

## **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 its 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 its budget and Council Tax decision, as modified by the Local Government Finance Act 2012 and the Localism Act 2011.
- 6.6 As the billing authority for the North Lincolnshire area the council incorporates in its resolution the precept requirements of the Police and Crime Commissioner for Humberside, the Humberside Fire Authority and local town and parish councils. It also includes the Scunthorpe Special Expenses, which forms part of the council's own Council Tax allocation.

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

- 7.1 Council protocols require an integrated impact assessment to be made for all key decisions.
- 7.2 It is a method for ensuring policies, plans and projects have been assessed to identify how any negative impact or risk can be removed or mitigated, and positive impact enhanced. It covers 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 4<sup>th</sup> 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 5<sup>th</sup> February 2024)
5. Schools Funding Formula 2024/25 (Cabinet Member report)

## TECHNICAL BUDGET RECOMMENDATIONS

## 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 4<sup>th</sup> 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**.



**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
<b>Keeping people safe and well – to achieve a longer and better quality of life for our residents</b>	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
<b>Enabling resilient and flourishing communities – to develop greater resilience and community spirit and enable them to identify and meet their ambitions</b>	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		WELL
<b>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</b>	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		PROSPEROUS
<b>Providing value for money for local taxpayers – to ensure high quality services are provided for residents and the Council is well-led</b>	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		CONNECTED

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
<u>Operating model</u>	<u>One Council, One Family, One Place</u>
<ul style="list-style-type: none"> <li>▪ values driven</li> <li>▪ politically led</li> <li>▪ actioned through</li> <li>▪ accountability aligned to investment</li> <li>▪ impact evidenced by</li> </ul>	equality of opportunity, self-responsibility, integrity, excellence  policy, resources, community  offer, interventions, infrastructure  intent, implementation, impact  quality of experiences and outcomes
<p><b>So that... we achieve our ambition for North Lincolnshire to be the best place for our residents.</b></p>	

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 18<sup>th</sup> 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
	<b><u>LOCAL GOVERNMENT FINANCE SETTLEMENT FUNDING</u></b>			
	<b><u>Settlement Funding Assessment</u></b>			
(7,281)	Revenue Support Grant	(7,764)	(7,764)	(7,764)
(34,412)	NNDR Baseline Funding	(36,210)	(36,939)	(37,668)
<b>(41,693)</b>	<b>Total Settlement Funding Assessment</b>	<b>(43,974)</b>	<b>(44,703)</b>	<b>(45,432)</b>
	<b><u>Other General Funding</u></b>			
(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)
<b>(109,037)</b>	<b>Total Other Funding</b>	<b>(119,529)</b>	<b>(121,932)</b>	<b>(125,445)</b>
<b>(150,730)</b>	<b>TOTAL FINANCE SETTLEMENT FUNDING</b>	<b>(163,503)</b>	<b>(166,635)</b>	<b>(170,877)</b>
	<b><u>Local Spending Power Funding</u></b>			
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)
<b>(22,800)</b>	<b>Total Local Spending Power Funding</b>	<b>(26,776)</b>	<b>(25,997)</b>	<b>(26,509)</b>
<b>(173,530)</b>	<b>TOTAL SPENDING POWER</b>	<b>(190,279)</b>	<b>(192,632)</b>	<b>(197,386)</b>
	<b><u>Core Funding - Other Grants</u></b>			
(495)	DSG Central School Services	(542)	(542)	(542)
(10,016)	Public Health Grant	(10,217)	(10,421)	(10,421)
<b>(10,511)</b>	<b>Total Core Funding - Other Grants</b>	<b>(10,759)</b>	<b>(10,963)</b>	<b>(10,963)</b>
<b>(7,567)</b>	<b>Use of Reserves</b>	<b>(2,955)</b>	<b>(1,000)</b>	<b>(1,000)</b>
<b>(191,608)</b>	<b>TOTAL CORE FUNDING</b>	<b>(203,993)</b>	<b>(204,595)</b>	<b>(209,349)</b>

\* 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
<b>191,608</b>	<b>SUB TOTAL</b>	<b>203,993</b>	<b>210,201</b>	<b>216,416</b>
0	<b>Budget Gap</b>	0	(5,606)	(7,067)
<b>191,608</b>	<b>NET OPERATING EXPENDITURE</b>	<b>203,993</b>	<b>204,595</b>	<b>209,349</b>

