

## **NORTH LINCOLNSHIRE COUNCIL**

### **COUNCIL**

#### **FINANCIAL STRATEGY, BUDGET 2021/22 AND MEDIUM TERM FINANCIAL PLAN 2021/24**

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

- 1.1. The purpose of this report is to set out the council's financial strategy, and within that framework to seek approval for the budget 2021/22 and the Medium Term Financial Plan 2021/24. The Financial Strategy supports the delivery of the Council Plan.
- 1.2. The report provides assurance on the council's financial resilience, confirms that the estimates presented in the report are robust and that reserves are adequate. This meets the requirements of section 25 of the Local Government Act 2003 and provides a basis for Council to set a balanced budget.
- 1.3. The key decisions required in accordance with Section 31 to 52 of the Local Government Finance Act 1992 (and subsequent modifying legislation) are:
  - To set the council's revenue budget for 2021/22
  - To set the Council Tax for 2021/22
  - To approve an indicative medium term financial plan for 2021/24

#### **2. BACKGROUND INFORMATION**

##### Local Government Financial Framework

- 2.1. The Council operates within legally defined powers to fulfil a range of duties through its local service offer. These include powers to raise funding to meet the costs of delivery. The council must decide on its spending power, taking into account how much government grant and business rates it will receive and the level of Council Tax it intends to set.
- 2.2. The council has a legal requirement to set a balanced budget for the next financial year and a robust financial forecast for the medium term financial planning period. In line with the council's ambition to be financially sustainable, a three year plan has been produced which will support the council in linking its anticipated resources over the period to its strategic direction. It is important to note that the numbers are less certain further into the plan due to the potential structural changes to local government finance discussed further on in this report.

- 2.3. The costs of running local services are partly met from local taxation, and partly from government grant. The balance between local and central funding has shifted considerably over the past decade, and will continue to do so over the medium term financial planning period with a greater emphasis on local autonomy driven by a greater reliance on locally generated income.

#### Local Government Finance Settlement 2021/22

- 2.4. Local Government funding is predicated through a legal framework, set by Ministry of Housing, Communities and Local Government (MHCLG). As part of the Local Government Finance Settlement 2021/22, an additional £2.2bn has been made available to Local Government next year. To realise £1.9bn of the total increase, local authorities will need to levy council tax increases up to 2% and adult social care precept increases of up to 3% in 2021/22.
- 2.5. A summary of all the other key points to note from the settlement are as follows:
- The business rates multiplier has been frozen at 2020/21 levels, which is positive for businesses and with the Council compensated for its share
  - Temporary NNDR reliefs are not currently planned to continue (although Government retain means to do so if it deems necessary)
  - Core revenue support grant marginally increased by inflation
  - Improved better care fund held at 2020/21 levels
  - New homes bonus continues to reduce in value
  - Increase in social care grant funding

#### Future of Local Government Finance

- 2.6. The Chancellor plans to publish the Budget on 3<sup>rd</sup> March 2021, which is expected to set out the next phase of the planned fiscal response to the Covid-19 pandemic and also set out the parameters for a spending review later in 2021. The spending review represents a national re-prioritisation exercise that considers the overall availability of resources for public services and distributes according to national policy priorities and is the mechanism by which Government will take a view on the total level of resources to be made available to Local Government.
- 2.7. Additionally, the Government is committed to continuing to work towards progressing fundamental reform of Local Government finance. It is anticipated the Budget will set out further information on steps to ensure the public finances are on a sustainable path through a comprehensive spending and fair funding review with one of the key objectives to simplify the needs allocation system and ensure a fairer distribution that better reflects need to spend.

