renewables) to be distributed in 2024/25. The actual disregarded surplus will be confirmed at outturn 2023/24.

Funding for Social Care

4.46 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 the shared objectives and outcomes of health and social care with investment translated into local allocations. The funding, and projected funding for NLC is as shown below:

Social Care Funding (all in £M)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Social Care Precept	3.1	5.1	5.2	6.7	8.2	10.0	11.5	13.3	14.3	15.4
Improved Better Care Fund	0.3	5.0	6.3	7.0	7.0	7.2	7.2	7.2	7.2	7.2
Social Care Grant Funding	0.8	0.5	2.1	4.5	5.6	7.6	12.5	16.4	16.4	16.4
Market Sust. & C.O.C. Fund	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
ASC & Market Sust. Fund	0.0	0.0	0.0	0.0	0.0	0.0	1.8	3.3	2.7	2.7
ASC Discharge Fund	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.7	1.7	1.7
Total	**4.2**	**10.6**	**13.6**	**18.2**	**20.8**	**25.3**	**34.0**	**42.0**	**42.3**	**43.4**
Change Per Year		6.4	3.0	4.6	2.6	4.5	8.7	8.0	0.3	1.1

4.47 The budget proposal assumes the Council will maximise its flexibilities under the adult social care precept in all years of the financial plan. As can be seen from the table, aside from additional funding through maximising social care precept there is currently limited additional funding anticipated for health and social care in the coming years.

4.48 In total, social care specific funding is expected to increase by £8.0m in 2024/25 (assuming social care precept is maximised). 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 more than specific funding, requiring the Council to fund some of the extra cost increase through other sources.

4.49 The adult social care precept is being used to contribute to maintaining effective local services. Adult social care services have been subject to cost pressures due to several factors including: demographic changes, inflationary pressures (including National Living Wage), inter-dependency with the NHS system, 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.

4.50 Use of the Improved Better Care Fund and the Adult Social Care Discharge Fund is agreed collectively with the North Lincolnshire Health Care Partnership (part of the Humber and North Yorkshire Integrated Care Board), 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

4.51 The Council receives a Public Health grant from the Department of Health and Social Care, ring-fenced to supporting the discharge of public health functions, including contributions to adult and children's health and wellbeing outcomes. The Medium-Term Financial Plan reflects confirmed allocations for 2024/25 and assumes a 2% cash increase in 2025/26, with no further cash increases assumed 2026/27 onwards.

Other Government Grants

4.52 The Local Government Finance Settlement confirmed a number of other Council core grants funding:

- A long-standing feature of local government finance has been the **Revenue Support Grant (RSG)**, a general contribution from Government towards the cost of local services. The Government have increased allocations by 6.62%% for inflation in 2024/25.

- 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. An additional £15m was allocated through this grant at Final Settlement.

- 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 diminished in recent years, with the system in scope for review. The Government have confirmed it is rolling over the current approach in 2024/25. The total amounts allocated have remained at 2023/24 levels, however there are variances in distribution between authorities. No resources are expected from this scheme beyond 2024/25.

- The Council also receives a **Services Grant**. Amounts distributed through this grant have been significantly reduced nationally in 2024/25. The MTFP assumes continuation of reduced funding over the next 3 years.

4.53 The **Dedicated Schools Grant (DSG) Central Schools Services Grant** contributes towards the cost of statutory education authority functions, with Schools Forum approval required annually and assumed through the life of the MTFP. The school's element of DSG is considered at 5.31.

Planned Use of Reserves

4.54 As per the reserves strategy in Appendix 3, the Council plans to utilise £2.955m of reserve funding in 2024/25 and £1.000m in both 2025/26 and 2026/27 to fund specific elements of the cost base on a temporary basis as we transition to long term sustainability, embedding the One Council delivery model through transformation. The planned use of reserves is a proportionate and prudent response to enable transition to a financially sustainable position achieved through the implementation of transformation plans including the emerging Organisational Development plan.

4.55 The planned use of reserves will be closely monitored throughout the life of the MTFP within the context of the adequacy of reserves statement and financial sustainability.

5 Analysis of Net Operating Expenditure (Tables 2 – 4)

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 the council and partners can best work together to develop the best solutions to reach the best outcomes.

2024/25 Medium Term Financial Plan & Risk Management

5.3 Each year, the Council undertakes 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.

5.4 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).

5.5 The medium-term financial plan is set out in Tables 2-3 and contains a series of adjustments from the 2023/24 budget position. In determining that the budget proposal and medium-term financial plan demonstrate robust estimates, the following cost drivers have been considered:

- Policy decisions (new and emerging)
- Activity/demand
- Economic (inc. inflation, interest rates, national living wage and pay)
- Other operating environmental factors (compliance etc)

5.6 As detailed in the table below, in total, the proposed additional investment in 2024/25 is £12.4m net operating cost.

BUDGET ADJUSTMENTS	2024/25 £000's	2025/26 £000's	2026/27 £000's
Cost Drivers			
Inflation	8,520	4,420	4,420
Social Care Inflation	4,485	2,133	1,800
Social Care Activity	1,326	(650)	0
Capital Financial	1,290	270	495
Other (prior year reversals)	3,940	0	0
Transformation Savings			
Fewer Better Assets	(279)	(451)	0
Full Cost Recovery	(667)	(714)	(500)
Robust Financial Management	(6,230)	1,200	0
TOTAL ADJUSTMENT	**12,385**	**6,208**	**6,215**

5.7 The most significant cost drivers impacting on the financial planning environment being external economic factors. Inflationary pressures (including social care inflation) are estimated at £13.0m in 2024/25 (£25.8m over 3-year MTFP period). Inflation remains a risk over the MTFP period with both domestic and international factor influencing inflation levels.

5.8 Pay, national living wage, utility and fuel inflation have had a significant impact on all local authority budgets over recent years. The financial plan in future years assumes a gradual return to normal inflation levels, although high levels are expected to persist over the coming year in some areas. If inflation increases above budgeted levels for a prolonged period, there are likely to be consequences for the budget in future years.

5.9 In addition to funding inflation costs, the budget proposal for 2024/25 also makes adjustments to fund increasing activity levels primarily within social care (£1.3m in 2024/25). 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.

5.10 The budget assumes the cost of capital financing will increase in 2024/25 which reflects revised borrowing estimates to fund capital investment and forecast interest rates. In 2024/25 there are a number of other budget adjustments to net expenditure, primarily relating to the reversal of prior year one-off adjustments as well as relating to the smoothing of local taxation fluctuations through the local taxation smoothing reserve.

5.11 Costs mitigations currently identified through initial transformation work equate to £7.2m in 2024/25 (the total mitigations over 3 years amount to £7.6m). These includes zero based budget review of staffing costs and functional efficiency and productivity opportunities through robust financial management (£6.2m 2024/25 including one-off savings and £5.0m over 3 years). In addition, a focus on fewer better assets is anticipated to realise £0.3m savings in 2024/25 (£0.7m over 3 years) and a full cost recover review is expected to realise £0.7m in 2024/25 (£1.9m over 3 years).

5.12 Before applying planned use of reserves there is a forecast budget gap of £2.955m in 2024/25 with the potential budget gap over the 3 years of the medium-term financial plan reaching £8.067m per year (before use of reserves). If the cost mitigations expected through initial transformational work are not realised, then the budget gap (before use of reserves) increases to £10.1m in 2024/25. This represents the level of net savings required to be achieved by 2026/27 through:

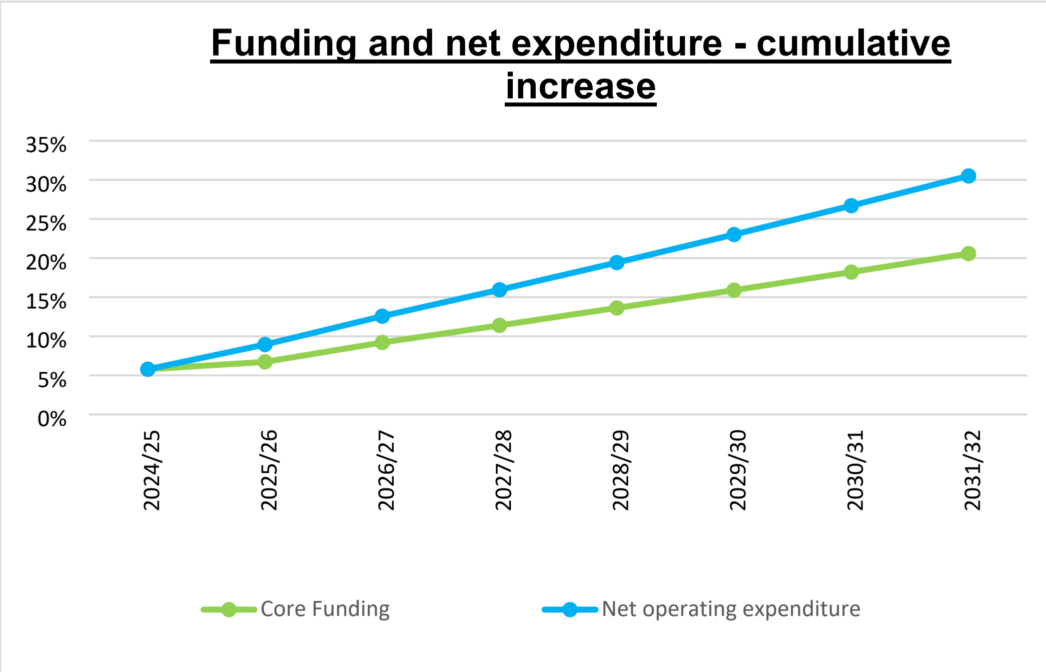
- Delivery of net savings already identified in the budget.

- Redesigning the council for a new future: redefining purpose, organisational development, transformation, systems, and place leadership.

- Outcomes led investment – evaluation of impact and effectiveness of interventions and policy intent.

- Efficiency and productivity opportunities focused on improving customer experience and applying sound financial management principles to fees and charges, staffing resource and vacancy management, commercial income, and contract review.

5.13 The importance of realising planned transformation savings is illustrated by the chart below. Based on current estimates it is expected that the financial sustainability gap will continue to increase over the Medium-Term Financial Plan period and beyond as the cost base continues to increase at a faster rate than funding. The delivery of planned transformational savings will balance the budget in 2024/25, however, failure to deliver savings in future years risks a draw on (and quickly exhausting) reserves in the short term and ultimately risking long term financial resilience and viability.



5.14 Strong financial management cannot exist without strong risk management. The ability to identify, influence and ideally mitigate risk is a fundamental pre-requisite 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).

5.15 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 and variances which have been flagged during 2023/24 financial reporting (e.g. social care activity and employee costs).

5.16 The base for 2024/25 is therefore considered to be solid. However, uncertainty beyond 2024/25 – 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.

5.17 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 sustainable income for 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.

5.18 The medium-term financial plan beyond 2024/25 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 Resilience

5.19 Financial resilience, the ability to weather financial shocks, is an important consideration for council sustainability. This is an increasingly important consideration in the current operating environment where ongoing austerity, challenging economic conditions and increasing pressures persist on the cost base and associated inflationary pressures impacts on both the cost base and demand for services as well as constraining the realisation of locally generated funding (inc. Council Tax and fees and charges oncome). North Lincolnshire is not alone in facing these challenges as can be seen by the increasing number of local authorities either issuing or under threat of issuing section 114 notices (which give notice an authority is unable to balance its budget). Increasing these relate to authorities previously considered to have sound financial management and not those authorities who have made finically risky decisions in the past, highlighting the limited options available to authorities who have already made significant cuts to their cost base in an effort to balance their budgets in the face of rising demand and inflationary pressures outstripping available funding.

5.20 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.

External Audit

5.21 External auditors gave an unqualified opinion on the council's accounts for 2021/22 as they have each year since the inception of North Lincolnshire Council. Due to ongoing nationwide audit backlogs the audit opinion is outstanding on the 2022/23 accounts for the majority of Local Authorities, including North Lincolnshire. Alongside providing an opinion on the council's accounts the external auditors also review the arrangements for securing economy, efficiency, and effectiveness in the use of resources.

Financial Accountability

5.22 The day-to-day management of revenue budgets is delegated to officers to ensure clear lines of oversight and accountability. Investment is also managed subjectively, 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 2024/25 forecast is summarised in Table 3.

5.23 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.

5.24 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

5.25 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).

5.26 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 4 (para 3.1). This primarily relates to four main blocks: schools block; early years; high needs; and a central block.

5.27 As can be seen in Table 4, total dedicated schools grant funding for North Lincolnshire is increasing to £183.2m, an increase of £13.4m (7.9%). 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

2022/23 £000's Actual	REVENUE RESERVES	2023/24 £000's Estimate	2024/25 £000's Estimate	2025/26 £000's Estimate	2026/27 £000's Estimate
	Organisational Reserves				
8,993	General Fund	10,000	10,200	10,300	10,475
25,622	Risk and Transformation	0	0	0	0
1,300	Feasibility Study	1,300	950	700	450
0	Transformation	14,974	11,819	10,719	9,544
0	Strategic Risk	6,800	6,800	6,800	6,800
2,563	Local Taxation Smoothing	2,563	3,963	3,963	3,963
2,716	Public Health	2,063	1,424	785	375
41,195	**Total Organisational Reserves**	**37,701**	**35,157**	**33,268**	**31,608**
	Earmarked Reserves				
183	Adult Social Care	95	95	95	95
470	DSG - Delegated Items	470	470	470	470
353	Taxi Licensing	272	272	272	272
200	Devolution	190	0	0	0
1,099	Other Earmarked Reserves	615	415	317	317
2,305	**Total Earmarked Reserves**	**1,641**	**1,251**	**1,154**	**1,154**
	Grant Reserves				
917	Rural Mobility Grant	609	300	0	0
264	Syrian Resettlement Grant	0	0	0	0
819	Troubled Families Grant	619	430	241	52
571	Covid-19 LA Support	196	148	0	0
1,407	Ukrainian Refugee Programme	907	407	0	0
1,397	Better Care Fund	0	0	0	0
9,582	Other Grant Reserves	1,507	655	127	78
14,957	**Total Grant Reserves**	**3,837**	**1,940**	**368**	**130**
58,456	**TOTAL COUNCIL RESERVES**	**43,179**	**38,348**	**34,790**	**32,892**
	School Reserves				
7,170	Schools Balances	6,500	6,000	5,500	5,000
6,639	Dedicated Schools Grant	6,139	5,639	5,139	4,639
13,808	**Total School Reserves**	**12,639**	**11,639**	**10,639**	**9,639**
72,265	**TOTAL RESERVES**	**55,818**	**49,987**	**45,429**	**42,531**

6. 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 Council 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 The minimum prudent levels of reserves and balances that the Council should maintain are a matter of judgement. It is the Council's safety net for unforeseen circumstances and must last the lifetime of the Council unless contributions are made from future years' revenue budgets. It is for local authorities themselves, taking into account all the relevant local circumstances, to make a professional judgement on what the appropriate level of reserves and balances should be.

Financial Resilience

6.5 The Medium-Term Financial Plan and the Reserves Strategy have consideration for the uncertainty within the Council's operating environment, which is currently brought about principally by:

- the current economic context (e.g. inflation, interest rates, cost of living),
- the potential for higher and more complex need,
- the short-term focus of Government in planning public service delivery,
- the reliance on a small number of businesses to deliver a significant proportion of locally generated business rates funding.

These uncertainties represent an increased risk of funding or expenditure shocks which need to be fully considered and reflected in the Council's reserve statement, to ensure the organisation remains financially safe.

6.6 It is anticipated that both the level of reserves and reserves as a ratio of net expenditure will reduce at pace over the Medium-Term Financial Plan period as grants and earmarked reserves are utilised and strategic reserves are used to both balance the budget in the short term (ahead of reductions to the cost based through organisational transformation) as well as to support upfront costs of transformation delivery. This reduction over the Medium-Term Financial Plan represents an increased risk exposure and reduced capacity to absorb financial shocks. It is therefore essential that the transformational efficiency savings assumed in the Medium-Term Financial Plan are delivered. If the required cost savings are not realised, utilisation of reserves is not a viable ongoing option.

6.7 The Council breaks down its reserves into three categories. **Strategic reserves** have the greatest flexibility and include the general fund and risk 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.

6.8 The creation, planned movement, use of and/or contribution to each reserve is presented to Council each year in the Budget for approval. In year monitoring is reported formally to Cabinet quarterly throughout the year with any potential changes highlighted if required. A financial outturn report will be taken to Cabinet after each year and will include confirmation the final position of each strategic reserve.

Strategic Reserves

6.9 The financial risks, detailed in the risk assessment below, have been identified and an assessment of the estimated exposure, likelihood and mitigation has been made in the context of the Council's overall approach to risk management and internal financial controls. This information has been used to determine the optimum level of reserve holdings needed to meet the requirements of a working balance and contingency, based on a financial assessment of the specific risks.