\* 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
	<b>GROSS EXPENDITURE</b>			
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
<b>322,070</b>		<b>335,080</b>	<b>338,145</b>	<b>345,310</b>
	<b>GROSS INCOME</b>			
(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)
<b>(130,462)</b>		<b>(131,087)</b>	<b>(127,944)</b>	<b>(128,894)</b>
0	<b>Budget Gap</b>	0	(5,606)	(7,067)
<b>191,608</b>	<b>NET OPERATING EXPENDITURE</b>	<b>203,993</b>	<b>204,595</b>	<b>209,349</b>

\* 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
169,808 (2,170)	<b>DSG Funding</b> DSG Funding (before academy, NNDR and high needs recoupment) NNDR and high needs recoupment			183,237 (2,726)
<b>167,638</b>	<b>Total DSG (after NNDR and high needs recoupment)</b>			<b>180,511</b>
	<b>Budget Distribution</b>			
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
<b>167,518</b>	<b>Total Planned Investment</b>	<b>40,847</b>	<b>140,074</b>	<b>180,921</b>
<b>120</b>	<b>Contribution to/(from) DSG Reserve</b>			<b>(410)</b>

#### **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 uncertainty 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 its 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 its 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 18<sup>th</sup> December 2023 and the Final Settlement confirmed 5<sup>th</sup> 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 5<sup>th</sup> 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:

<b>Core Spending Power (England)</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
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
<b>CORE SPENDING POWER (£bn)</b>	<b>44.8</b>	<b>44.0</b>	<b>44.5</b>	<b>45.3</b>	<b>46.5</b>	<b>49.3</b>	<b>50.7</b>	<b>54.6</b>	<b>60.2</b>	<b>64.7</b>

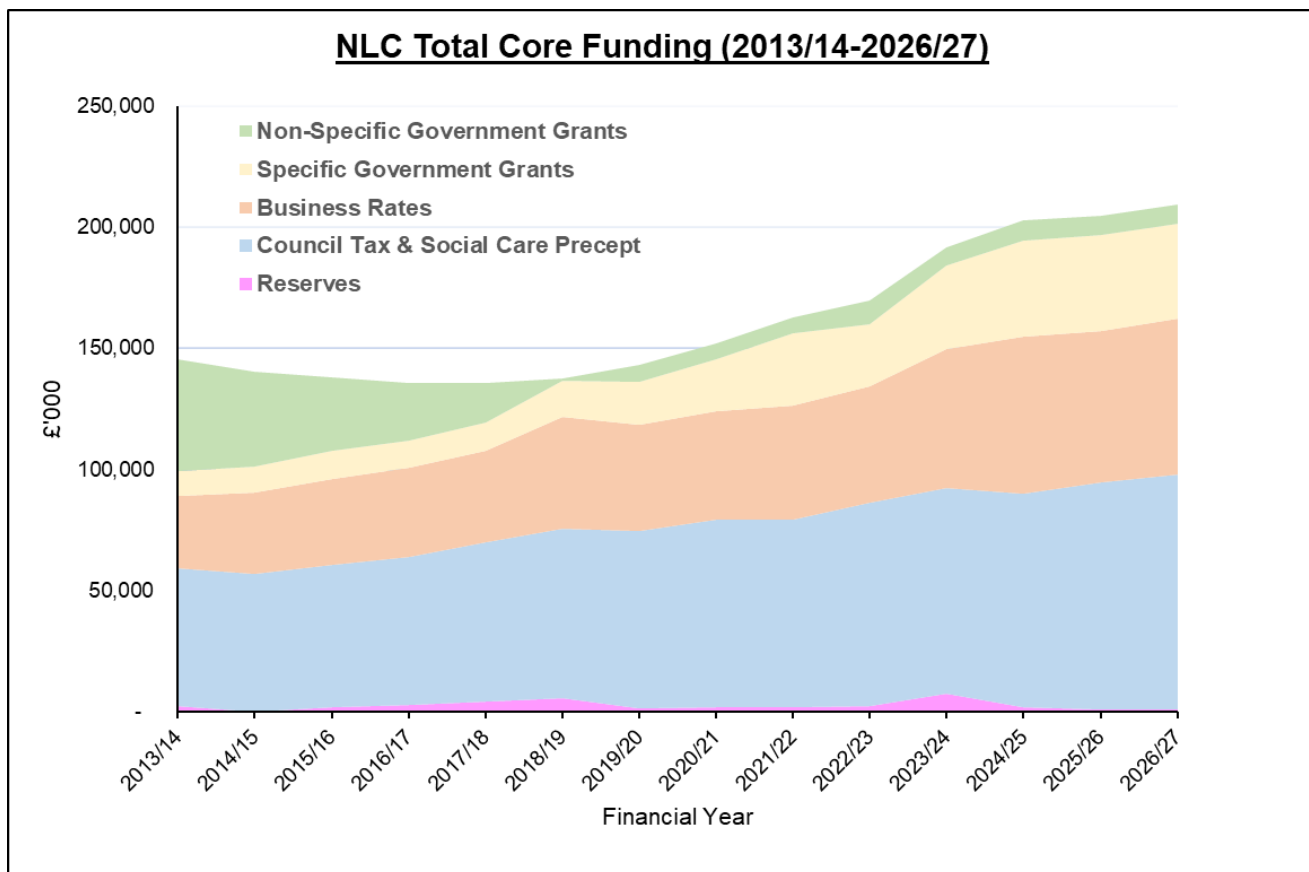
4.17 According to Government calculations, North Lincolnshire's maximum core spending power in 2024/25 is £170.0m, which is an increase of £12.3m (7.8%) from 2023/24. Of the increase, £5.0m is predicated on maximising council tax increases, with the remainder due to increased grant funding. This can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