## Local Strategic Context

- 2.8. North Lincolnshire Council is responsible for a range of vital functions for people and businesses in defined areas. The functions are broad ranging such as children and adults social care, education, planning, waste collection, licensing, support to business, registrar services and pest control. The framework governing what councils do is based upon legislation, born out of many years' national policy. Councils have freedoms and flexibilities to determine many things locally, based upon local circumstances and needs of the population.
- 2.9. The Council sets its policy framework through two key strategic documents: The Local Plan (place shaping) and Council Plan (ambition, purpose, priorities and use of resource).
- 2.10. The Council's main purpose is to **Lead** the place of North Lincolnshire; **Promote** prosperity and wellbeing; **Prevent** and protect from harm, **prioritising the most vulnerable**, in order to achieve better outcomes for the people and place of North Lincolnshire. The outcomes are themed under four areas:
- Safe
  - Well
  - Prosperous
  - Connected
- 2.11. The proposed budget for 2021/22 presents a balanced position – and illustrates that the funds we have are spent on our priorities, demonstrating contribution to achieving desired outcomes for people and place. Appendix 3 summarises the investments made under each outcome theme and the approach taken to ensure future sustainability.
- 2.12. To ensure that the council is sustainable, the functions it is responsible for are constantly reviewed, as is the way we operate and the impact it has on achieving successful outcomes. Through the Council Plan, the Council has prioritised its contribution under four areas, detailed in Appendix 3:
- Keeping people safe and well
  - Enabling resilient and flourishing communities
  - Enabling economic growth and renewal
  - Running the business well
- 2.13. The financial plan for 2021-24 is set in the context of the Covid-19 pandemic. Further analysis in respect of the financial implications are considered in Appendix 2. At this stage in our local recovery and renewal framework, a pragmatic approach to setting the budget for 2021-22 has been taken. This allows for further consideration to be given as gradual emergence from national restriction occurs and to align to medium term renewal plans.

### Members' Allowance

2.14. Included within the budget is the cost of the members' allowances scheme. At the meeting of the Council on 26 February 2020 (minute 2718 refers) it was agreed that the Members' Allowance Scheme should be retained unchanged for a further three years: 2020/21, 2021/22 and 2022/23. Under the Local Authorities (Member' Allowances) (England) Regulations 2003 it is necessary for the Council to approve the scheme for 2021/22 as referred to and in accordance with minute 2718 of the Council.

### Financial Strategy

2.15. The council has made significant progress in maintaining and improving services to local people, risen to the challenge of increasing pressures on locally generated income and ensuring value for money is achieved. It has responded to and effectively managed the response to the Covid-19 pandemic alongside the impact of a range of social, demographic and legislative challenges which increase demand on the council's resources.

2.16. It is paramount that the council takes the right steps to drive a robust and financially sustainable position. Without that, achievement of better outcomes for local people is compromised. For that reason the Council must continue to develop, modernise and change the way it operates.

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

- Grow the tax base. Enabling economic growth and renewal in the local economy and housing market.
- Maximise income by investing wisely in commercial activity and ensuring traded services fully recover costs.
- Take full advantage of opportunities to access external funding sources which will support achieving the council's ambitions.
- Find innovative ways of enablement and delivery, and only invest in things that demonstrate greatest impact to deliver ambitions for best place and best council.
- Ensure financial decision making is based on robust plans that match our ambition and secures value for money.
- Seek opportunities with partners to maximise economies of scale whilst enabling communities to take more responsibility for their local facilities.

2.18. The mechanisms for translating this Financial Strategy into action are the annual budget and Medium Term Financial Plan (MTFP). These are the means for allocating resources to priorities, identifying areas for investment

and disinvestment and for directing organisational delivery of statutory duties and council ambitions.

- 2.19. In determining the medium financial plan 2021/24 the values set out in the Council plan have been applied. This is contained within Appendix 2 (see 2.4).

### Financial Resilience

- 2.20. Financial resilience, the ability to weather financial shocks, is an important consideration for council sustainability. There are a number of indicators of the current health of council finances, which form part of the overall consideration in determining financial plans and budgets.