Financial Risk Assessment

Risk Element	Risk	Original Risk Assessment	Mitigation	Post Mitigation Risk Assessment

NNDR/Business Rate funding	Reduction and/or fluctuations in income against budget variation in:
	• Changes in the NNDR base, including: –
	    o Rateable values (e.g. appeals, economic downturn, changes in use, material change in circumstances)
	    o Collection rates
	    o Impact on the NNDR base of successful appeals (backdated and ongoing)
	    o Estimates of appeals provision higher/lower than actually required.
	• Concentration of the NNDR base on a small number of businesses means changes to the ratable values of a limited number of businesses could have a significant impact on the NNDR base.
	• Impact of national changes to the valuation methodology of specific business classification changing ratable values.
	• Future reset of the Business Rates Retention system.
	
	The Council's share of income from business rates in 2024/25 is £61.7m which means income would fall by £28.2m before safety net support is received.
		Overall Risk Score: 16 (VERY HIGH)
		
		Likelihood: 4
		Severity: 4
			• In year monitoring of the NNDR base, Collection Fund, collection rates, growth assumptions and rateable value appeals. Including regular updates with Economic and Business Development Teams.
			
			• Regular performance and financial reporting to senior management and Cabinet.
			
			• Local Taxation Smoothing and Strategic Risk Reserve maintained to provide a degree of protection from fluctuations in Business Rate Income
				Overall Risk Score: 12 (HIGH)
				
				Likelihood: 3
				Severity: 4

Risk Element	Risk	Original Risk Assessment	Mitigation	Post Mitigation Risk Assessment
Other funding or expenditure shocks	Variances against budget in key economic variables (e.g. inflation and interest rates). Actual establishment above/below levels. Changing Government Policy. Pay and other inflation in excess of budget assumptions. Impact of household costs on demand for council interventions (e.g. homelessness and revenues and benefits caseload). Impact of economic factors on income (e.g. Council Tax collection rates, leisure and culture and commercial income). New competitors entering income markets. Changes in demand (e.g. social care) Increased pension contributions as a result of triennial pension fund valuation (due 2025)	**Overall Risk Score: 16 (VERY HIGH)** Likelihood: 4 Severity: 4	• Regular financial monitoring and reporting • Early identification of forecast variances reported to senior leadership and members and remedial action identified where possible. • External expertise sought budgeting and forecasting in specialist areas. • Budget set on prudent but realistic projections, based on analysis of economic commentators (e.g. Office of Budget Responsibility and Treasury Management advisors) and Bank of England predictions. • Risk management processes well established. • Full cost recovery fees and charges policy • Regular review of grant figures and distribution mechanisms. • Lobby through national groups, respond to national consultations. • Budget assumptions assume limited funding beyond 2024/25 in response to 1 year government funding settlement.	**Overall Risk Score: 9 (HIGH)** Likelihood: 3 Severity: 3

Risk Element	Risk	Original Risk Assessment	Mitigation	Post Mitigation Risk Assessment
Transformation to lower cost base	Transformational savings and efficiency savings assumed in the budget not achieved.	**Overall Risk Score: 16 (HIGH)** Likelihood: 4 Severity: 4	• Ongoing monitoring and analysis of service demands and needs. • Regular performance and financial reporting to senior leadership and members. • Council transformation approach – application of strategic operating model to challenge efficacy of investment and policies, driven by specific Transformational Programme Lead. • Organisational Development Plan focuses on the approach to enabling, progressive and sustainable implementing system re-design where required. • Strategic transformation and feasibility study reserves provide the capacity to invest in initiatives which will help to control increases in the Council's cost base and achieve cost reductions/income generation where opportunities are identified. • The application of the transformation and feasibility reserves will be closely monitored throughout the year.	**Overall Risk Score: 9 (HIGH)** Likelihood: 3 Severity: 3
Self-insurance	Insurance liabilities exceed resources available in the risk reserve.	**Overall Risk Score: 6 (MEDIUM)** Likelihood: 2 Severity: 3	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.	**Overall Risk Score: 4 (LOW)** Likelihood: 2 Severity: 2

6.10 The risk assessment above demonstrates that it's not unprecedented that costs, funding, or income could change quickly and therefore the Council must have regard to this in the reserves it holds (further detail on the high-risk elements are provided in appendix 6). It must have a fluid approach to respond to the exposure to sudden changes and 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 risk assessment considers the estimated exposure, likelihood and possible mitigation has been made in the context of the Council's overall approach to risk management and internal financial controls. This information has been used to determine the optimum level of reserve holdings needed to meet the requirements of a working balance and contingency, based on a financial assessment of the specific risks.

6.12 The following Strategic Reserves are held:

- General Fund Balance
- Strategic Risk Reserve
- Transformation Reserve
- Feasibility Reserve
- Local Taxation Smoothing Reserve
- Public Health Reserve

General Fund Balance

6.13 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.

Strategic Risk Reserve

6.14 The Strategic Risk Reserve is held specifically against the key financial risks set out in the budget risk assessment (over and above existing risk mitigation actions). The Chief Finance Officer has undertaken assessment of the level of risk reserve to be maintained over and above the General Fund Balance. The careful use of reserves is seen as a short-term measure only to ensure a balanced budget position is maintained whilst savings are delivered, it is not foreseen as a long-term solution. Based on the inherent and residual financial risks described above it is recommended that the level of the Strategic Risk Reserve should not fall below £6.8m.

Transformation Reserve

6.15 The Transformation Reserve provides capacity to maximise invest-to-save opportunities and support the delivery of the organisational transformation programme required to deliver a sustainable budget over the Medium-Term Financial Plan. Whilst the level of General Fund balances and the Strategic Risk Reserve is maintained across the Medium-Term Financial Plan at prudently assessed levels the risk assessment provides scope for the planned release £4.955m from the Transformation Reserve over the planning period (£2.955m in 2024/25, and £1.0m in both 2025/26 and 2026/27) while still retaining sufficient balances to manage potential transformation investment.

6.16 The budget proposal and use of reserve is based upon the assumption of council tax rates being set at the referendum limits: 4.99% total council tax increase in 2024/25. Where the Council resolution varies from this assumption the short-term funding gap may impact on the profile of the risk reserve. For every 1% of foregone council tax, there would be a permanent loss of funding in the region of £0.9m, increasing annually thereafter and would require a range of solutions including acceleration of productivity proposals, a review of spend and income assumptions and robust financial management to mitigate costs.

Feasibility Reserve

6.17 The Feasibility Reserve is held to fund the upfront costs of the feasibility stages of capital investment proposals ahead of confirming scheme progression to formal project development and implementation stages, including securing capital funding, ensuring no additional cost pressures to the revenue budget, and gaining formal approval to progress. The Medium-Term Financial Plan currently assumes £0.850m net use of the reserve over the three-year period in support of the Transformation Programme.

Local Taxation Smoothing Reserve

6.18 The local taxation and smoothing reserve is used to smooth out the inherent fluctuations in the local taxation systems due to their operation through both the Collection Fund and General Fund, often in subsequent years. As a result, there can be large fluctuations in year that solely result from timing differences between the recognition of events within in different funds between financial years (e.g. surplus/deficit distributions and timing of government grants and granting of associated discounts). This reserve allows these timing differences to be managed through the Balance Sheet to minimise fluctuations in the council's revenue budget.

Public Health Reserve

6.19 This reserve is used to enable the utilisation of Public Health funding between financial years. The reserve must be spent in accordance with the Public Health outcomes framework.

Earmarked and Grant Reserves

6.20 There are some modest earmarked reserves and grant reserves, which must be spent in line with the conditions attached to the original allocations. Reserves are held to enable funds to be spend over financial years reflecting service requirements (and in-line with grant conditions).

Schools Reserves

6.21 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 2024/25 Appendix 4

Parish or Area	Taxbase	Precept (£)	BAND (all figures in £) A	B	C	D	E	F	G	H
Aldborough	165.7	6,152.00	24.75	28.88	33.00	37.13	45.38	53.63	61.88	74.25
Amcotts	80.1	7,449.00	62.00	72.33	82.66	93.00	113.66	134.33	154.99	185.99
Appleby	235.6	12,158.55	34.40	40.14	45.87	51.61	63.07	74.54	86.01	103.21
Ashby Parkland	236.0	6,200.00	17.51	20.43	23.35	26.27	32.11	37.95	43.79	52.54
Barnetby le Wold	573.6	27,500.00	31.96	37.29	42.62	47.94	58.60	69.25	79.90	95.89
Barrow on Humber	1,082.4	64,790.00	39.91	46.56	53.21	59.86	73.16	86.46	99.76	119.72
Barton upon Humber	3,759.2	228,187.00	40.47	47.21	53.96	60.70	74.19	87.68	101.17	121.40
Belton	1,239.5	39,000.00	20.98	24.47	27.97	31.46	38.46	45.45	52.44	62.93
Bonby	197.2	12,944.21	43.76	51.05	58.35	65.64	80.23	94.81	109.40	131.28
Bottesford	3,633.3	92,820.00	17.03	19.87	22.71	25.55	31.22	36.90	42.58	51.09
Brigg	1,790.5	124,493.47	46.35	54.08	61.80	69.53	84.98	100.43	115.88	139.06
Broughton	1,712.3	150,000.00	58.40	68.13	77.87	87.60	107.07	126.54	146.00	175.20
Burringham	218.4	20,876.00	63.72	74.34	84.97	95.59	116.83	138.07	159.31	191.17
Burton upon Stather	969.0	84,933.00	58.43	68.17	77.91	87.65	107.13	126.61	146.08	175.30
Cadney cum Howsham	156.4	6,000.00	25.58	29.84	34.10	38.36	46.89	55.41	63.94	76.73
Crowle	1,641.1	69,317.44	28.16	32.85	37.55	42.24	51.62	61.01	70.40	84.48
East Butterwick	45.3	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
East Halton	207.5	8,897.13	28.59	33.35	38.11	42.88	52.41	61.93	71.46	85.76
Eastoft	147.6	6,000.00	27.10	31.62	36.13	40.65	49.68	58.72	67.75	81.30
Elsham	170.4	8,000.00	31.30	36.52	41.73	46.95	57.38	67.81	78.25	93.90
Epworth	1,598.3	81,859.00	34.14	39.83	45.53	51.22	62.60	73.98	85.36	102.43
Flixborough	536.0	21,862.00	27.19	31.72	36.26	40.79	49.85	58.92	67.98	81.57
Garthorpe & Fockerby	144.0	9,000.00	41.67	48.61	55.56	62.50	76.39	90.28	104.17	125.00
Goxhill	817.4	60,000.00	48.94	57.09	65.25	73.40	89.72	106.03	122.34	146.81
Gunness	643.6	43,590.00	45.15	52.68	60.20	67.73	82.78	97.83	112.88	135.46
Haxey	1,703.6	39,404.27	15.42	17.99	20.56	23.13	28.27	33.41	38.55	46.26
Hibaldstow	845.3	29,000.00	22.87	26.68	30.50	34.31	41.93	49.56	57.18	68.61
Horkstow	60.0	1,800.00	20.00	23.33	26.67	30.00	36.67	43.33	50.00	60.00
Keadby with Althorpe	509.8	39,965.00	52.26	60.97	69.68	78.39	95.81	113.24	130.66	156.79
Kirmington & Croxton	136.9	15,762.00	76.76	89.55	102.34	115.14	140.72	166.31	191.89	230.27
Kirton in Lindsey	1,198.3	112,226.07	62.44	72.84	83.25	93.65	114.47	135.28	156.09	187.31
Luddington & Haldenby	125.3	6,000.00	31.92	37.24	42.56	47.89	58.53	69.17	79.81	95.77
Manton	43.5	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Melton Ross	73.8	4,800.00	43.36	50.59	57.81	65.04	79.49	93.95	108.40	130.08
Messingham	1,326.9	71,000.00	35.67	41.62	47.56	53.51	65.40	77.29	89.18	107.02
New Holland	275.3	14,000.00	33.90	39.55	45.20	50.85	62.15	73.46	84.76	101.71
North Killingholme	92.5	6,918.00	49.86	58.17	66.48	74.79	91.41	108.03	124.65	149.58
Owston Ferry	466.9	34,300.00	48.98	57.14	65.30	73.46	89.79	106.11	122.44	146.93
Redbourne	161.8	12,500.00	51.50	60.09	68.67	77.26	94.42	111.59	128.76	154.51
Roxby cum Risby	154.5	8,000.00	34.52	40.27	46.03	51.78	63.29	74.79	86.30	103.56
Saxby all Saints	94.4	7,184.78	50.74	59.20	67.65	76.11	93.02	109.94	126.85	152.22
Scawby cum Sturton	833.6	35,000.00	27.99	32.66	37.32	41.99	51.32	60.65	69.98	83.97
Scunthorpe *	17,025.1	634,865.98	24.86	29.00	33.15	37.29	45.58	53.86	62.15	74.58
South Ferriby	213.8	14,000.00	43.65	50.93	58.21	65.48	80.03	94.58	109.14	130.96
South Killingholme	313.0	22,164.77	47.21	55.08	62.95	70.81	86.55	102.29	118.02	141.63
Thornton Curtis	101.8	3,000.00	19.65	22.92	26.20	29.47	36.02	42.57	49.12	58.94
Ulceby	618.6	22,000.00	23.71	27.66	31.61	35.56	43.47	51.37	59.27	71.13
West Butterwick	287.5	3,000.00	6.96	8.12	9.28	10.43	12.75	15.07	17.39	20.87
West Halton	114.9	6,000.00	34.81	40.62	46.42	52.22	63.82	75.43	87.03	104.44
Whitton	84.0	2,567.00	20.37	23.77	27.16	30.56	37.35	44.14	50.93	61.12
Winteringham	340.4	20,500.00	40.15	46.84	53.53	60.22	73.61	86.99	100.37	120.45
Winterton	1,506.5	126,696.65	56.07	65.41	74.76	84.10	102.79	121.48	140.17	168.20
Wootton	199.2	9,000.00	30.12	35.14	40.16	45.18	55.22	65.26	75.30	90.36
Worlaby	207.2	16,000.00	51.48	60.06	68.64	77.22	94.38	111.54	128.70	154.44
Wrawby	524.6	15,738.00	20.00	23.33	26.67	30.00	36.67	43.33	50.00	60.00
Wroot	184.7	30,500.00	110.09	128.44	146.78	165.13	201.83	238.52	275.22	330.27
	51,824.1	**2,555,921.32**								

Major Precepting Authority	Taxbase	Precept (£)	BAND (all figures in £) A	B	C	D	E	F	G	H
North Lincolnshire Council *	51,824.1	76,079,851.76	978.69	1,141.81	1,304.92	1468.04	1,794.27	2,120.50	2,446.73	2,936.08
Adult Social Care Precept *	51,824.1	13,319,830.18	171.35	199.90	228.46	257.02	314.14	371.25	428.37	514.04
Humberside Police	51,824.1	14,571,900.44	187.45	218.70	249.94	281.18	343.66	406.15	468.63	562.36
Humberside Fire Authority	51,824.1	5,075,652.35	65.29	76.18	87.06	97.94	119.70	141.47	163.23	195.88

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

Levies funded from Council Tax 2024/25

Appendix 5

		BAND (all figures in £)							
Levying Body	**Levy (£)**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Internal Drainage Boards :									
Ancholme	256,195.00	3.29	3.84	4.39	4.94	6.04	7.14	8.23	9.88
Doncaster East	20,521.00	0.27	0.31	0.36	0.40	0.49	0.58	0.67	0.80
Scunthorpe and Gainsborough	314,077.00	4.04	4.71	5.39	6.06	7.41	8.75	10.10	12.12
North East Lindsey	222,282.04	2.86	3.34	3.81	4.29	5.24	6.20	7.15	8.58
Isle of Axholme and North Nottinghamshire	955,929.00	12.30	14.35	16.40	18.45	22.55	26.65	30.75	36.90
Environment Agency (Anglian Northern & Trent)	92,262.86	1.19	1.38	1.58	1.78	2.18	2.57	2.97	3.56
Other :									
North Eastern Inshore Fisheries *	85,395.00	1.10	1.28	1.47	1.65	2.02	2.38	2.75	3.30
Hull and Goole Port Health Authority	70,969.00	0.91	1.07	1.22	1.37	1.67	1.98	2.28	2.74
Total	2,017,630.90	25.95	30.28	34.60	38.93	47.58	56.23	64.88	77.86

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

Chief Financial Officer's Statement **Appendix 6**

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 previous strong track record of containing cost to within available resources, something which North Lincolnshire Council consistently does. This gives some confidence that the organisation has the capacity to be 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 addition, the Council is heavily reliant on a small number of businesses for a significant proportion of its funding through the Retained Business Rates System.

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 are prudent, subject to revenue net savings being delivered, and reserves are adequate to manage the risks the Council may be exposed to in 2024/25.