<b>Core Spending Power (N. Lincs)</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
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	-
<b>CORE SPENDING POWER (£m)</b>	<b>120.3</b>	<b>116.5</b>	<b>118.8</b>	<b>120.6</b>	<b>122.5</b>	<b>129.8</b>	<b>133.6</b>	<b>145.2</b>	<b>157.7</b>	<b>170.0</b>

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:

<b>Government Assessed Core Spending Power (N. Lincs)</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
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
<b>CORE SPENDING POWER £m</b>	<b>120.3</b>	<b>116.5</b>	<b>118.8</b>	<b>120.6</b>	<b>122.5</b>	<b>129.8</b>	<b>133.6</b>	<b>145.2</b>	<b>157.7</b>	<b>170.0</b>



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 4<sup>th</sup> 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
<u>Rate (band D):</u>											
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
<u>Yield:</u>											
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:

<b>Settlement NNDR Assessment</b>	<b>2023/24 £M</b>	<b>2024/25 £M</b>	<b>Settlement Funding</b>	<b>2023/24 £M</b>	<b>2024/25 £M</b>
Estimated Net NNDR Yield	78.8	82.6	Revenue Support Grant	7.3	7.8
Split between:			NNDR Baseline Funding	34.4	36.2
Central Government	39.4	41.3	<b>Total</b>	<b>41.7</b>	<b>44.0</b>
Fire Authority	0.8	0.8			
Local Authority	38.6	40.5			
Tariff (-) / Top-Up (+)	(4.2)	(4.3)			
<b>NNDR Baseline Funding</b>	<b>34.4</b>	<b>36.2</b>			
Safety Net Threshold	31.8	33.5			

- 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 31<sup>st</sup> 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 reset 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:

<b>Social Care Funding (all in £M)</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
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
<b>Total</b>	<b>4.2</b>	<b>10.6</b>	<b>13.6</b>	<b>18.2</b>	<b>20.8</b>	<b>25.3</b>	<b>34.0</b>	<b>42.0</b>	<b>42.3</b>	<b>43.4</b>
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.