- 2.21. External auditors gave a clean bill of health on the council's accounts for 2019/20 as they have each year since the inception of North Lincolnshire Council. This includes reviewing the arrangements for securing economy, efficiency and effectiveness in the use of resources. The financial outturn for 2019/20 was net expenditure of £1.5m (1.1%) above the cash limited budget of £143.2m.

- 2.22. The council is currently forecasting that its net operating cost will be £0.5m below the 2020/21 budget set at outturn. This has improved over the year with further improvement expected at the time of the final reported position. Some pandemic response grant funding will be set aside at year-end as it was provided in advance of need.

- 2.23. The forecast reflects an increase in complex need within adult social care, combined with an increase in the cost of care packages. This has been recognised in the Local Government finance settlement with additional grant funding being provided and precept funding enabled in 2021/22.

- 2.24. The Chartered Institute of Public Finance and Accountancy (CIPFA) publish a financial resilience index, which is designed to support and improve discussions surrounding the financial resilience of individual Council's. The index shows each Council's performance against a range of measures associated with financial risk, covering: reserve levels, social care spending, fees and charges, and debt. Relative to other Council's, North Lincolnshire is deemed a lower risk in respect of social care spending, and a higher risk in respect of reserves being held. This is considered further in Appendix 4.

## **3. OPTIONS FOR CONSIDERATION**

- 3.1. The annual Revenue Budget for 2021/22 and Medium Term Financial Plan 2021/24 is proposed for approval in Appendix 2.
- 3.2. The Revenue Budget assumes a level of income from general Council Tax of £70.125m. This is based upon a general Council Tax band D equivalent

rate of £1,412.67, which represents an increase of 1.99% from the total 2020/21 band D rate.

- 3.3. The revenue budget assumes the level of income from the Adult Social Care precept of £8.919m. This is based upon an adult social care precept rate of £179.68, which represents an increase of 3% from the total 2020/21 band D rate.
- 3.4. Appendix 6 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 6; any currently not yet declared will be available on the day of Council.

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

- 4.1. The budget proposal for 2021/22 set out in this report represents a balanced budget where net operating expenditure is equivalent to the Council's estimate of spending power.
- 4.2. The 2021/24 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.

#### **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 2021/22 to be based upon robust estimates and supported by an adequate level of reserves. The budget proposal requires action to be continually taken to ensure it can be delivered.

Delivering the budget proposal set out in this report requires action to be taken across the Council. These are clearly identified and understood and will be subject to specific monitoring by the Council's leadership.

## 5.2. **Adequacy of Reserves**

The reserve statement and strategy set out in Appendix 4 identifies the level of reserves expected to be available over the medium-term financial plan period. On the basis of this strategy, as the council's Chief Financial Officer, I consider that Council reserves will be sufficient to provide adequate cover for identified risks, including the inherent funding uncertainty beyond 2021/22. It is important that Council finances are robust in times of uncertainty and achieve long term financial sustainability.

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

### Legal Requirements

- 6.1. The budget and Council tax decision itself must meet a number of statutory requirements. These are summarised here and provide the basis for the report's recommendations.
- 6.2. When setting the budget for 2021/22 the Council has the power to decide the level of the revenue budget and the necessary Council tax to support it. Under the Local Government Act, 1988 this must be a **balanced budget** meaning that the Council must not run a deficit.
- 6.3. Additionally, under the Local Government Act 2003, the Chief Financial Officer must report to Full Council when it is considering its budget and Council Tax on:
  - The **robustness of the budget estimates** being considered (Part 2 Section 25 (1)(a) of the Act) (5.1); and,
  - The **adequacy of reserves** allowed for in the budget proposals. The council has to ensure that its budget makes allowances for reserves at least equal to the statutory minimum (Part 2 Section 25 (1) (b) of the Act) (5.2).
- 6.4. The Director of Governance and Partnerships is the council's Chief Financial Officer under Section 151 of the Local Government Act, 1972. Her advice is contained in Appendix 7, and throughout the rest of the report. The Act at Part 1, Section 25 (2) requires that members of the council take account of these factors in making their decisions.
- 6.5. Sections 31 to 52 of the Local Government Finance Act 1992 define what the council needs to determine as part of its budget and Council Tax decision, as modified by the Local Government Finance Act 2012 and the Localism Act 2011.