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 being 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 2025/26. 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	
Adult Social care (demand and cost)	Whilst the Government has postponed planned social care reforms until 2025 at the earliest it has recognised existing and increasing demands on the system and the importance of social care in management of hospital discharges to enable the NHS to meet the demand for hospital beds. There is also an expectation that Councils will have consideration for the fair cost of care exercise and market sustainability when setting provider fees. The Government has provided additional 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 may be in excess of funding allocations. 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 adult social care significantly, enabling increased price and activity to be funded. The budget proposal makes an assumption that early intervention and prevention adopted under 'one family' and 'community first' approach continues to have a lasting positive impact. Activity and cost are tracked during the year.
Inflation	The rate of inflation is currently tracking above the 2% Bank of England target (CPI inflation was 4.0% in December 2023), with latest Bank of England forecasts suggesting it will return to target 2% levels in 2025, although there remain risks to the upside as a result of both domestic and international inflation risks. Therefore, there is a risk of further inflationary increases, which could have implications across all Council spending. The medium-term financial plan provides for additional inflation-led cost increases, specifically around energy, fuel and social care which is considered to be sufficient. Should the situation worsen, the Council has capacity within reserves to offset in the short-term. Re-commissioning and re-procurement provide the Council with the opportunity to ensure contract prices remain market tested.
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 3.88%). The rate of inflation is considered elsewhere, but its impact on pay demands is expected to be clear. The 2024/25 pay award is still to be agreed, therefore there is a risk

Strategic Assessment: Robustness of Estimates	
	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. The trajectory of successful outcomes from the previous OD Plan achieving the council's goal of being a progressive, enabling and sustainable organisation is positive. The OD Transformation plan has a strong outcomes framework and based on intelligence led business reasons: staff experience; living our values and maximising organisational capacity and capability. The strategic operating model focuses on evidenced informed policy and investment in interventions that make the biggest difference on outcomes. These will inform the OD transformation and re-design over the next 3 years.
Other demographic changes	In addition to adult social care 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 2024/25 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. Services are operated with a commercial mindset to generate income alongside providing a positive economic, social and wellbeing impact. Ongoing review ensures full cost recovery, consideration of inflation, alongside a contribution towards council priorities and outcomes.
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 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

Strategic Assessment: Robustness of Estimates	
	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 Strategic Reserves to manage the residual risk inherent in the Business Rates Retention Scheme.
Government Funding	The report considers funding base uncertainty beyond 2024/25. There could be material changes to the Local Government financing framework – focussed on the updated assessment of needs and resources in development and a full reset of the Retained Business Rates system – which will 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.
Capital Financing	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.

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 2024/25, 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 prudent, subject to net savings proposals being delivered and that reserves are adequate to manage the risks the Council may be exposed to in 2024/25.

Capital Receipts Flexibility **Appendix 7**

The government have confirmed the continuation of the capital receipts flexibility programme up to and including 2024/25, 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 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 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 2024/25 which requires Council approval, with notification then being sent to the Department of Levelling Up, Housing and Communities (DLUHC). These plans have been considered within the Treasury Management Strategy. The Council's plans to use capital receipt flexibility in 2024/25 as follows:

Theme	Activity	Amount (£'000)	Notes
Funding the cost-of-service reconfiguration, restructuring or rationalisation	Transformation Support Team	259	A transformation support team is responsible for several cross cutting major transformation schemes. These include ensuring better use of council assets through asset rationalisation and implementing a corporate landlord approach, community redesign, work well and community hub projects. The team is responsible for supporting transformation implementation.
	Service changes	241	The redesign of services will require a new mix of skills and a range of technical and professional expertise in many areas. While every effort will be made to ensure these changes are kept to a minimum it is likely that some costs will be incurred to facilitate individual choices and to make sure the workforce has the right level of specific skills and knowledge to support new ways of working. In addition, more efficient ways of working, work well for example, will also rely on enhanced digital capabilities which will require initial investment over and above the working revenue budget.
	Total	**500**	

Report of the Director of Outcomes & Chief Financial Officer (S151) (interim)

Meeting: 22nd February 2024

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

CAPITAL INVESTMENT STRATEGY 2024-27

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1. To seek approval of the Council's capital investment strategy 2024/27.

1.2. To approve the £208.9m capital investment for 2023/27.

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 It is 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 (2021). 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
  - Invest for yield
- **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. The capital investment for 2024/27 builds upon the latest approved capital programme 2023/26 and proposes an extension for 2026/27 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 £273m at the end of 2026/27. In balancing the need for investment with long-term affordability, it is proposed that the Council invests £10m p.a. every year from 2026/27 onwards, setting a longer-term planning horizon, in addition to externally funded investment. 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 successful £20m 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

2.7 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 2024/27 set out in appendix 1.

3.2 To consider approval of the Capital Programme set out in appendix 2.

4. ANALYSIS OF OPTIONS

Affordability and Prudence

4.1 Appendix 2 identifies funding of £162.6m to finance the capital programme over the four-year period 2021/25. The funding is broken down as follows.

- Grant and External Funding (£117.3m)
  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 (£6.0m)
  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 (£39.2m)
  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 is incorporated into the Treasury Strategy report also presented alongside this report.

- Revenue Funding (£0.0m)
  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, considering 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 not exceed 10% with a target of 7.5%.

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 though 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 2024/27 builds upon the latest approved capital programme 2023/26.

4.7 The Council continues to develop as an agile, responsive, and enabling organisation. Our organisational development is multi-stranded, an element of which requires capital investment to achieve 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 must 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.

8.3 The Capital Investment Strategy has been presented to Governance Scrutiny.

9. RECOMMENDATIONS

9.1 To approve the capital investment strategy outlined in Appendix 1.

9.2 To approve the capital programme set out in 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 10% of its net revenue stream, may be added to the capital programme when known and assessed by a full business case.

9.4 To be delegated to the Chief Financial Officer 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 the Capital Investment Strategy, 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 2024/25, to Audit Committee, Cabinet or Council as appropriate.

DIRECTOR: OUTCOMES and CHIEF FINANCIAL OFFICER (S151) (Interim)

Church Square House
High Street
Scunthorpe
North Lincolnshire
DN15 6NL

Author: Mark Kitching
Date: 9th February 2024

Background Papers used in the preparation of this report
- Local Government Act 2003
- CIPFA Code of Practice
- CIPFA The Prudential Code for Capital Finance in Local Authorities (2021 Edition)
- Capital Investment Strategy and Revised capital programme 2022-26 (Full Council Feb 2023)
- Latest approved capital programme detail working papers

CAPITAL INVESTMENT STRATEGY **Appendix 1**

See separate document

CAPITAL PROGRAMME 2023/26 **Appendix 2**

Proposed Programme	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	Total £000's
Investment in Priority					
Keeping People Safe and Well	6,616	3,540	2,600	2,500	**15,256**
Enabling Resilient and Flourishing Communities	6,128	10,391	5,119	4,779	**26,417**
Enabling Economic Growth and Renewal	26,199	48,724	29,296	20,242	**124,461**
Providing Value for Money for Local Taxpayers	7,068	9,870	5,947	5,727	**28,612**
Total Investment	**46,011**	**72,525**	**42,962**	**33,248**	**194,746**
Capital Investment Allocation	300	4,800	4,500	4,556	**14,156**
Capital Investment Limit	**46,311**	**77,325**	**47,462**	**37,804**	**208,902**
Funding Analysis					
External & Grant Funding	31,939	59,456	32,763	25,097	**149,255**
Revenue Funding	392	30	0	0	**422**
Borrowing	12,879	14,839	13,199	11,207	**52,124**
Capital Receipts	1,100	3,000	1,500	1,500	**7,100**
Total	**46,311**	**77,325**	**47,462**	**37,804**	**208,902**

2024-27 Medium Term Financial Plan:

Capital Investment Strategy

Contents

Capital Investment Strategy

Executive Summary

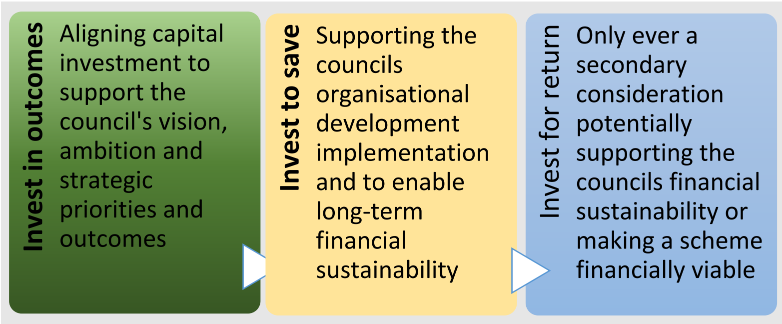
The North Lincolnshire Council's Capital Investment Strategy provides the framework for all capital investment decisions. It is a requirement of the Prudential Code for Capital Finance in Local Authorities. The purpose of the Strategy is to make sure borrowing decisions are prudent, affordable and that 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 three core strands of the capital investment programme.



The Prudential indicators which ensure total council investment is sustainable

- The capital financing requirement
- The operational boundary and authorised limit
- Net financing costs set at a maximum of 10% of the net revenue budget with a target of no more than 7.5% (1% above estimated Unitary Council average)

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
- Income from Commercial income to be a maximum of 5% of the net revenue budget

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 economic growth priorities, potentially generating an income stream.
- 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.
- Other expenditure allowed by legislation e.g. Capital Receipts Flexibility or a Capitalisation Direction.

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, the government has waived these rules so that councils can apply receipts to short-term expenditure on service transformation. This scheme has been extended to the end of 2024/25 and may be extended further.

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 lease arrangements, for several years now, but the option remains.

Funding through partnership arrangements

These can be with other public sector or private sector bodies and may take several 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 and the reporting requirements came into force in 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. It also incorporates: -

> 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 several asset related plans and strategies:

The Asset Management Plan 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.

Transport Asset Management Plan which not only meets the statutory requirements of a Local Transport Plan but also develop broader aspects of an integrated approach to transport development across North Lincolnshire to improve connectivity, enable flourishing communities and to keep people safe and well whilst also stimulating and enabling the economy to grow.

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 three key strands of investment

Invest in outcomes	Aligning capital investment to support the council's vision, ambition and strategic priorities
Invest to save	Supporting the councils organisational development implementation and to enable long-term financial sustainability
Invest for return	Only ever a secondary consideration potentially supporting the councils financial sustainability or making a scheme financially viable

Capital Investment Principles

Capital investment is informed by the following principles:

Theme	Investment Decisions
Making Informed Decisions	• 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	• 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. • Investment decisions consider Environmental, Social and Governance (ESG) issues.
Invest in Success	• 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 contributes 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 linked to national policies such as Levelling Up, supporting 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% limit on 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**

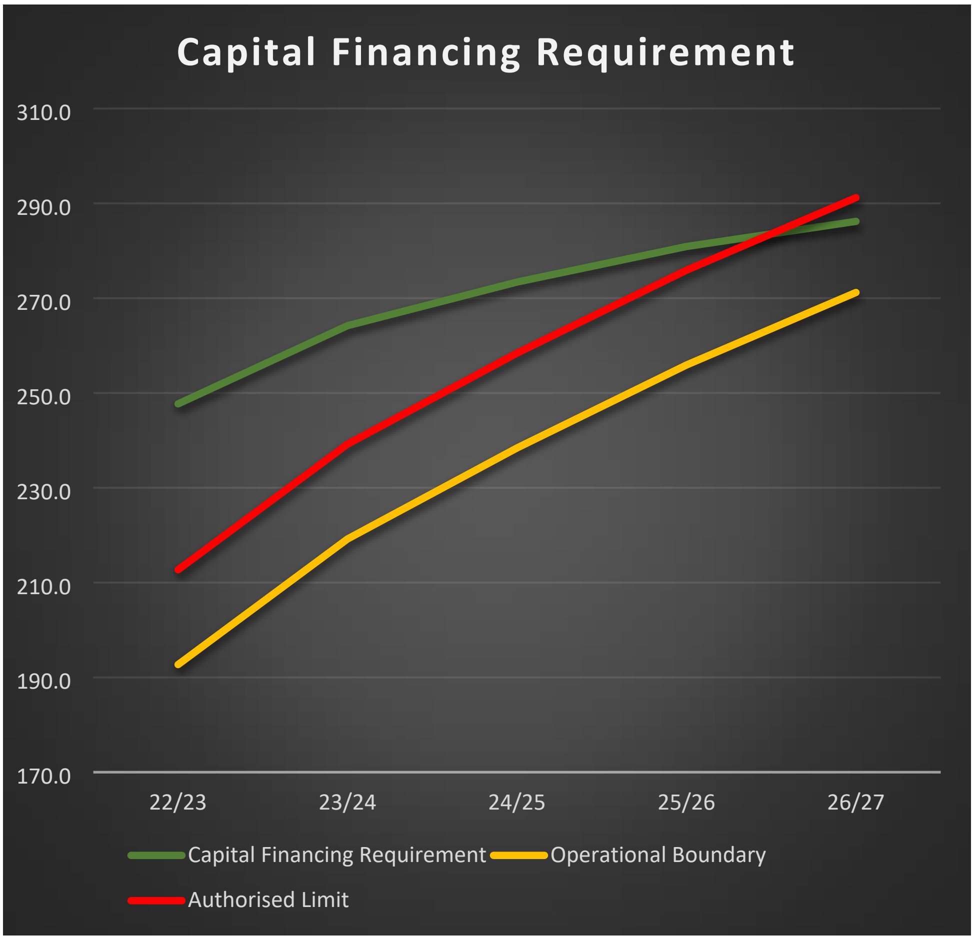
period. This is important since borrowing decisions taken now commit the council to payments over periods of up to fifty years depending on the nature of the asset.

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% with a target of 7.5%.** This is a key indicator of affordability. Although Council circumstances differ the estimated Unitary Council average 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. T**he 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	2022/23	Trend	2021/22	Trend	2020/21	Trend	2019/20	Trend	2018/19
Total Debt as %age of long-term assets	23.37%	↓	26.25%	↓	28.90%	↓	35.80%	-	35.80%
%age of capital programme achieved	84.10%	↑	76.08%	↑	59.40%	↑	59.00%	↓	87.30%

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.

Environmental, social and governance (ESG) is a term used to represent an organisation's corporate financial interests that focus mainly on sustainable and ethical impacts. These are non-financial indicators, but their role is to ensure accountability and systems to manage the council's impact, such as its carbon footprint. Many ESG factors are already considered as part of the business case process however this is a developing area and more emphasis will be placed on these factors in future.

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 can 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.

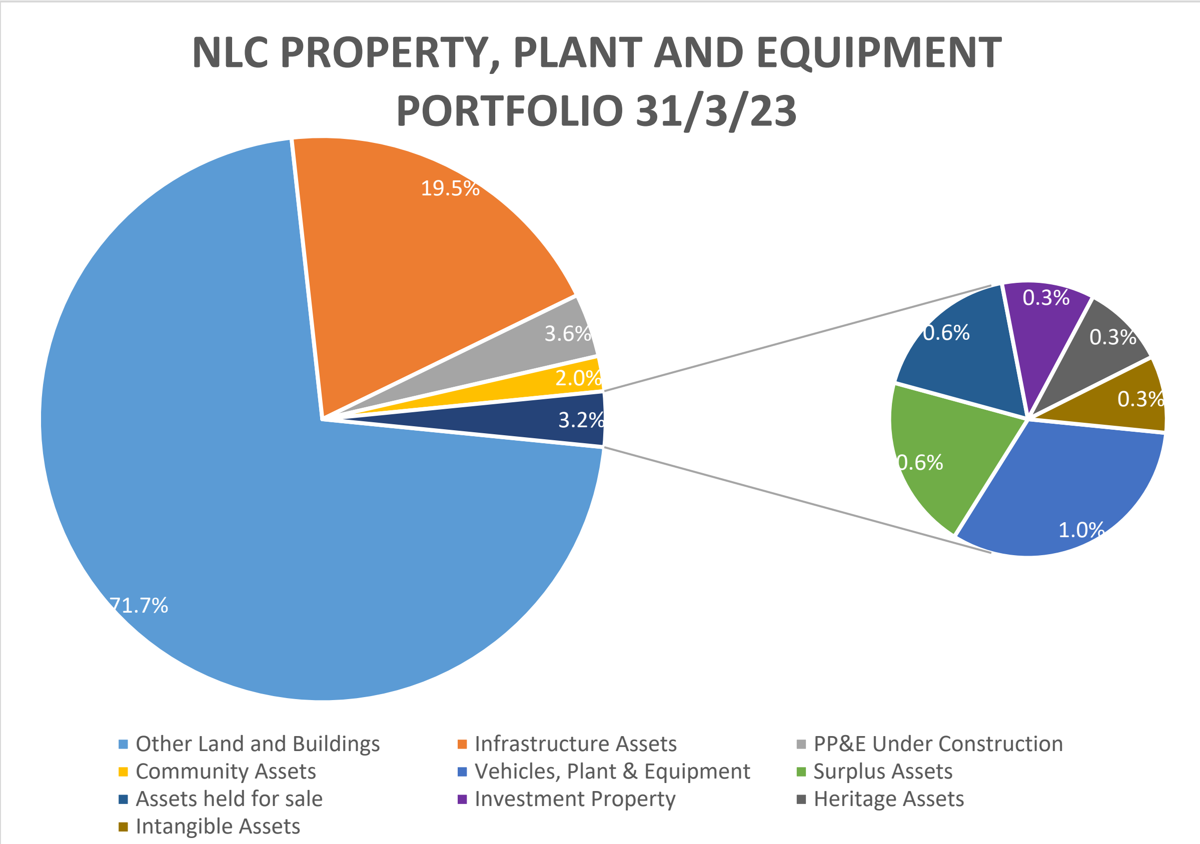
All capital projects should have a risk log that is regularly reviewed and updated. All risks that may affect a project must be considered. These can include political, economic, legal, technological environmental and reputational as well as financial. Projects should be managed using the **project management toolkit**, which provides guidance and templates.