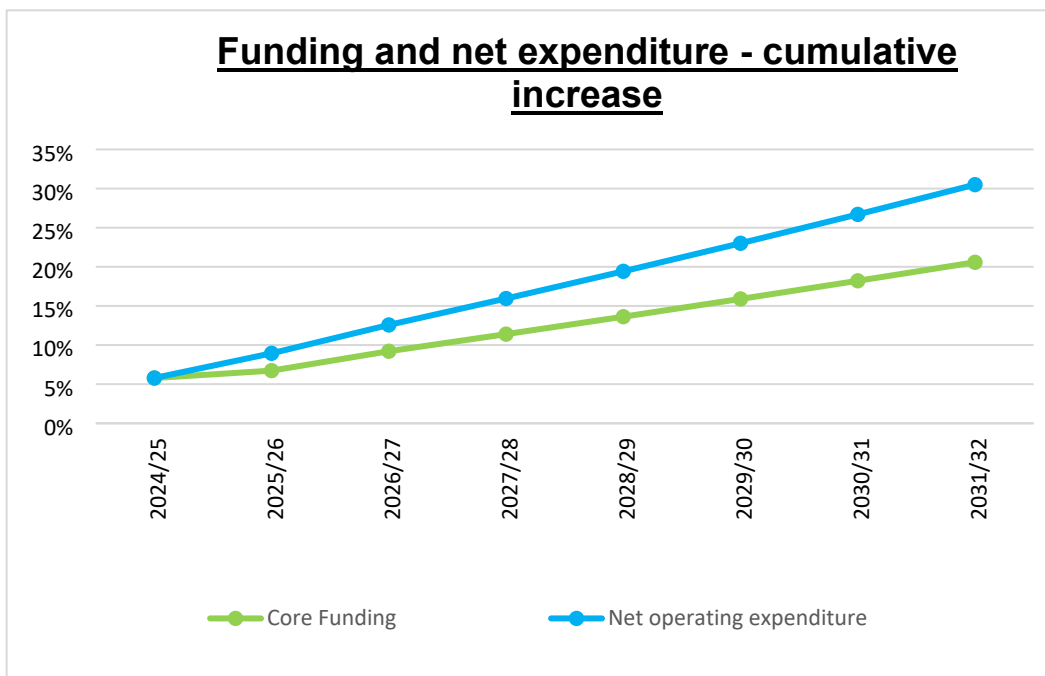
BUDGET ADJUSTMENTS	2024/25 £000's	2025/26 £000's	2026/27 £000's
<b><u>Cost Drivers</u></b>			
Inflation	8,520	4,420	4,420
Social Care Inflation	4,485	2,133	1,800
Social Care Activity	1,326	(650)	0
Capital Financial	1,290	270	495
Other (prior year reversals)	3,940	0	0
<b><u>Transformation Savings</u>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

- 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 prerequisite to being a sustainable Council. Within financial plans, there are a series of identified risks which could materialise and translate into cost pressures if mitigating action is not taken. In stress testing every pound spent, it remains a key part of the medium-term financial plan that nominated leads will be tasked with taking action to reduce the chance of risks materialising. This approach has avoided cost increases in previous years. However, the reality is that not all risks can be mitigated, and this approach relies upon there being sufficient capacity within reserves if needed (see Appendix 3).

5.15 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**

<b>2022/23 £000's</b>	<b>REVENUE RESERVES</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>	<b>2025/26 £000's</b>	<b>2026/27 £000's</b>
<b>Actual</b>		<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>Organisational Reserves</b>				
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
<b>41,195</b>	<b>Total Organisational Reserves</b>	<b>37,701</b>	<b>35,157</b>	<b>33,268</b>	<b>31,608</b>
	<b>Earmarked Reserves</b>				
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
<b>2,305</b>	<b>Total Earmarked Reserves</b>	<b>1,641</b>	<b>1,251</b>	<b>1,154</b>	<b>1,154</b>
	<b>Grant Reserves</b>				
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
<b>14,957</b>	<b>Total Grant Reserves</b>	<b>3,837</b>	<b>1,940</b>	<b>368</b>	<b>130</b>
<b>58,456</b>	<b>TOTAL COUNCIL RESERVES</b>	<b>43,179</b>	<b>38,348</b>	<b>34,790</b>	<b>32,892</b>
	<b>School Reserves</b>				
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
<b>13,808</b>	<b>Total School Reserves</b>	<b>12,639</b>	<b>11,639</b>	<b>10,639</b>	<b>9,639</b>
<b>72,265</b>	<b>TOTAL RESERVES</b>	<b>55,818</b>	<b>49,987</b>	<b>45,429</b>	<b>42,531</b>