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

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

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

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

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

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

8.2. No conflicts of interest have been declared.

## **9. RECOMMENDATIONS**

9.1. To set a revenue budget for 2021/22.

9.2. To approve the indicative Medium Term Financial Plan for 2021/24.

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

9.4. To note the uncertainty relating to Local Government financial reform due to be implemented in 2021/22, and request that the Director of Governance and Partnerships provides regular updates to Cabinet during 2021/22.

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 2021/22 in line with financial procedure rules.

9.6. That the Council's Chief Financial Officer be authorised to distribute the provision for pay and contract inflation when the impact can be quantified.

- 9.7. To authorise the council's Chief Financial Officer to produce the necessary taxpayer information on the council website.
- 9.8. Pursuant to minute 2718 of the Council, the Members' Allowance Scheme for 2021/22 be approved.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

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Date: Wednesday 17th February 2021

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

- 2020/21 Financial Monitoring and Medium Term Financial Plan Update (Q1/2/3)
- Calculating the Council Tax Base 2021/22
- Setting the National Non-Domestic Rates Tax Yield 2021/22
- 2021/22 Local Government Finance Settlement
- Schools Funding Formula 2021-22 (Cabinet Member report)

That the following technical recommendations be approved:

1. That the general council tax band D rate be set at £1,412.67, which represents an increase of 1.99% from the total 2020/21 band D rate.
2. That the adult social care precept band D rate be set at £179.68, which represents an increase of 3% from the total 2020/21 band D rate.
3. To note that at its meeting held on 25 January 2021 Council calculated the following amounts for the year **2021/22**. These are as required by regulations made under Section 33(5) of the Local Government Finance Act 1992:
  - (a) **49,640.3** 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 5**, column 2 (regulation 6)
4. That the following amounts calculated for **2021/22**, as required by Sections 31 to 52 of the Local Government Finance Act 1992 as amended, be approved:
  - (a) **£79,627,342** being the **relevant basic amount of Council tax** for 2020/21 (Council Tax requirement for the Council's own purposes excluding parish precepts but including special expenses)
  - (b) **£338,171,673** 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) **£256,857,415** 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) **£81,314,258** 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) **£1,638.07** 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) **£2,269,526** being the aggregate amount of all special items and Parish precepts referred to in Section 34(1) of the Act, as per **Appendix 5A (Total of all Parish Precepts and Special Expenses)**
  - (g) **£1,592.35** being the amount at 4(e) above less the result given by dividing the amount at 4(f) above by Item T, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates
  - (h) **£36.07** 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 2021/22 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 2021/22 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 4**.
  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 8**.