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 undertook a review of its classification of its Investment Properties in 2022. The result was all but one of these assets were reclassified as Property, Plant and Equipment. Only one asset met the test of being solely held to generate income. This asset was valued at £2.13m at the end of 2022/23. The other assets previously classified as investment properties, largely industrial units, are expected to yield £3.7m of income or 2.3% of net council spending in 2023/24 are held to deliver both the outcomes the Council desires and to earn income to support general council activity.

Most of the Council's Property Plant and Equipment portfolio is relatively low or very low risk. Investment properties are only about 0.3% 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. This portfolio will be reviewed in line with the changes to the Prudential Code.



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 considered.
- 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 9% and 13% 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.

The council must have a strategy for exiting each investment which generates commercial income. The following is a non-exhaustive list of potential exit strategies

Time based The asset is sold after a set number of years. Property is a longer-term investment and this needs to be considered when setting the period of investment.

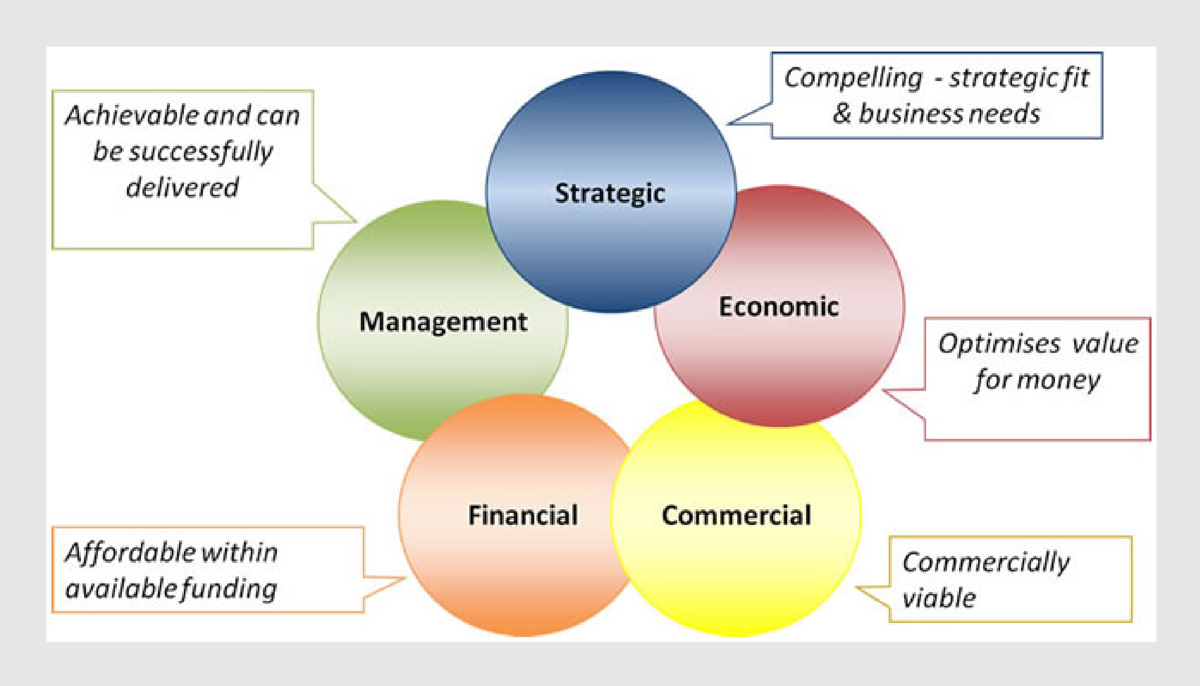
Yield based The asset is sold when its yield falls below a set level. This target yield may fluctuate depending on the prevailing interest rates.

Capital value based In this type of strategy a target value is set and once the asset realises this increased value it is sold. It is also possible to set a lower threshold to minimise losses if it is deemed unlikely the asset's value will recover.

These strategies are not mutually exclusive and must be balanced by considering the delivery of the Council's priorities, where appropriate.

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. 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 must 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 can 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.

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. Conversely as a Lessor a lease can be used to generate an ongoing income from a capital asset. There are two different types of leases. These are Finance and Operating leases. Operating leases are purely rental agreements with the Lessor retaining most of the risks and rewards of ownership. Finance leases are agreements where most 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 to make it reasonably certain the option will be exercised.
- the lease term is for a major part of the economic life of the asset.
- the present value of the minimum lease payments amounts to at least substantially all 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:

- Be authorised under statutory powers
- Support the Council Strategy/help deliver council outcomes
- Be able to demonstrate clearly why the Council should act as lender
- 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

* For a loan to be capitalised the purpose the recipient must use it for a purpose that would be capital if used for that purpose by the council

This page is intentionally left blank

Report of the Director: Outcomes & Chief Financial Officer (S151)(interim)

Meeting: 22 February 2024

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

TREASURY MANAGEMENT STRATEGY 2024-25

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1. To approve the Treasury Management Policy Statement

1.2. To seek approval f the Council’s Treasury Management Strategy 2024/25

1.3. To adopt the Prudential Code 2021, the CIPFA Treasury Management in Public Services Code of Practice and related DLUHC guidance

1.4. To approve the proposed Prudential Indicators

1.5. To approve the policy on the Minimum Revenue Position

1.6. To approve to Investment Counterparties and Limits

1.7. To approve the Maturity Structure of Borrowing Limits

2. BACKGROUND INFORMATION

2.1 The proposed Treasury Management Strategy Statement (TMSS) for 2024/25 is attached at Appendix 2. The Strategy has been developed in consultation with our treasury management advisors, Link Asset Services Ltd. The 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 The options for consideration are detailed in appendix 2.

4. ANALYSIS OF OPTIONS

4.1 The options are analysed in the Strategy at appendix 2.

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

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

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

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 The Treasury Management Strategy has been considered by the Audit Committee.

8.2 No conflicts of interest have been declared.

9. RECOMMENDATIONS

9.1 Council is requested to:

9.1.1 Approve the Treasury Management Policy Statement (Appendix 1)

9.1.2 Approve the Treasury Management Policy and the Treasury Management and Investment Strategy for 2024/25 (Appendix 2)

9.1.3 Adopt the Prudential code 2017, the CIPFA Treasury management in Public Services Code of Practice and related DLUHC Guidance.

9.1.4 Approve the prudential indicators for 2024/25 to 2026/27 set out in the Strategy (Appendix 2)

9.1.5 Approve the revised policy on the Minimum Revenue Provision set out in the Strategy (Appendix 2)

9.1.6 Approve the Counterparty List contained in the Strategy (Appendix 2)

9.1.7 Approve the Maturity Structure of Borrowing Limits contained in the Strategy (Appendix 2)

DIRECTOR: OUTCOMES & CHIEF FINANCIAL OFFICER (S151) (Interim)

Church Square House
SCUNTHORPE
North Lincolnshire
DN15 6NL
Author: Tracy Elliott/Mark Kitching
Date: 12th February 2024

Background Papers used in the preparation of this report

Local Government Act 2003
CIPFA Treasury Management in Public Services Code of Practice (2021 Edition)
CIPFA Code of Practice 2023-24
CIPFA The Prudential Code for Capital Finance in Local Authorities (2021 Edition)

This page is intentionally left blank

North Lincolnshire Council Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2024-25

INDEX

1 REPORTING REQUIREMENTS

1.1 Background

The Council is required to operate a balanced revenue 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 it 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 risk or cost objectives.

The contribution the treasury management function makes to the Council 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, including 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 2021 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 the strategy is to ensure that all elected members on the full 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 and covers: -
   - 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 Annual 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. In addition, this Council will receive quarterly update reports.

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.

d. Quarterly reports – Performance on prudential indicators, including forecast debt and investments will be incorporated into the Council's existing quarterly budget monitoring reporting. These reports are not required to be presented to full council.

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken for a) by the Governance Scrutiny Panel and for a), b) and c). Quarterly reports are not required to be presented to Full Council but are scrutinised by the Audit Committee.

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 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 Treasury Management 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 for the Audit Committee was delivered 24th January 2024 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, Link Treasury Services Limited as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times 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 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 set aside an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Position- MRP), although it is allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision- VRP).

DLUHC regulations have been issued which requires a 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 1st April 2008 the MRP policy will be to use the Annuity Method with an assumed asset life of 50 years.

From 1st 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. This option provides 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 over payments, 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. As at the 31st March 2023 the total VRP overpayments were £4.0m.

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 31st March 2023 and for the position as at 31st December 2023 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual **31.3.23**	actual **31.3.23**	current **31.12.23**	current **31.12.23**
Treasury investments	£000	%	£000	%
Banks	4,538	28%	6,623	24%
DMADF (H.M.Treasury)	11,400	72%	11,450	42%
Money Market Funds		0%	9,000	33%
Total managed in house	**15,938**	**100%**	**27,040**	**100%**
Total treasury investments	**15,938**	**100%**	**27,040**	**100%**
Treasury external borrowing				
Local Authorities	3,000	2%		0%
PWLB	141,571	98%	135,940	100%
Total external borrowing	**144,571**	**100%**	**135,940**	**100%**
Net treasury investments / (borrowing)	**-128,633**	**0**	**-108,867**	**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 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 0.80%.

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Forecasts for Bank Rate

After several years of historically low interest rates there has been a pattern of steep increase in a bid to tackle the rising inflation. From April 2022 to March 2023 the base rate rose sharply from 0.75% to 4% The rate has continued to increase reaching 5.25% in August 2023 where it has since remained steady. The current MPC expectation is that it will remain at 5.25% until September 2024.

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 decline over the forecast period. As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Investment and borrowing rates

- **Investment returns** and Borrowing interest rates are forecast to have peaked and are likely to reduce during 2024/25. The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years.
- The current PWLB margins over gilt yields are as follows: -.
    - **PWLB Standard Rate** is gilt yield plus 1.0%
    - **PWLB Certainty Rate** is gilt yield plus 0.80%
    - **Local Infrastructure Rate** is gilt yield plus 0.60%
- Borrowing for capital expenditure. Our long-term (beyond 10 years) forecast for Bank Rate has increased to 3%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2024.
- The council will only borrow when cash balances are forecast to fall below £10m. While the 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 medium and longer dated borrowing rates are expected to fall from their current levels.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Chief Finance Officer/Head of Financial Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. The current strategy remains to only borrow to meet cashflow requirements.

Any decisions 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 Rescheduling

The rescheduling of current borrowing in our debt portfolio will be kept under review but the legal requirements on the PWLB and the associated accounting requirements means this is unlikely to be beneficial to the council.

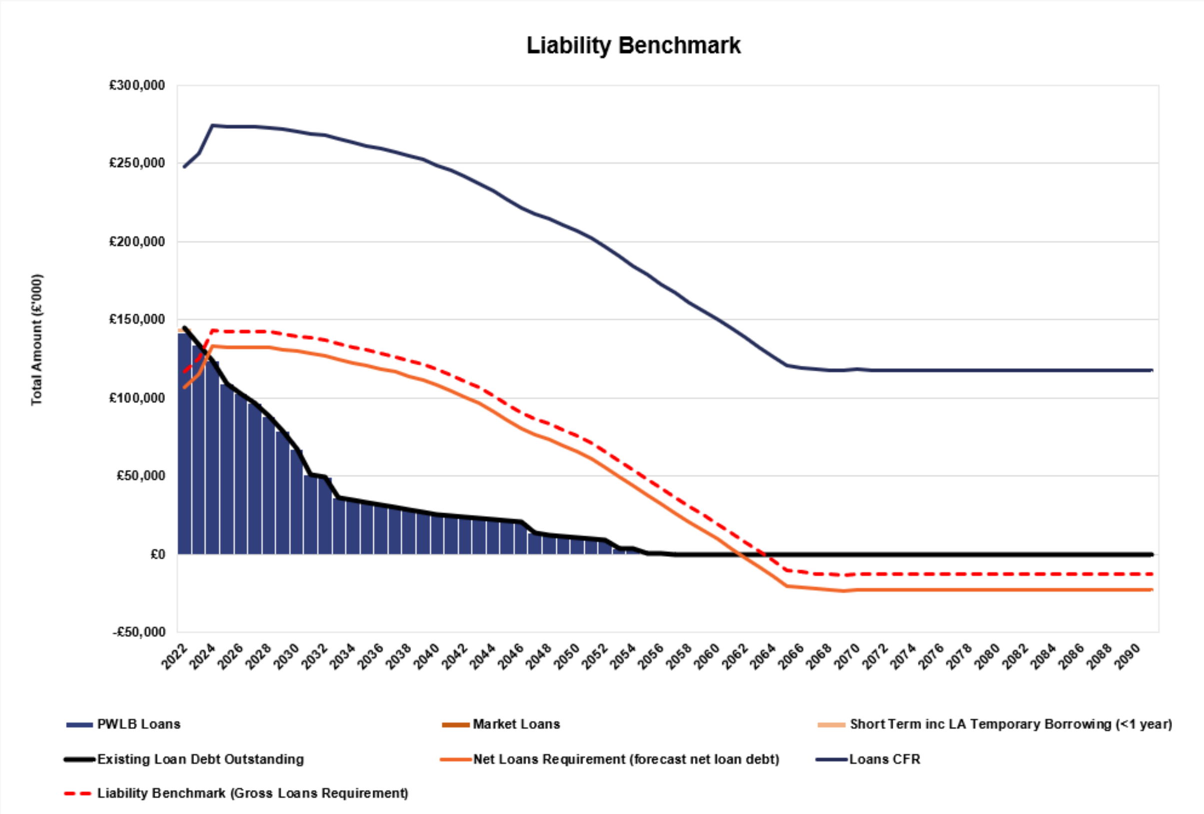
2.6 Liability Benchmark (LB)

The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Council's current LB is as per below:



2.7 Approved Sources of Long and Short-term Borrowing

The PWLB remains the primary source of borrowing for the council. Consideration may be given to any other suitable source of borrowing. Other such sources include:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the 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.

Proved sources of long and short-term borrowing

Funding Source	**Fixed**	**Variable**
Internal (capital receipts & revenue balances)	●	●
PWLB	●	●
Local Authorities	●	●
Overdraft		●
UK Municipal Bond Agency	●	●
Finance Leases	●	●
Banks	●	●
Pension Funds	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Negotiable Bonds	●	●
Lender Option, Borrower Option (L.O.B.O.) 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 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

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 and with regard to 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 Council 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 Council has defined the **types of investment instruments** that the treasury management team are authorised to use.

    - **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.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of 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 not invest in Non-specified investments except if explicitly approved by the relevant cabinet member.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 3.2.

7. **Transaction limits** are set for each type of investment in 3.2.

8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 3.3).

9. This Council 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 Council in the context of the expected level of cash balances and need for liquidity throughout the year.

10. All investments will be denominated in **sterling**.

11. As a result of the change in accounting standards for 2022/23 under IFRS 9, this Council 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 DLUHC, 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 31st March 2023. More recently, a further extension to the over-ride to 31st March 2025 has been agreed by Government.

However, this Council 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 3.5). 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 key 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 Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to full 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 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 a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of 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; Baa2, BBB
    - ii. Long Term – F-3, P-3, A-3
- Banks 2 – Part nationalised UK bank. These 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 denominated in sterling and domiciled in a country with a minimum sovereign credit rating of AA-.
- UK Government (including gilts, Treasury Bills and the Debt Management and Deposit Account (DMADF))
- Local authorities, parish councils etc

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 rely 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: Value £m	The higher of: % of portfolio	Time Limit
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	5	10.0%	1year
	Fund rating	**Value £m**	**% of portfolio**	**Time Limit**
Money Market Funds per fund	AAAmmf	5	10.0%	liquid

The UK Sovereign rating by Fitch remains at AA- with a negative Outlook.

3.3 Other Limits

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

a. **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.

b. **Other limits**. In addition:

- no more than 5% or £2m will be placed with any non-UK country at any time except for non UK domiciled MMFs.
- 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).

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.

Investment returns expectations.
Considering the current economic situation, the council expects to earn the following returns on its investments.

Predicted Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

3.5 Investment Performance / Risk Benchmarking

This Council will use an appropriate investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, 1, 3, 6 or 12 month compounded / average SONIA.

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 APPENDICES

APPENDIX 1

4.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024/25 – 2026/27

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

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

£m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital expenditure	38.1	46.3	77.3	47.5	37.8
Finance Leases		10	1	1	1
Total	**38.1**	**56.3**	**78.3**	**48.5**	**38.8**

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	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital receipts	2.0	1.1	3.0	1.5	1.5
External Financing	28.4	31.9			25.1
Revenue	0.2	0.4	0.0	0.0	0.0
Net financing need for the year	**30.6**	**33.4**	**62.5**	**34.3**	**26.6**

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.

4.1.2 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: -

4.1.3 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.

The maximum percentage for this prudential indicator should be 10% with a target of 7.5% (1% above the estimated unitary average).

The table below looks at the Estimate of Borrowing - it assumes the council resumes borrowing to finance its capital programme and refinance its debt repayments from the end of 2023/24.