## **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
<p>NNDR/Business Rate funding</p>	<p>Reduction and/or fluctuations in income against budget variation in:</p> <ul style="list-style-type: none"> <li>• Changes in the NNDR base, including: –               <ul style="list-style-type: none"> <li>○ Rateable values (e.g. appeals, economic downturn, changes in use, material change in circumstances)</li> <li>○ Collection rates</li> <li>○ Impact on the NNDR base of successful appeals (backdated and ongoing)</li> <li>○ Estimates of appeals provision higher/lower than actually required.</li> </ul> </li> <li>• 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.</li> <li>• Impact of national changes to the valuation methodology of specific business classification changing ratable values.</li> <li>• Future reset of the Business Rates Retention system.</li> </ul> <p>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.</p>	<p><b>Overall Risk Score: 16 (VERY HIGH)</b></p> <p>Likelihood: 4 Severity: 4</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Regular performance and financial reporting to senior management and Cabinet.</li> <li>• Local Taxation Smoothing and Strategic Risk Reserve maintained to provide a degree of protection from fluctuations in Business Rate Income</li> </ul>	<p><b>Overall Risk Score: 12 (HIGH)</b></p> <p>Likelihood: 3 Severity: 4</p>



Risk Element	Risk	Original Risk Assessment	Mitigation	Post Mitigation Risk Assessment
Other funding or expenditure shocks	<p>Variiances against budget in key economic variables (e.g. inflation and interest rates).</p> <p>Actual establishment above/below levels.</p> <p>Changing Government Policy.</p> <p>Pay and other inflation in excess of budget assumptions.</p> <p>Impact of household costs on demand for council interventions (e.g. homelessness and revenues and benefits caseload).</p> <p>Impact of economic factors on income (e.g. Council Tax collection rates, leisure and culture and commercial income).</p> <p>New competitors entering income markets.</p> <p>Changes in demand (e.g. social care)</p> <p>Increased pension contributions as a result of triennial pension fund valuation (due 2025)</p>	<p><b>Overall Risk Score: 16 (VERY HIGH)</b></p> <p>Likelihood: 4 Severity: 4</p>	<ul style="list-style-type: none"> <li>• Regular financial monitoring and reporting</li> <li>• Early identification of forecast variances reported to senior leadership and members and remedial action identified where possible.</li> <li>• External expertise sought budgeting and forecasting in specialist areas.</li> <li>• 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.</li> <li>• Risk management processes well established.</li> <li>• Full cost recovery fees and charges policy</li> <li>• Regular review of grant figures and distribution mechanisms.</li> <li>• Lobby through national groups, respond to national consultations.</li> <li>• Budget assumptions assume limited funding beyond 2024/25 in response to 1 year government funding settlement.</li> </ul>	<p><b>Overall Risk Score: 9 (HIGH)</b></p> <p>Likelihood: 3 Severity: 3</p>

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.	<b>Overall Risk Score: 16 (HIGH)</b>  Likelihood: 4 Severity: 4	<ul style="list-style-type: none"> <li>• Ongoing monitoring and analysis of service demands and needs.</li> <li>• Regular performance and financial reporting to senior leadership and members.</li> <li>• Council transformation approach – application of strategic operating model to challenge efficacy of investment and policies, driven by specific Transformational Programme Lead.</li> <li>• Organisational Development Plan focuses on the approach to enabling, progressive and sustainable implementing system re-design where required.</li> <li>• 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.</li> <li>• The application of the transformation and feasibility reserves will be closely monitored throughout the year.</li> </ul>	<b>Overall Risk Score: 9 (HIGH)</b>  Likelihood: 3 Severity: 3
Self-insurance	Insurance liabilities exceed resources available in the risk reserve.	<b>Overall Risk Score: 6 (MEDIUM)</b>  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.	<b>Overall Risk Score: 4 (LOW)</b>  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
<b>51,824.1</b>	<b>2,555,921.32</b>									

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**

Levying Body	Levy (£)	BAND (all figures in £)							
		A	B	C	D	E	F	G	H
<b>Internal Drainage Boards :</b>									
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
<b>Environment Agency (Anglian Northern &amp; Trent)</b>	92,262.86	1.19	1.38	1.58	1.78	2.18	2.57	2.97	3.56
<b>Other :</b>									
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
<b>Total</b>	<b>2,017,630.90</b>	<b>25.95</b>	<b>30.28</b>	<b>34.60</b>	<b>38.93</b>	<b>47.58</b>	<b>56.23</b>	<b>64.88</b>	<b>77.86</b>

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

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.

<b>Strategic Assessment: Robustness of Estimates</b>	
Adult Social care (demand and cost)	<p>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.</p> <p>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.</p>
Inflation	<p>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.</p> <p>Re-commissioning and re-procurement provide the Council with the opportunity to ensure contract prices remain market tested.</p>
Pay inflation	<p>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</p>

**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.
	<b>Total</b>	<b>500</b>	