## MEDIUM TERM FINANCIAL PLAN

## Appendix 2

Table 1 – Estimate of Spending Power

2020/21 Approved Budget £000's		2021/22 Provisional Budget £000's	2022/23 Provisional Budget £000's	2023/24 Provisional Budget £000's
	<b>FORECAST SPENDING POWER</b>			
(1,925)	<b>Use of Reserves</b>	-	-	-
	<b>SETTLEMENT FUNDING</b>			
(6,198)	Revenue Support Grant	(6,232)	(6,232)	(6,232)
(33,171)	NNDR Baseline Funding	(33,171)	(33,769)	(34,434)
<b>(39,369)</b>	<b>Total Settlement Funding</b>	<b>(39,403)</b>	<b>(40,001)</b>	<b>(40,666)</b>
	<b>OTHER GENERAL FUNDING</b>			
(69,546)	Council Tax (1.99% 21/22 - 23/24)	(70,708)	(72,925)	(75,290)
(6,694)	Social Care Precept (3% 21/22)	(8,919)	(8,999)	(9,087)
(972)	Collection Fund Surplus (-) / Deficit (+): CTAX	586	455	455
(2,563)	Collection Fund Surplus (-) / Deficit (+): NNDR	(2,677)	921	921
(9,158)	NNDR Rate Retention Income	(11,516)	(11,720)	(13,269)
(414)	New Homes Bonus	(206)	(146)	-
(7,025)	Improved Better Care Fund	(7,025)	(7,025)	(7,025)
(206)	Rural Services Delivery Grant	(216)	(216)	(216)
(420)	DSG Central School Services	(437)	(437)	(437)
(4,515)	Social Care Grant	(5,559)	(5,559)	(5,559)
-	Lower Tier Services Grant	(252)	-	-
(9,251)	Public Health Grant	(9,251)	(9,251)	(9,251)
<b>(110,764)</b>	<b>Total Base Funding</b>	<b>(116,180)</b>	<b>(114,902)</b>	<b>(118,758)</b>
<b>(152,058)</b>	<b>TOTAL CORE FUNDING</b>	<b>(155,583)</b>	<b>(154,903)</b>	<b>(159,424)</b>
	<b>COVID-19 FUNDING</b>			
-	Emergency Unringfenced Grant	(4,544)	-	-
-	Local Council Tax Support Grant	(1,398)	-	-
-	Local Tax Income Guarantee Grant: CTAX	(267)	-	-
-	Local Tax Income Guarantee Grant: NNDR	(861)	-	-
-	Sales, Fees & Charges Compensation	-	-	-
-	<b>Total COVID-19 Funding</b>	<b>(7,070)</b>	<b>-</b>	<b>-</b>
<b>(152,058)</b>	<b>TOTAL FUNDING</b>	<b>(162,653)</b>	<b>(154,903)</b>	<b>(159,424)</b>

Table 2 – Priority Investment Summary

2020/21 Approved Budget £000's		2021/22 Provisional Budget £000's	2022/23 Provisional Budget £000's	2023/24 Provisional Budget £000's
	<b>PRIORITY INVESTMENT</b>			
70,222	Keeping People Safe And Well	73,286	74,562	75,666
25,249	Enabling Communities To Flourish	27,099	27,099	27,099
7,679	Grow ing The Economy	7,857	7,583	7,463
26,116	Running the Business (Organisation)	27,039	26,618	26,218
22,792	Running the Business (Technical)	20,882	22,484	23,201
<b>152,058</b>	<b>PRIORITY TOTAL</b>	<b>156,163</b>	<b>158,346</b>	<b>159,647</b>
-	Inflationary Provisions	1,946	5,446	8,946
-	Covid-19 Resource	4,544	-	-
-	<b>OTHER BUDGETS</b>	<b>6,490</b>	<b>5,446</b>	<b>8,946</b>
-	Cost Reductions in Development	0	(8,889)	(9,169)
<b>152,058</b>	<b>NET OPERATING EXPENDITURE</b>	<b>162,653</b>	<b>154,903</b>	<b>159,424</b>