Capital Financing Costs as a % of Net Revenue Expenditure	2022/23	2023/24	2024/25	2025/26	2026/27
Estimate of Borrowing	6.6%	7.3%	7.3%	7.0%	7.1%
Target	7.5%	7.5%	7.5%	7.5%	7.5%
Maximum Level	10%	10%	10%	10%	10%

4.1.4 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 2024/25		
	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 2024/25		
	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 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 position (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, answer charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance lease). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the least 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:

Capital Financing Requirement (CFR) £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Opening CFR	244.5	247.7	264.2	273.4	280.9
Net financing requirement	9.2	22.9	15.8	14.2	12.2
Less MRP/VRP	-6.0	-6.4	-6.6	-6.7	-6.9
Movement in CFR	**3.2**	**16.5**	**9.2**	**7.5**	**5.3**
Closing CFR	**247.7**	**264.2**	**273.4**	**280.9**	**286.2**

4.3 Call funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cashflow balances.

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.

Year End Resources £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Fund balances / reserves	107.5	96.0	93.8	102.1
Capital receipts	3.3	2.2	0.0	0.0
Provisions	7.0	7.0	7.0	7.0
Total core funds	**117.8**	**105.2**	**100.8**	**109.1**
Working capital	1.2	0	0	0
Under/ (over) borrowing	-103.1	-97	-100.8	-109.1
Expected investments	**15.9**	**8.2**	**0.0**	**0.0**

External Debt £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	144.6	167.2	172.6	171.8
Capital Financing Requirement	247.7	264.2	273.4	280.9
Under / (Over) borrowing	**103.1**	**97**	**100.8**	**109.1**

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 growth step does not come up except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 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 Chief Finance Officer 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.

4.4 Treasury Indicators: limits to borrowing activity

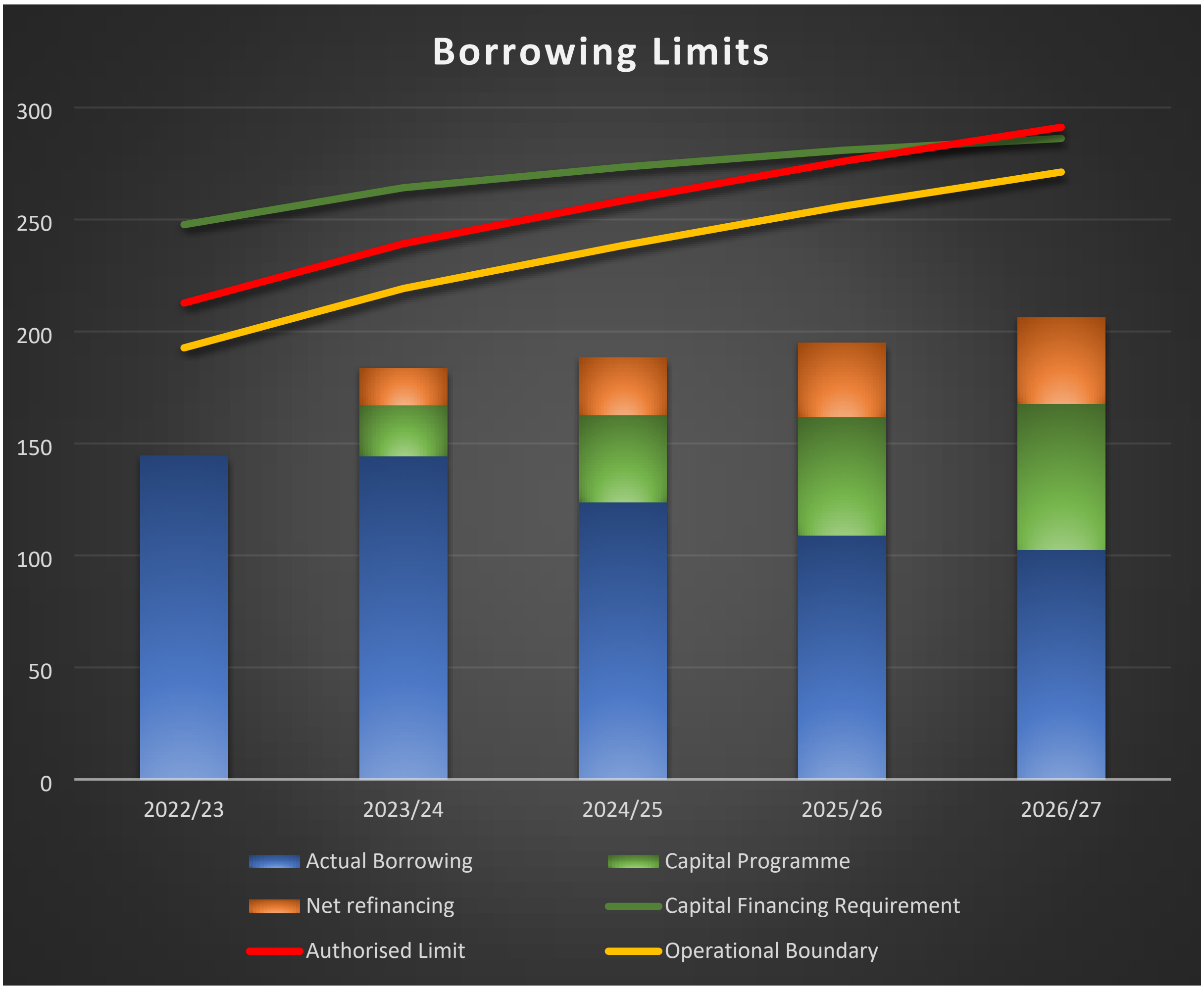
The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
Debt	209.2	228.4	245.9	261.2
Other long-term liabilities	10.0	10.0	10.0	10.0
Total	**219.2**	**238.4**	**255.9**	**271.2**

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	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
Debt	219.2	238.4	255.9	271.2
Other long-term liabilities	20.0	20.0	20.0	20.0
Total	**239.2**	**258.4**	**275.9**	**291.2**



4.5 Lists of commercial income

A council that is heavily reliant on Commercial Income is subject to a wider range of financial risk than other councils. It is therefore appropriate to place a limit on the level of Commercial Income as a percentage of the net revenue stream. For North Lincolnshire Council this limit is 5%.

Commercial income/net revenue stream/£m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Rental income	5.4	5.6	6.1	6.1
As a percentage of Net Revenue Stream	3.3%	3.2%	3.4%	3.3%

Treasury Management Practices

Version Number	1.1	Approved By:	Audit Committee
Issue Date	2024		

TREASURY MANGEMENT PRACTICES
PRINCIPLE AND SCHEDULES

This document has been prepared in the sequence provided by CIPFA. For ease of use, the key areas for North Lincolnshire Council treasury operations are referenced below:

TMP1 - Risk Management

1. Credit and Counterparty Policies

1.1.1 All treasury management activities present risk exposure for the Council. The council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.

1.1.2 The Chief Finance Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties in consultation with the Council's advisors.

1.1.3 The criteria will be agreed by Audit Committee.

1.1.4 Investment with government offers the least risk but lower yields.

1.1.5 The Council selects countries and the institutions within them for the counterparty list after analysis and careful monitoring of:

- Credit Ratings - the Council will use credit rating criteria as the main means of assessing the creditworthiness of counterparties for placing investments with – where available this Rating information will be supplemented by additional risk indicators such as Credit Default Swap Rates.
- Sovereign credit ratings/sovereign support mechanisms.
- The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.
- Financial limits for individual counterparties and sectors will be set to ensure a sound diversification policy.
- Longer term and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)
- Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.
- Credit Default Swap (CDS) information
- Macro-economic indicators
- Corporate developments, news and articles, market sentiment
- Where one or more counterparties are part of a group a limit will be set for the aggregate for all investments with the group.

1.1.6 Treasury team will construct a lending list comprising time, type, sector and specific counterparty limits based on the Council's approved Treasury Management Strategy Statement.

1.1.7 It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria and whether the security is secured or unsecured will determine its selection for investment.

1.1.8 The counterparty list will be checked in accordance with the Treasury Management Strategy Statement. Credit ratings for individual counterparties can change at any time. The Treasury Advisors notify the Council of credit rate changes which affect the Councils counterparty list and any consequent change in limits. They also provide economic summaries, CDS information (monthly) and share price information.

1.1.9 The treasury management officer will amend the approved list in line with the policy on criteria for selection of counterparties.

1.1.10 Where an entity's credit rating is downgraded so that if fails to meet the minimum criteria, then only with the explicit approval of the Chief Finance Officer will a lower level of investment be permitted within the Non-Specified category. This is particularly apposite for the Council's own bankers where overnight deposits may be required for Operational purposes.

1.1.11 Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known. This will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.

1.1.12 Credit ratings will be used as supplied from one or more of the following credit rating agencies.

- Fitch Ratings Ltd
- Moody's Investors Services
- Standard & Poor's

1.1.13 Operationally the Chief Finance Officer may take measures to restrict (but not extend) the criteria approved in the Treasury Management Strategy Statement.

1.1.14 Advisers will be informed of changes to the Counterparty List where necessary.

1.2 <u>Liquidity</u>

1.2.1 The Council will seek to maintain sufficient cash balances to meet its daily cash requirements without recourse to short-term borrowing.

1.2.2 Should unforeseen circumstances arise short–term borrowing will be undertaken to ensure liabilities are met as they fall due.

1.2.3 The Treasury Specialist maintains cash flow forecasts (see TMP8)

1.2.4 Approved sources of short-term borrowing are:-

- The Council agrees an overdraft facility if necessary, with its bankers.
- The Council accesses temporary loans either through money brokers or directly from financial institutions/other local authorities.

1.2.5. The Council 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 programme or to finance future debt maturities.

1.3 Interest Rate Risk Management

1.3.1 Treasury management strategies are prepared in consultation with treasury advisors to take account of interest rate forecasts (see TMP6). Trigger points for consideration of borrowing are included within the strategy where appropriate. The treasury management advisors periodically update the forecasts and any impact on trigger points. The Council may determine it is more cost effective in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring or refinancing in future years when interest rates are expected to be higher.

1.3.2 For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.

1.3.3 The Prudential Code requires the Council to determine each year upper limits on net fixed interest rate and net variable interest rate exposures are determined each year as part of the Treasury Management Indicators included in the annual Treasury Management Strategy Statement.

1.3.4 The upper limits on net fixed interest rate and net variable interest rate are reviewed at least annually and are approved by Council within the Treasury Management Strategy reports. The Treasury Specialist monitors compliance which is subject to regular review as part of the assurance arrangements.

1.3.5 Policies concerning the use of financial derivatives and other instruments for interest rate management are set out in TMP4-

- a. The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy. The authority does not currently intend to use derivatives. Should this position change, the Council will seek to develop a detailed and robust risk management framework governing the use of derivatives.
- b. Forward Dealing – consideration will be given to forward lending or borrowing for a period no more than 60 months in advance of the transaction.

1.4 Exchange Rate

1.4.1 Borrowing and Lending will only be undertaken in £ Sterling.

1.4.2 The Authority may have some exposure to exchange rate movements from time to time because expenditure or income is denominated in a foreign currency, but these transactions will generally be small and will normally be converted out of or into sterling at the time of the transaction.

1.5 Refinancing

1.5.1 The Council will seek to limit refinancing exposure by ensuring that only a limited amount of loan debt will mature in any one year. This limit will be kept under review and reported annually as part of the Treasury Management Strategy. The Prudential Code requires as a specific treasury management indicator, upper and lower limits for the maturity structure of the Council's debt.

1.5.2 The opportunities for debt restructuring will be kept under review in line with market conditions.

1.5.3 All loan debt rescheduling will be reported to the Audit Committee as part of the outturn report.

1.5.4 The council will prepare as a minimum a three-year plan for capital expenditure. The Capital Investment Strategy and capital programme will be used as a basis for estimating the anticipated financing requirement and a three-year revenue budget for loan charges consisting of MRP, interest and expenses as well as loan repayments and forecast interest rates.

1.5.5 The Council sets affordable limits for borrowing to inform the capital investment plans. The main source of borrowing for the authority is the Public Works Loan Board (PWLB) and estimates shall be prepared using forecast PWLB rates.

1.5.6 In addition to PWLB, any other source providing best value for money and favourable terms for borrowing will be considered.

1.6 Legal and Regulatory

1.6.1 **References to Relevant Statutes and Regulations**

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

English Authorities

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act.
- Local Government Act 2003
- Localism Act 2011
- S.I. 2023 no. 241 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2023
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- S.I. 2021 no. 263 Accounts and Audit Regulations 2021
- S.I. 2021 no. 565 Accounts and Audit Regulations 2021
- S.I. 2022 no. 708 Accounts and Audit Regulations 2022
- All other relevant regulations/ codes of practice etc.

Guidance and codes of practice

- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2013
- MHCLG Revised Guidance on Investments Feb 2017
- MHCLG guidance on minimum revenue provision – Feb 2017
- The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018 edition)
- Practitioners' Guide to Capital Finance (2019 Edition)
- LAAP Bulletins
- Code of Practice On Local Authority Accounting In The United Kingdom
- PWLB circulars on Lending Policy
- The UK Money Markets Guide. Financial Conduct Authority's Code of Market Conduct
- The Council's Standing Orders
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.6.2 Where required, the Council will establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.

1.7 <u>Fraud, error and corruption</u>

1.7.1 TMP5 and TMP6 set out the Council's arrangements for clarity of organisation, reporting arrangements, and management information systems and controls.

<u>Contingency management</u>

1.7.2 Emergency and Contingency Planning Arrangements Disaster Recovery Plan.
Under established agile working practises, all members of the Treasury Management team have remote access to the required systems to enable continuity.

- An electronic record is kept of all necessary treasury management data.
- Payments can be given by instruction by hand to the Bank.
- Balances can also be obtained over the telephone.
- Capability exists to make payments off-site through agile working practices.

1.7.3 Details of systems and procedures to be followed:

Authority

- The scheme of delegation to Officers set out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by authorised persons.

Occurrence

- A detailed register of loans and investments is maintained as part of the treasury management arrangements (Treasury Live). This is confirmed to the ledger balance.
- Adequate and effective cash flow forecasting records are maintained within the treasury management arrangements to support the decision to lend or borrow.
- Confirmation of a deal is received from the counterparty or trading portal. This could be in electronic or hardcopy format.
- A broker note showing details of the loan arranged confirming all transactions placed through brokers.

Completeness

- The loans register (Treasury Live) is updated to record all lending and borrowing this includes the date of the transaction and its terms.

Measurement

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Authority.

Timeliness

- The Treasury Live system highlights when money borrowed, or lent is due to be repaid. The Dealer will obtain daily from the Authority's bankers the intraday balance, and ensure that allowance will be made for the repayment/ receipt of loans/ investment due.

Procedure

- All investment is only made to institutions on the approved list.
- All loans raised and repayments made go directly to and from the authority's designated bank account.
- Authorised limits are set for every institution, grouped entities and types of instrument.
- Every effort is made to maintain balances within approved limits.
- Transactions are cross-checked against broker notes, counterparty confirmations and schedules by dates, amounts, interest rates, maturity, interest payment dates, etc.
- Brokers will have a list of named officers authorised to perform loan transactions.
- There is adequate insurance cover for employees involved in loans management and accounting.
- The control totals on the Treasury Live system are reconciled quarterly with the ledger.
- There is a clear separation of duties between functions discussed in detail in TMP5.

Security

- All Investment Payments should be authorised by a bank signatory.
- NLC Faster Payments –Payments should be authorised by relevant budget head.
- Cards, PINs and card readers are required for Barclays.net transactions.
- When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through independently obtained contact details for the payee before altering payment details.

Internal Audit

1.7.4 Internal Audit carries out an annual regulatory review of the treasury management function. (See TMP 7)

1.7.5 The Council has “Crime Stop” insurance cover. This covers the loss of cash by fraud or dishonesty of employees.

1.8 Market Risk Management

1.8.1 This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

1.8.2 The Council will from time-to-time access instruments in which there is an active secondary market (Certificates of Deposit, Treasury Bills etc.). The capital value of these instruments will fluctuate depending on the remaining period to maturity and prevailing market conditions. However, when using such instruments the Council will always do so on the basis that it intends to hold them to maturity and thereby secure a fixed capital value.

1.8.3 The method for accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.

1.9 Management practices for non-treasury investments

This organisation recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

This organisation will ensure that all the organisation’s investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation’s risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The organisation will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation’s risk exposure.

The Authority intends that TMP 1-12 are replicated/applicable as far as this is relevant and practicable to its non-financial investment activity. This particularly applies to TMPs 1, 2, 5, 6, and 10.

1.9.1 Policy on environmental, social and governance (ESG) considerations

Investment guidance, both statutory and from CIPFA makes clear that all investing must adopt the key Treasury Management principles of security, liquidity and yield (SLY) in this order of priority. The Council is however committed to Environmental, Social and Governance (ESG) factors. In fact, as part of the approach, and in support the Councils Climate Change agenda, a Climate Emergency was declared on 24 January 2022, committing to tackling climate change and working towards carbon neutrality.as an area as well as for the Council by 2030.

Furthermore, through our Treasury Management Strategy, in terms of ESG investment considerations, ESG metrics are incorporated into the credit rating agency assessments which the Council uses in its investment strategy. Typical areas of consideration include:

- Environmental: Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.
- Social: Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.
- Governance: Management structure, governance structure, group structure, financial transparency.

TMP2- Performance measurement

Methodology to be applied for Evaluating the impact of Strategic Treasury Management Decisions

All strategic treasury decisions are to be evaluated to determine:

- The impact on the Council's finances
- Any resultant change in the treasury management risk characteristics.

2.1 Methods to be employed for measuring the performance of the authorities Treasury Management activities

- Prudential Indicators are local to the Council and are not intended as a comparator between authorities.
- Benchmarking information can be obtained from Advisors (where applicable), Treasury Live and/or CIPFA.
- The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e., the Council will avoid hindsight analysis.
  - For debt management the following Performance Indicators (PI's) will be used
  - Average rate on all external debt
  - Average rate on external debt borrowed in previous financial year
  - Average period to maturity of external debt
  - For new borrowing, the average PWLB borrowing rate for the period for the same maturity profile.
- For investments the following performance indicator within the TMSS regarding Security will be monitored - a portfolio credit rating of A and for liquidity total cash available of £15m on a daily basis.

2.2 To assist in evaluating the impact of strategic treasury management decisions the following will be carried out

- Monitoring of Prudential, treasury indicators and compliance treasury strategy.
- Mid-year and annual report to Audit Committee and Full Council.
- Reviews with the treasury management advisors.
- Internal audit reviews

2.3 Policy Concerning Methods for Testing Value in Treasury Management

2.3.1 Frequency and Processes for tendering

Banking services and other treasury services provided by external providers shall be subject to review at least every 5 years depending on type of contract.

2.3.2 Money Broking Services

Except for approved direct dealing the Council uses money broking services in order to make deposits or to borrow from the market, and will establish charges for all services prior to using them.

Currently, council deals with following list of brokers which takes account of both prices and quality of services, to obtain funds from the money markets and to place investments in accordance with the Approved list.

- Martin Brokers
- Tullett Prebon
- ICAP (restricted to Borrowing transactions only)
- King and Shaxson Limited
- BGC Sterling
- Tradition UK
- Imperial Treasury Brokers
- Institutional Cash Distributors (ICD)

This list will be reviewed periodically. Use of individual brokers will be determined by the need to access the services which they provide in the first instance and by performance/cost assessment thereafter.

2.3.3 Consultants/Advisors Services

NLC's policy is to appoint full-time professional treasury management advisors; the contract will be reviewed at least every three years.

2.3.4 Policy on External Managers

The Authorities' current policy is not to appoint external investment managers, but this will be kept under review.

TMP3 - Decision making and analysis.

Documents will be retained to evidence the processes and rationale behind all decisions:

3.1 Funding, Borrowing, Lending, and New Instruments / Techniques

3.1.1 Records to be kept.

The Treasury team maintains a daily electronic record of bank balances, statements and cash flow calculations and uses specialist computer software to record all cash flow and treasury management transactions which are authorised independently.

The record will have the following details relative to each loan or investment.

- Brokers (if applicable)
- Counterparty
- Interest rate
- Repayment date
- Term of loan
- Loan type
- Commission
- Transfer arrangement
- Basis on which a particular deal was judged to be the correct one
- Confirmation of compliance with Counterparty List

In addition, the following records will be kept: -

- Broker Confirmations
- Counterparty Confirmations
- Deal Tickets

3.1.2 Processes to be pursued.

- Cash flow forecasting – 6 months ahead (daily breakdown), period of Medium-Term Financial Forecast (Monthly breakdown).
- Investment of surplus cash balances.
- Temporary borrowing to cover cash deficits.
- Long-term borrowing to finance capital expenditure.
- Obtaining other forms of financing where that offers best value.
- Managing the investment and debt portfolio – maturity profile, debt rescheduling opportunities etc.
- Monitoring of actual against budget for debt charges, interest earnings and debt management expenses.

3.1.3 Issues to be addressed.

In respect of every decision made the Council will have regard to the nature and extent of the risks to which the authority may become exposed.

- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.

- Be content that the documentation is adequate both to deliver the Authorities objectives and protect the authority's interests and to deliver good housekeeping.
- Ensure that third parties are judged satisfactory in the context of the Authorities creditworthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions are competitive.

3.1.4 In respect of borrowing and other funding decisions, following activities will be carried out.

- Evaluation of the economic and market factors that might influence the manner and timing of any decision to borrow.
- Consideration of the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- Consideration of the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use.
- Consideration of the ongoing revenue liabilities created, and the implications for the Authorities future plans and budgets.
- Where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years.

3.1.5 In respect of investment decisions, following activities will be caried out:

- Determination of that the investment is within the Council's strategy and pre-determined instruments and criteria.
- Consideration of the optimum period, in the light of cash flow availability and prevailing market conditions.
- Consideration of the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital.
- Evaluating the credit risk associated with unsecured investments with banks and building societies.
- Determination of appropriate credit policy limits and criteria to minimise the Authorities exposure to credit worthiness and other investment risks.

TMP4 - Approved instruments, methods and techniques

4.1 Approved activities of the Treasury Management operation

- Borrowing
- Investing
- Capital Financing
- Debt Repayment and rescheduling
- Consideration, approval and use of new financial instruments and treasury management techniques.
- Managing the underlying financial risk associated with the Council's capital financing and surplus funds activities.

- Managing Cash Flow.
- Managing any underlying exchange rate risk associated with the Council’s business activities.

The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.

4.2 Approved Instruments for Investments

Investments will be with those bodies identified by the Council for use through the Treasury Management Strategy and may include using the following instruments:

- Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities, Term deposits, callable deposits, and forward deals with high rated banks and building societies.
- Treasury Bills, Gilts and other Government issued securities
- Certificates of deposit with high rated banks and building societies.
- AAA-rated Money Market Funds.
- Highly rated corporate bonds
- Covered bonds (i.e. those with underlying collateral)
- Unsecured corporate bonds
- Reverse Repurchase Agreements (‘reverse repos’)
- Floating Rate Notes
- Pooled funds i.e. Collective Investment schemes meeting the criteria in SI 2004 No 534 and subsequent amendments
- Pooled funds i.e. Collective Investment Schemes which do not meet the definition of Collective Investment Schemes in SI 2004 No 534 and subsequent amendments – these will be capital expenditure investments.

4.2.1 Implementation of MIFID II requirements

Since 3 January 2018, UK public sector bodies are defaulted to “retail” status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g. financial institution, fund management operator, broker), there remains the option to opt up to “professional” status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments, (e.g. certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

A list is maintained for all permissions applied for and received for opt ups to professional status specifying name of the institution (please see below).

SCHEDULE FOR OPT UPS TO PROFESSIONAL STATUS

Institution Type	Professional Status Required	Via
Banks	None	N/A
Money Market Funds	Black Rock	ICD
	Goldman Sachs	ICD
	Morgan Stanley	ICD
Bond Funds	None	N/A
Others	Link Asset Services	N/A
	King and Shaxson	N/A
	BGC Partners /RP Martin	N/A
	Tradition UK	N/A
	Imperial Treasury Brokers	N/A

SCHEDULE FOR EXEMPTIONS

4.3 <u>Approved Techniques include</u>

Forward dealing up to 5 years in advance. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Finance Officer has delegated powers in accordance with Financial Regulations, Standing Orders, and the Scheme of Delegation and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

Finance will only be raised in accordance with the Local Government Act 2003.

4.4 <u>Prohibited sources of Finance:</u>

- Lenders Option/Borrowers Option - no new LOBO loans will be entered into.
- The authority will not use standalone derivatives.

4.5 <u>Investment & Borrowing Limits</u>

All investment and borrowing decisions will be made within limits set in TMSS.

TMP5 Organisation, clarity and segregation of responsibilities and dealing

5.1 Limits to Responsibilities / Discretion at Authority Level

Council

- Formal Approval of the delegation of responsibilities (Constitution).
- Budget consideration and approval.
- Set the Prudential Indicators and revise them as and when necessary.
- Formal Approval of The Treasury Management Strategy Statement which incorporates
- the Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Prudential Code indicators.
- Receive annual report and mid-year review on treasury management.

Cabinet

- Receive reports on treasury management arrangements and activities and the approval of decisions not reserved to Council

Audit Committee

- Scrutiny and overview of treasury management arrangements and Treasury Management Activity.
- Receive the Annual Report and mid-year review.
- Approve the Treasury Management Practices (TMPs).
- Receiving and reviewing internal and external audit reports and reviewing progress on the implementation of recommendations.

Portfolio Holder

- Oversight of treasury management activities in conjunction with the Chief Finance Officer.

5.2 Principles and Practices concerning Segregation of Duties.

The following duties must be undertaken by separate officers:-

- Dealing
- Authorisation of deal
- Release payment from online banking system.
- Administration of user profiles on cash management and banking systems

5.3 Treasury Management Organisation Chart

Chief Finance Officer / Interim Section 151 Officer

Head of Financial Services / Deputy Section 151 Officer

Strategic Lead (Finance Service Desk)

Specialist (Treasury)

Finance Practitioner (Treasury)/ Reserve Finance Practitioner

5.4 Statement of Duties / Responsibilities for Each Treasury Post

5.4.1 Chief Finance Officer / Section 151 Officer

- As per PART D Rule 6 – Financial Regulations of the Constitution.
- Receives quarterly reports on the treasury management function.

5.4.3 Head of Financial Services /Deputy s151 officer

- Provides absence cover for the Chief Finance Officer on policy issues and undertakes the day-to-day treasury management duties of the Chief Finance Officer.
- Maintains a strategic overview of the treasury management function.
- One of the officers who can approve investments.
- Ensures that treasury management practices are documented and are regularly reviewed.
- Ensure training is up to date for Members with oversight of the Treasury function.
- Submitting management information reports to the Chief Finance Officer.

5.4.4 Strategic Lead (Finance Service Desk)

- One of the officers who can approve investments.
- Provide oversight of the day-to-day treasury management operations.
- To ensure that adequate resources are available,
- Ensure training is up to date for all roles,
- Review compliance with Assurance Targets and report any exceptions.

5.4.5 Treasury Specialist

- Oversee the execution of transactions and ensure adequate recording takes place.
- Adherence to agreed policies and practices on a day-by-day basis.
- Maintaining relationships with banking and treasury related third parties and external service providers.
- Monitoring treasury performance on a day-to-day basis.
- Identifying and recommending opportunities for improved practices.
- Ensure Finance Practitioners are kept up to date with market developments.
- Horizon scanning for macro-economic factors.
- Agree reconciliation of Treasury transactions to the ledger.

5.4.5 Finance Practitioner

- Execution of Transactions and their recording.
- Maintenance of Dealer Duties
- The finance practitioner may enter payment details into online banking platforms and transfer funds between the Council's own accounts.
- Undertakes the monthly reconciliation of Treasury transactions to the ledger.

5.4.6 Treasury Management Group

- Head of Financial Services, Strategic Lead (Finance Service Desk) and Specialist (Treasury). Optional attendance by the Chief Finance Officer.
- Monthly operational decision-making group within the Treasury Management Strategy Statement.
- Reporting quarterly to the Chief Finance Officer, with exception reporting more frequently as needed.

5.4.7 Monitoring Officer

- Ensures compliance by the Chief Finance Officer with the legislative and regulatory requirements for treasury management.
- Satisfies himself that any proposal to vary treasury practice complies with the law or any code of practice.
- Advises the Chief Finance Officer where his advice is sought.

5.4.8 Internal Audit

- Reviews and makes recommendations in respect of compliance with approved policy and procedures.
- Reviews and makes recommendations in respect of duties and operational practice.
- Assesses the value for money of treasury activities.
- Undertakes the probity audit of the treasury function.

5.5 Absence cover arrangements

- All roles will be covered by at least two persons who have received sufficient training.

5.6 Dealing limits:

Long term (where the period is in excess of 364 days)

Investments

All long-term investment decisions shall be authorised by the Chief Finance Officer by discussion and appropriate (email/Decision notice) confirmation.

Borrowing

All long-term borrowing decisions shall be approved by the Treasury Management Group (paragraph 5.4.6) by recording in minutes of the meeting setting out compliance with the Treasury Management Strategy Statement.
Settlement transmission (paragraph 5.8) to be authorised by a different bank signatory.

Short term funding and investment

In respect of the daily surplus or loan decision, approval of Bank Signatories would be required prior to making commitment with counterparty.

5.7 Direct Dealing Practices

Direct dealing is carried out with institutions and with external pooled funds identified on the counterparty list and subject to maturity limits and dealing limits.

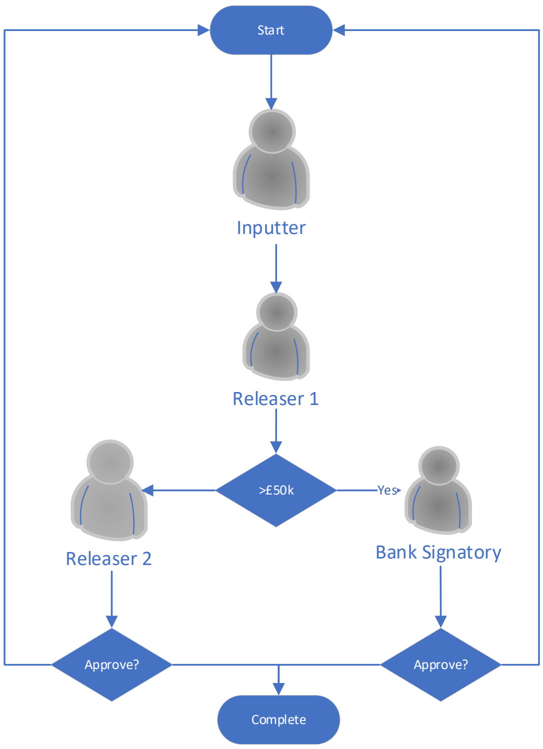
Deal Ticket Proforma:	Deals will be recorded as per the deal ticket proforma. (Proforma maintained at Operational level)
Deal Transactions:	By email, via online dealing portal or telephone.

5.8 Settlement Transmission Procedures

The transfer of funds for deals arranged shall normally be made via the Council's online banking platform. Every payment on Barclays.net would require 3 different individuals for processing. This would include Inputter, and two Releasers, where over £50,000 one of the releasers will be a Bank Signatory:

- Bank Signatory – (Section 151 Officer, Deputy s151 and Financial Services Strategic Leads), authorise deals/payments on online banking system, manually or, as appropriate and reviewing their compliance with treasury management arrangements & strategy.
- Releaser (Finance team, grade 8 and above) - authorisation of release of payments via online banking platform.
- Inputter – treasury management team.

Below process flow chart explains the online payment process on Barclays.net



5.9 Documentation Requirements:

For each deal undertaken the following will be prepared:

Investments

- Investment Deal ticket providing the investment details.
- Confirmation from the broker/ Counterparty.
- Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator.

Loans

- Borrowing Deal ticket with signature to agree loan
- Confirmation from the broker OR
- Confirmation from PWLB/market counterparty
- Completed call back for repayment of principal and interest on maturity.

TMP6 Reporting requirements and management information arrangements.

6.1 Annual reporting requirements before the start of the year

- **Treasury Management Strategy report** on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
- **Capital Strategy** / **Capital Investment Strategy** to cover the following: -
  - give a long-term view of the capital programme and treasury management implications thereof beyond the three-year time horizon for detailed planning.
  - an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.
  - The authorities risk appetite and specific policies and arrangements for non-treasury investments
  - Schedule of non-treasury investments
- Quarterly review report
- Annual review report after the end of the year

6.2 Treasury Management Strategy Statement

The Treasury Management Strategy Statement (TMSS) sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted by the Chief Finance Officer to the Council for approval before the commencement of each financial year.

The Treasury Management Strategy is concerned with the following elements:
- The current treasury portfolio position
- The prospects for interest rates
- The expected borrowing strategy
- The expectations for debt rescheduling
- The Annual Investment Strategy (see below) The Prudential Limits placed by the Council on treasury management activities.

6.3 Annual Investment Strategy

As part of its annual TMSS for the following year, the Chief Finance Officer will present an Annual Investment Strategy covering the identification and approval of the following:

- The strategy guidelines for decision making on investments.
- The maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (defined by the Council), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

6.4 Prudential Indicators

Under the prudential system, the Council must determine the level of their affordable borrowing, having regard to the CIPFA Prudential Code.

The prudential indicators for the forthcoming and following years must be set before the beginning of the forthcoming year. These are included as an Appendix to the TMSS.

The Chief Finance Officer is responsible for ensuring compliance with these limits. Should it prove necessary to amend these limits, the Chief Finance Officer shall submit the changes for approval to Council.

6.5 Annual reporting requirements after the year end

An annual report will be presented to Council at the earliest practical meeting after the end of the financial year, but in any case, by the end of September.

The report will include.

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results.
- Report on risk implications of decisions taken and transactions executed.
- Compliance report on approved policy, practices and statutory/regulatory requirements.
- Measurements of performance.
- Report on compliance with CIPFA code recommendations.

6.6 In year reporting requirements

A quarterly report on treasury management activity will be presented to Audit Committee and Cabinet by the Chief Finance Officer.

The reports will include.

- Report on risk implications of decisions taken and transactions executed.
- Measurements of performance.
- Treasury Management Indicators

6.7 Management information requirements

The Treasury Specialist will provide to the Treasury Management Group.

- Monitoring and forecast information in respect of relevant treasury budgets.
- Loan and investment balances.
- Information demonstrating compliance with prudential indicators.
- Extent of compliance with Treasury Strategy and reasons for variance (if any).

The Treasury Specialist will produce for each meeting of the Treasury Management Group

- Borrowing and lending balances
- Cash flow report
- Market Intelligence

The Treasury Specialist will bring any major issues to the attention of the Head of Financial Services officer outside of scheduled meetings.

TMP7 Budgeting, Accounting and audit Arrangements

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.
The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Budgets/Accounts

Head of Financial Services in consultation with the Strategic Lead (Finance Service Desk) and Treasury Specialist will prepare revenue estimates for treasury management activity and function for the medium-term financial planning period.

This will bring together all the costs involved in running the function, together with associated income, i.e.:

- Interest payable
- Interest receivable
- Debt management expenses (including bank charges, external advisors etc)

The Treasury Specialist will monitor and report on these estimates throughout the year in accordance with the Council's budget monitoring arrangements.

7.3 Information requirements of Auditors

- Related treasury information/ records will be provided upon request.

TMP8 - Cash and cash flow management

8.1 Arrangements for preparing /submitting cash flow statements

The Treasury Specialist shall keep up to date annual and daily rolling cash flow projections. The projections are prepared from the Medium Term Financial Plan and accumulated knowledge on individual cash flow items, adjusted for known changes in levels of income and expenditure (revenue and capital) and changes in payments and receipts dates. Daily Cash Flow records are maintained on the Treasury Live system.

TMP9 Money Laundering

9.1 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the Proceeds of Crime Act (POCA), but are not legally obliged to apply the provisions of the Money Laundering Regulations, 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, this Council will do the following: -

- Evaluate the prospect of laundered monies being handled by them
- Determine the appropriate safeguards to be put in place
- Require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- Make all its staff aware of their responsibilities under POCA
- Appoint a member of staff to whom they can report any suspicions.
- In order to ensure compliance is appropriately managed, this council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the Chief Finance Officer and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.2 Procedures for establishing Identity of Lenders/Borrowers

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000.
The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/Prudential Regulation Authority's website.

The Council will only borrow from permitted sources identified in TMP4.

All banking transactions will only be undertaken by the personnel authorised to operate the Council's bank accounts.

9.3 Other payees

When receiving requests for change of payment details due care is exercised to ascertain the bona fide of the request and avoid potential fraud. Checks will be made through pre-existing contact details for the payee before altering payment details.

Banking details for new payees should be reconfirmed thorough appropriate means such as call back.

9.4 Methodologies for identifying deposit takers

In the course of its treasury activities, the council will only lend money to or invest with those counterparties that are on its approved lending list.

TMP10 - Training and Qualifications

10.1.1 The council must have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

As a minimum, we will carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and council members.
- Require treasury management officers and council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and council members, encouraging them to highlight training needs on an ongoing basis.

The Chief Finance Officer will ensure that Council members tasked with Treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their need and those responsibilities.

10.1.2 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

10.1.3 The Chief Finance Officer is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in Treasury Management activities who are members of CIPFA must also comply with the SOPP (Statement of Professional Practice).

10.1.4 Details of staff training needs will be identified, as part of the training needs analysis undertaken as part of the Council's Performance Management Framework.

10.1.5 In addition all treasury management staff will receive appropriate training relevant to the requirements and duties of their role prior to undertaking those duties.

10.1.6 The training needs of each of the following roles is documented, reviewed and delivered by the Head of Financial Services or his nominee:

- Dealing staff
- Releasers
- Authorising Staff

10.1.7 Training updates will be provided as required. Regular meetings will be co-ordinated by the Treasury Specialist with Dealing Staff to ensure they are up to date with developments on Treasury issues (e.g. Strategy decisions arising from TMG).

10.1.8 Treasury management seminars will be attended as appropriate and will be open to all relevant staff.

10.1.9 The Head of Financial Services will ensure that there are sufficient trained staff in each of the roles to ensure:

- No disruption of effective treasury management service or standards,
- That there is adequate cover and succession arrangements in the event of departure of key staff.
- That there are opportunities for staff to develop their skills.

TMP11 - Use of external service providers

Responsibility for Treasury management decisions remains with the Council at all times.

11.1.1 Banking Services

Barclays Bank PLC
PO Box No 3333 1 Snow Hill
Snow Hill Queensway
Birmingham B3 2WN

11.1.2 Money Broking Services

- Martin Brokers
- Tullett Prebon
- ICAP (restricted to Borrowing transactions only)
- King and Shaxson Limited
- BGC Sterling

- Tradition UK
- Imperial Treasury Brokers
- Institutional Cash Distributors (ICD)

Additional money brokerage service providers may be added subject to approval of Treasury Management Group.

11.1.3 **Treasury Advisers**

Link Asset Services

11.1.4 **Deals Recording**

Public Sector Live

11.1.5 **Bribery Act**

The council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers.

TMP12 - Corporate Governance

All applicable treasury related documents will be available on council's website such as Treasury Management Strategy statement etc.

Note that in order to maintain commercial confidentially, requests for more detailed information should be made to inforequest@northlincs.gov.uk clearly explaining the information you would like and providing a contact email or postal address.

This page is intentionally left blank

Report of the Director: Outcomes Meeting: 22 February 2024

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

IMPLEMENTATION OF THE 2024-2025 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 2024/2025, 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 6.3:1.

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 2024/2025.

3.2 To reject the Pay Policy Statement for 2024/2025.

3.3 To make recommendations to extend the provisions of the proposed Pay Policy Statement 2024/2025 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 2024/2025 reflects the council's existing practice on pay for Chief Officers.

5.3 A copy of the council's Pay Policy Statement for 2024/2025 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 2024/2025.

9. **RECOMMENDATIONS**

9.1 That the proposed Pay Policy Statement for 2024/2025 be approved and adopted.

DIRECTOR: OUTCOMES

Church Square House
SCUNTHORPE
North Lincolnshire
DN15 6NL
Author: Rebecca Stanford
Date: 13 February 2024

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

This page is intentionally left blank

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 22 February 2024.

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

Statutory Chief Officers:

- Director: Adults and Health (Director of Adult Social Services)
- Director: Children and Families (Director of Children's Services)
- Director: Public Health (Director of Public Health)
- Assistant Director: Education (Chief Education Officer)
- Chief Financial Officer (Section 151 Officer)
- Head of Democracy and Head of Legal and Information Governance (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
- Executive Director: People
- Director: Communities
- Director: Outcomes

Deputy Chief Officers:

- Assistant Director: Adult Social Services
- Assistant Director: Integrated Care
- Assistant Director: Adult Social Care Networks
- Assistant Director: Children's Help and Protection
- Assistant Director: Children's Standards and Regulations
- Public Health Consultant
- Assistant Director: Public Protection
- Assistant Director: Organisational Development
- 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 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 point 2. This equates to an annual salary of £22,366, an hourly rate of pay of £11.59. 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 2023 to 31 March 2024. The pay rate is increased in accordance with any pay settlements which are reached through the NJC for Local Government Services.

5.0 Relationship between chief officer remuneration and that of other employees

5.1 The highest paid remuneration in this council is £176,976.54 per annum which is paid to the Chief Executive.

5.2 The average median remuneration (as at 31 January 2024) in this council is £28,282 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 6.3:1. 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, 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.

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.

Version Control	
Author	Rebecca Stanford
Status	V4.0
Date approved	
Last updated	13 February 2024

This page is intentionally left blank

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 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.

Chief Officer Pay policy statement
Appendix 1 – Additional remuneration

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.

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.

Version Control	
Author	Rebecca Stanford
Status	V4.0
Date approved	
Last updated	13 February 2024

This page is intentionally left blank

Report of the Director: Outcomes Meeting: 22 February 2024

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

OUTCOME FOR NORTH LINCOLNSHIRE OF THE 2021-2023 REVIEW OF PARLIAMENTARY CONSTITUENCY BOUNDARIES IN ENGLAND

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To report on the outcome for North Lincolnshire following the 2021-2023 UK Review of Parliamentary Boundaries in England.

2. BACKGROUND INFORMATION

2.1 The Boundary Commission for England (BCE) commenced the above review in January 2021 and submitted its final report to Parliament in June 2023. The final report's recommendations became law through the Parliamentary Constituencies Order 2023 on 15 November 2023, with the revised constituencies to be used for the next Parliamentary (General) Elections (for any by-election that may take place beforehand, existing constituencies are to be used).

2.2 The Boundary Commission for England (BCE) is an independent and impartial advisory non-departmental public body, established under the Parliamentary Constituencies Act 1986 ('the Act') to keep under review Parliamentary constituency boundaries in England. Similar Commissions conduct equivalent work in Northern Ireland, Scotland and Wales.

The statutory rules governing the conduct of the BCE's work are contained within the Act. These rules require a review of all UK Parliamentary constituencies to be conducted every eight years, with a report and recommendations submitted to Parliament at the end of the review. The statutory rules establish a fixed number of 650 constituencies (the same as the existing number of constituencies) for the UK, from which elections are to be held for the House of Commons. From this total, five constituencies (two in Scotland, one in Wales and two for the Isle of Wight) are 'protected', in the sense that they are reserved for the specified areas and thereby not subject to some of the criteria applied to all other constituencies (in particular as regards electorate size).

2.3 For a given review, the Act specifies a UK electorate figure at a particular point in time that is to be used throughout that review. For the 2021-2023 Review this is the figure from the register of Parliamentary electors on 2 March 2020. The legislation then specifies a mathematical formula to determine how the 645 unprotected constituencies are allocated to each part of the UK for a given review, taking into account the relative sizes of the respective Parliamentary electorates of each part of the UK (not including the electorates of the five protected constituencies).

2.4 The legislation requires all recommended unprotected constituencies to be broadly similar in electorate size. Specifically, they must all be within 5% of an ‘electoral quota’ figure, which is the mean average Parliamentary electorate for the 645 unprotected constituencies. Using the 2023 Review electorate data, the electoral quota figure is 73,393, meaning the ‘permitted electorate range’ for the review was between 69,724 (minimum) and 77,062 (maximum). Where the Commission wish to take into account local government boundaries the Act enables the BCE to take into account such boundaries as they existed – or were in prospect – at a specified point in time. For the 2021-2023 review, the local government boundaries were those that existed or – where relevant – were in prospect (due to being made by an as yet unimplemented Order) as at 1 December 2020. Consequently, 17 North Lincolnshire Council wards instead of the current 19 wards (post 2021/22 Electoral Periodic Review of North Lincolnshire) are referred to in the BCE report)*.

2.5 The Act also requires all unprotected constituencies to be no larger than 13,000 square kilometres in size (except in prescribed circumstances). In England, this is not a concern, as even in its most sparsely populated areas constituency sizes do not come near this figure. The legislation for the review also requires an eight-week published consultation period on initial proposals and if they are revised, a final four-week consultation period. Public hearings where required were also facilitated. Over 60,000 representations were received by the BCE.

3. OPTIONS FOR CONSIDERATION

3.1 Through the Parliamentary Constituencies Order 2023, the revised constituencies impacting upon North Lincolnshire are now required in law to be used for the forthcoming Parliamentary (General) Elections. The former constituencies of Brigg and Goole County Constituency and Scunthorpe County Constituency have been replaced with the –

Brigg and Immingham County Constituency,
Doncaster East and the Isle of Axholme County Constituency and
Scunthorpe County Constituency

3.2 Brigg and Immingham County Constituency includes the areas of the North Lincolnshire Council wards used at the time of the review (see paragraph 2.4 above, but will now also include any additional new wards within the constituencies) of Barton, Brigg and Wolds, Broughton and Appleby (now Broughton and Scawby) and Ferry, and North East Lincolnshire Council wards of Humberston and New Waltham, Immingham, Scartho, Waltham and Wolds.

Doncaster East and the Isle of Axholme County Constituency includes the areas of North Lincolnshire Council wards of Axholme Central, Axholme North and Axholme South and City of Doncaster Council wards of Finningley, Hatfield, Rossington and Bawtry and Thorne and Moorlands.

Scunthorpe County Constituency includes areas of North Lincolnshire Council wards of Ashby, (now Ashby Central and Ashby Lakeside wards) Bottesford, Brumby, Burringham and Gunness, Burton-upon Stather and Winterton, Crosby and Park, Frodingham, Kingsway with Lincoln Gardens, Ridge (now Messingham and Ridge wards) and Town.

Maps of the three new constituency areas are attached as appendices. (with more available on the Boundary Commission for England website).

* With reference to paragraph 2.4 above, there are some parishes/polling districts which because of the timing of the Review and the NLC periodic review are now situated in ‘non-coterminous constituencies’. These are identified in an appendix to the report which indicates which parishes/polling districts are within a named/identified constituency for parliamentary elections.

3.3 Following enactment of the Review the North Lincolnshire Acting Returning Officer (ARO) for Parliamentary Elections has been informed in law that they will be responsible for elections in the Scunthorpe County Constituency. The ACO for North East Lincolnshire Council being responsible for Brigg and Immingham County Constituency and the ARO for the City of Doncaster Council for Doncaster East and the Isle of Axholme County Constituency. (AROs for Parliamentary Elections in county constituencies are usually a named senior officer (Chief Executive) who discharge the functions of Returning Officers whose roles are more ceremonial as the High Sheriff or Sheriff of the county area).

Where a constituency is contained wholly within a single local authority area then electoral law provides that that local authority will provide the Acting Returning Officer for the constituency and deliver parliamentary elections for the constituency.

Where a constituency falls within more than one local authority area, the Secretary of State will designate by Order the local authority that will provide the Acting Returning Officer for the constituency (i.e. the lead local authority for the constituency, usually based on it having the greater electorate).

4. **ANALYSIS OF OPTIONS**

4.1 The future parliamentary elections will now be held for the above constituencies across the North Lincolnshire area in accordance with the statutory requirements of the Parliamentary Constituencies Order 2023.

The new boundaries will be applied and polling districts and places within current wards used for the North Lincolnshire electorate. There is currently a statutory review of parliamentary polling districts and places ongoing in North Lincolnshire. Few changes are expected as polling districts and places were only reviewed recently following the 2021/22 Periodic Electoral Review of North Lincolnshire, However, following required consultation it is anticipated that any changes recommended (subject to approval of the Council) should be made prior to the next parliamentary elections.

4.2 To not carry out the requirements of the Parliamentary Constituencies Order 2023 will be unlawful and is therefore not an option.

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

5.1 There are no specific resource implications arising from the review. North Lincolnshire Electoral Services are already liaising with North East Lincolnshire Council and City of Doncaster Council on cross-council boundary arrangements to provide any required joint working on associated electoral arrangements, use of polling stations/facilities and human resources. The government provides grant funding for management and operational costs to Acting Returning Officers (ACOs) responsible for delivering parliamentary elections in allocated constituencies, and any cross-council boundary costs are recouped where applicable.

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

6.1 Required guidance and standards of the Electoral Commission for parliamentary elections will be applied ensuring that electoral arrangements provide all voters and elections staff with a safe environment to participate in parliamentary elections in their constituencies and fulfil their democratic role, experience and responsibilities.

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

7.1 Not applicable.

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

8.1 There are no conflicts of interest.

8.2 As previously stated, legislation governing the Review of Parliamentary Boundaries in England required an eight-week published consultation period on initial proposals and if revised, a final four-week consultation period. Public hearings where required were also facilitated. Over 60,000 representations were received by the BCE.

8.3 Further associated publicity, including on the council's website, will be provided for the North Lincolnshire electorate on their constituency when the parliamentary elections are called.

9. **RECOMMENDATIONS**

9.1 That the outcome for North Lincolnshire of the 2021-2023 Review of Parliamentary Boundaries in England, the implementation of the Parliamentary Constituencies Order 2023 and revised constituencies for North Lincolnshire for the next Parliamentary (General) Elections be noted.

DIRECTOR: OUTCOMES

Church Square House
SCUNTHORPE
North Lincolnshire
DN15 6NL
Author: R A Mell
Date: February 2024

Background Papers used in the preparation of this report - Final report of the Boundary Commission for England (BCE) on the 2021-2023 Review of Parliamentary Boundaries in England and Parliamentary Constituencies Order 2023.

This page is intentionally left blank

NEW PARLIAMENTARY CONSTITUENCIES AND NLC WARDS

New Parliamentary Constituency	NLC Ward	Polling District	Town/Parish	Non-coterminous Constituencies
Scunthorpe	Ashby Central	ASC1		
		ASC2		
		ASC3		
Scunthorpe	Ashby Lakeside	ASL1		
		ASL2		
		ASL3		
		ASL4		
Doncaster East and the Isle of Axholme	Axholme Central	AXC1	Belton	
		AXC2	Epworth	
		AXC3	Epworth	
Doncaster East and the Isle of Axholme	Axholme North	AXN1	Amcotts	
		AXN2	Crowle	
		AXN3	Crowle	
		AXN4	Ealand	
		AXN5	Eastoft	
		AXN6	Garthorpe & Fockerby	

New Parliamentary Constituency	NLC Ward	Polling District	Town/Parish	Non-coterminous Constituencies
Doncaster East and the Isle of Axholme	Axholme North (cont)	AXN7	Keadby	
		AXN8	Althorpe	
		AXN9	Luddington & Haldenby	
Doncaster East and the Isle of Axholme	Axholme South	AXS1	Haxey	
		AXS2	Westwoodside	
		AXS3	Owston Ferry	
		AXS4	West Butterwick	
		AXS5	Wroot	
Brigg and Immingham	Barton	BAR1		
		BAR2		
		BAR3		
		BAR4		
Scunthorpe	Bottesford	BOT1		
		BOT2		
		BOT3		
		BOT4		
		BOT5		
		BOT6		

New Parliamentary Constituency	NLC Ward	Polling District	Town/Parish	Non-coterminous Constituencies
Brigg and Immingham	Brigg & Wolds	BRW1	Barnetby	
		BRW2	Bonby	
		BRW3	Brigg	
		BRW4	Brigg	
		BRW5	Cadney	Scunthorpe
		BRW6	Howsham	Scunthorpe
		BRW7	Elsham	
		BRW8	Horkstow	
		BRW9	Barnetby	
		BRW10	Saxby all Saints	
		BRW11	South Ferriby	
		BRW12	Worlaby	
		BRW13	Wrawby	
Brigg and Immingham	Broughton & Scawby	BRS1	Broughton	
		BRS2	Broughton	
		BRS3	Broughton	
		BRS4	Scawby	Scunthorpe
		BRS5	Scawby	Scunthorpe

New Parliamentary Constituency	NLC Ward	Polling District	Town/Parish	Non-coterminous Constituencies
Scunthorpe	Brumby	BRU1		
		BRU2		
		BRU3		
		BRU4		
Scunthorpe	Burringham & Gunness	BRG1	Ashby Parklands	
		BRG2	Ashby Parklands	
		BRG3	Burringham	
		BRG4	Gunness	
		BRG5	Gunness	
		BRG6	Gunness	
Scunthorpe	Burton upon Stather & Winterton	BSW1	Alkborough	
		BSW2	Appleby	Brigg and Immingham
		BSW3	Appleby	Brigg and Immingham
		BSW4	Burton upon Stather	
		BSW5	Burton upon Stather	
		BSW6	Burton upon Stather	
		BSW7	Flixborough	
		BSW8	Flixborough	

New Parliamentary Constituency	NLC Ward	Polling District	Town/Parish	Non-coterminous Constituencies
Scunthorpe	Burton upon Stather & Winterton	BSW9	Roxby cum Risby	Brigg and Immingham
		BSW10	Roxby cum Risby	Brigg and Immingham
		BSW11	West Halton	
		BSW12	Whitton	
		BSW13	Winteringham	
		BSW14	Winterton	
		BSW15	Winterton	
Scunthorpe	Crosby & Park	CRP1		
		CRP2		
		CRP3		
		CRP4		
		CRP5		
Brigg and Immingham	Ferry	FER1	Barrow upon Humber	
		FER2	Barrow upon Humber	
		FER3	Kirmington	
		FER4	Kirmington	
		FER5	East Halton	
		FER6	Goxhill	
		FER7	New Holland	

New Parliamentary Constituency	NLC Ward	Polling District	Town/Parish	Non-coterminous Constituencies
Brigg and Immingham	Ferry (cont)	FER8	North Killingholme	
		FER9	South Killingholme	
		FER10	Thornton Curtis	
		FER11	Ulceby	
		FER12	Wootton	
Scunthorpe	Frodingham	FRO1		
		FRO2		
		FRO3		
Scunthorpe	Kingsway with Lincoln Gardens	KLG1		
		KLG2		
		KLG3		
		KLG4		
		KLG5		
Scunthorpe	Messingham	MES1	East Butterwick	
		MES2	Messingham	
		MES3	Messingham	
		MES4	Holme	

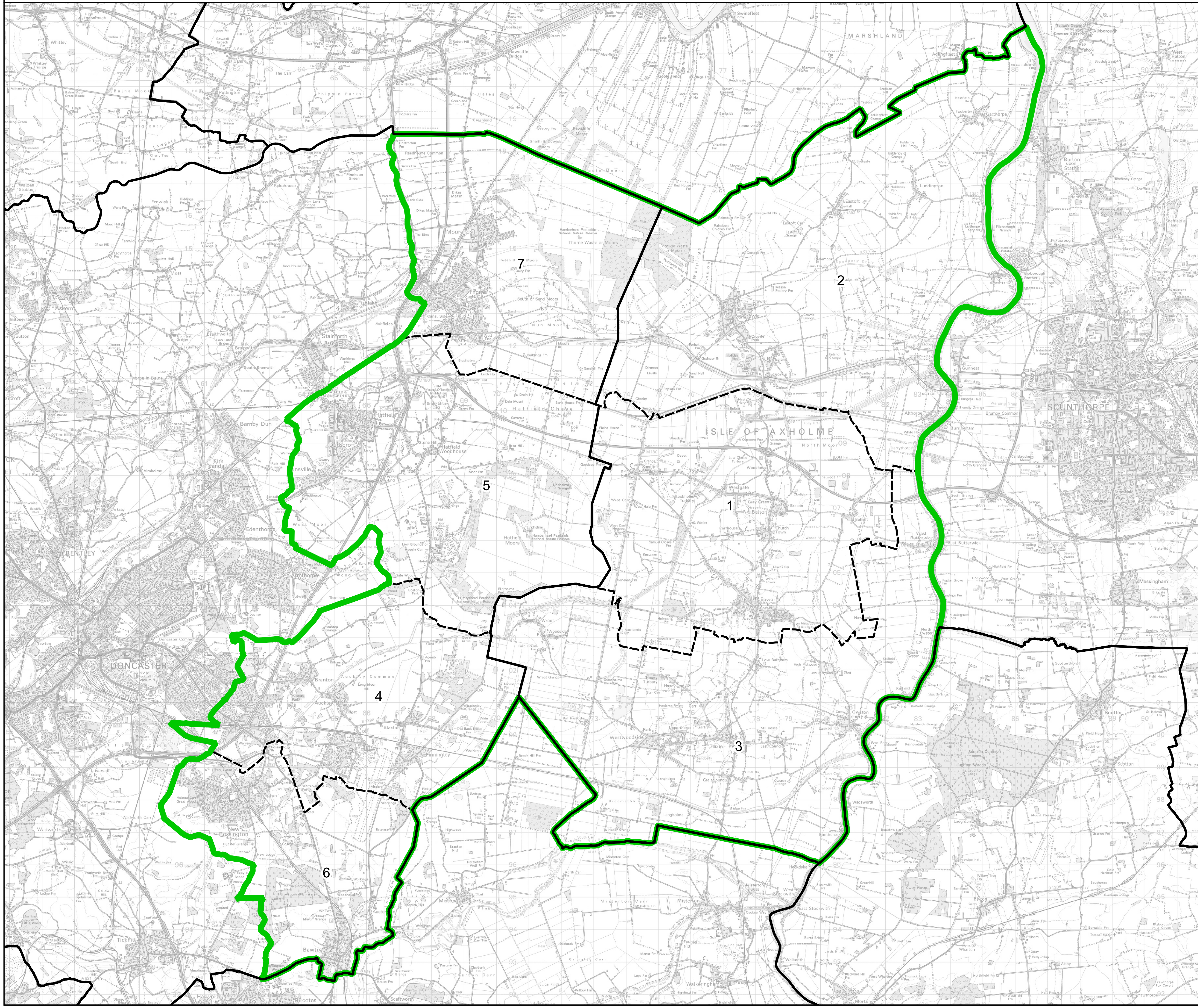
New Parliamentary Constituency	NLC Ward	Polling District	Town/Parish	Non-coterminous Constituencies
Scunthorpe	Ridge	RID1	Hibaldstow	
		RID2	Hibaldstow	
		RID3	Kirton	
		RID4	Kirton	
		RID5	Kirton	
		RID6	Redbourne	
Scunthorpe	Town	TWN1		
		TWN2		
		TWN3		
		TWN4		
		TWN5		

This page is intentionally left blank

Boundary Commission for England - Final Recommendations for the Yorkshire and the Humber Region

Doncaster East and the Isle of Axholme County Constituency - Electorate 70,113

Boundary Commission for England



Wards:

1 Axholme Central
2 Axholme North
3 Axholme South
4 Finningley
5 Hatfield
6 Rossington & Bawtry
7 Thorne & Moorends

Constituency
Local Authorities
Wards

0 1 2 km

N

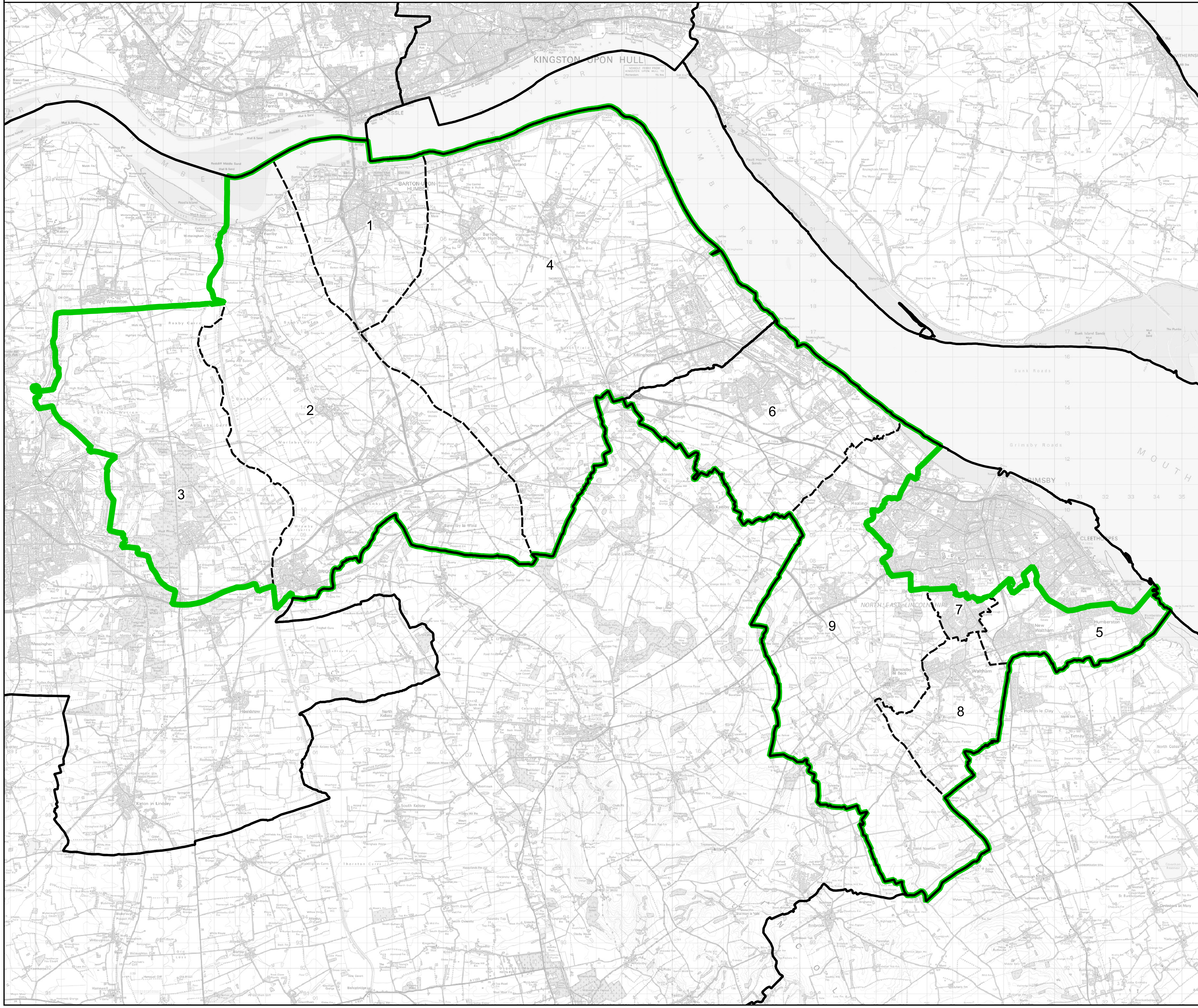
Doncaster East and the Isle of Axholme County Constituency

This page is intentionally left blank

Boundary Commission for England - Final Recommendations for the Yorkshire and the Humber Region

Brigg and Immingham County Constituency - Electorate 71,628

Boundary Commission for England



Wards:

1 Barton
2 Brigg and Wolds
3 Broughton and Appleby
4 Ferry
5 Humberston and New Waltham
6 Immingham
7 Scartho
8 Waltham
9 Wolds

Constituency
Local Authorities
Wards

0 2 4 km

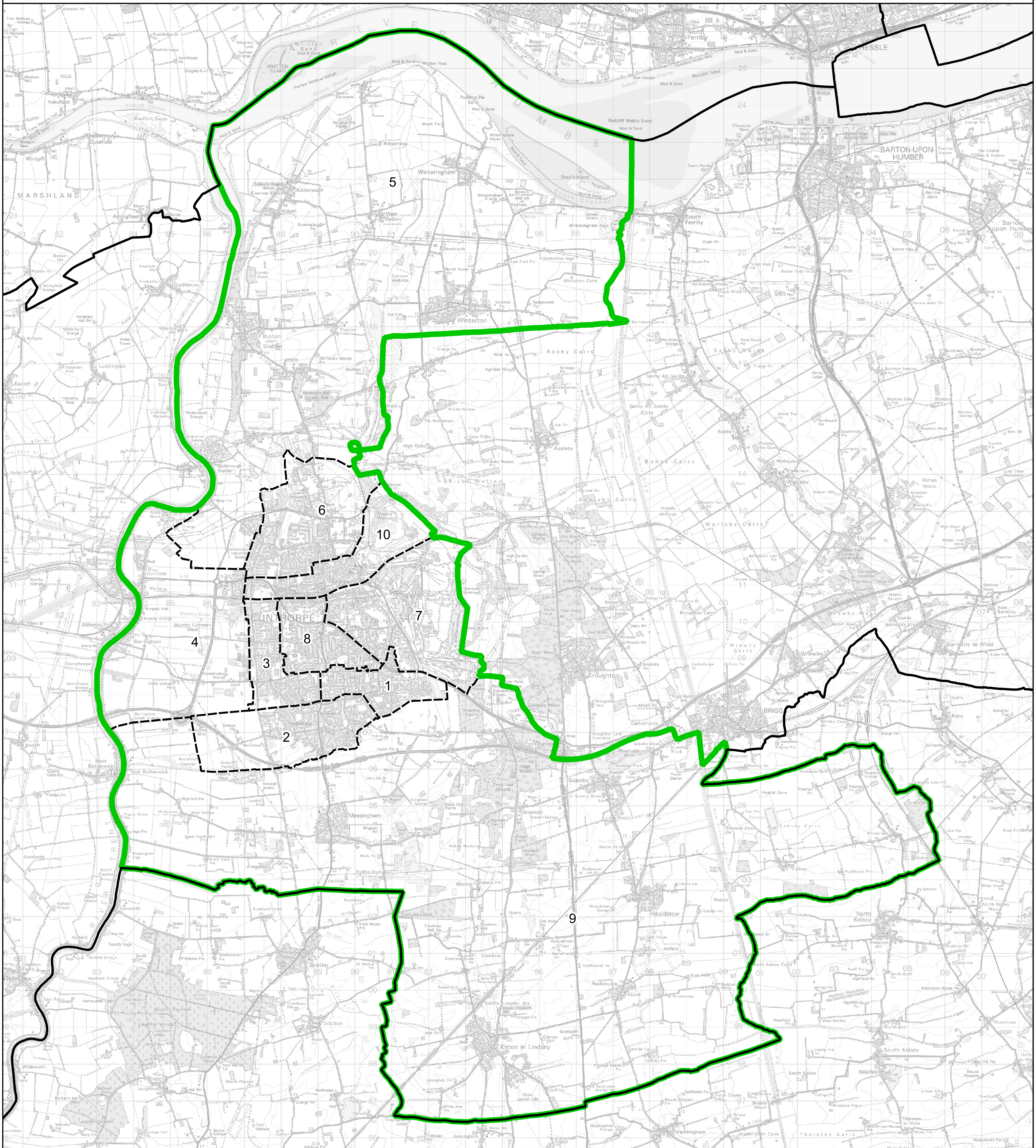
N

Brigg and Immingham County Constituency

Boundary Commission for England - Final Recommendations for the Yorkshire and the Humber Region

Scunthorpe County Constituency - Electorate 74,278

Boundary Commission for England



Wards:

1 Ashby
2 Bottesford
3 Brumby
4 Burringham and Gunness
5 Burton upon Stather and Winterton
6 Crosby and Park
7 Frodingham
8 Kingsway with Lincoln Gardens
9 Ridge
10 Town

Constituency

Local Authorities

Wards

N

0 1 2 km