**Table 3 – Accountability Framework**

2020/21 Approved Budget £000's	MANAGEMENT ACCOUNTABILITY	2021/22 Provisional Budget £000's	2022/23 Provisional Budget £000's	2023/24 Provisional Budget £000's
(150)	Business Development	362	38	(282)
17,094	Governance & Partnerships	18,228	18,007	17,807
32,492	Operations	33,347	33,287	33,287
7,085	Public Health	7,232	7,232	7,232
11,981	Learning, Skills & Culture	12,325	12,268	12,268
22,411	Children & Community Resilience	22,772	22,584	22,498
39,797	Adults & Community Wellbeing	42,459	43,890	45,080
21,348	Central & Technical Budgets	19,438	21,040	21,757
<b>152,058</b>	<b>SERVICE TOTAL</b>	<b>156,163</b>	<b>158,346</b>	<b>159,647</b>
-	Inflationary Provisions	1,946	5,446	8,946
-	Covid-19 Resource	4,544	-	-
-	<b>OTHER BUDGETS</b>	<b>6,490</b>	<b>5,446</b>	<b>8,946</b>
-	Cost Reductions in Development	-	(8,889)	(9,169)
<b>152,058</b>	<b>NET OPERATING EXPENDITURE</b>	<b>162,653</b>	<b>154,903</b>	<b>159,424</b>

**Table 4 – Subjective Analysis 2021/22**

SUBJECTIVE ANALYSIS	2021/22 Provisional Budget £000's
Employees	100,229
Premises Costs	7,104
Transport Costs	6,345
Supplies & Services	29,352
Third Party Payments	114,947
Capital Financing	11,541
<b>GROSS EXPENDITURE</b>	<b>269,518</b>
Sales Fees & charges	(26,179)
Rents	(4,973)
Other Income	(4,524)
Payments from other LAs	(672)
Joint Finance	(938)
Government Grants	(66,358)
Interest	(75)
Internal Recharges	(3,147)
<b>GROSS INCOME</b>	<b>(106,865)</b>
Cost Reductions in Development	0
<b>NET OPERATING EXPENDITURE</b>	<b>162,653</b>

## 1. ANALYSIS OF FUNDING (Table 1 – Estimate of Spending Power)

- 1.1. As set out in Table 1, the Council's core forecast spending power in 2021/22 is £155.6m, which represents an increase of £3.5m from 2020/21. The Council will also receive more than £7.1m of Covid-19 specific funding.
- 1.2. The Council's spending power comprises a combination of locally generated resources and nationally allocated grant funding. These are shown in the funding table with each component considered further in this appendix. The basis on which they have been calculated is explained with any risk that may cause the figures to vary considered.

### **Local Resources:**

Council Tax (including ASC precept)  
Business Rates (NNDR)  
Fees and Charges for services  
Other commercial income (rents)  
Reserves

### **National Resources:**

Non-specific grant funding  
Activity specific grant funding  
Covid-19 grant funding

- 1.3. Over the past decade, central government have progressed a shift towards expenditure on local services being funded by a greater proportion of local income generation. This places a greater incentive on local areas to grow their local economy coupled with local decision making about council tax income levels relative to investment need within the national policy framework. Fundamentally, this shift contains an inherent risk that incomes could reduce during periods of economic contraction.

### Covid-19 Pandemic

- 1.4. The emergence of Covid-19 in March 2020, the impact to the public health of the country, and the continuous interventions introduced by Government since mean that the country and the economy are in a very different position to what had been envisaged twelve months ago. This amounts to a material change of circumstances to the financial planning environment since the Council's last budget setting meeting in February 2020.
- 1.5. To maximise focus on dealing with the immediacy of the ongoing public health emergency, national financial policy changes have been short-term in nature. This is an important consideration, because higher uncertainty beyond the short-term constrains the Council's ability to plan for the long-term, coupled with the Council's primary focus being on keeping residents safe and well, leading its communities through the pandemic.
- 1.6. Local authorities have been instrumental in enabling and embedding community led approaches to contain the pandemic and achieve synergies through joint work with other public agencies and wider stakeholders. Local authorities are best placed to understand the needs of their local area and residents and can tailor approaches accordingly. The strengthening of

partnerships and increase in resilience of local communities is a positive outcome which provides ongoing opportunities in the recovery and renewal phase.

- 1.7. The Government have recognised the importance of this and have provided financial support in 2020/21 and 2021/22. This increases local capacity to support local areas and recognises the impact to pre-existing financial plans brought about by the necessary changes to delivery models.
- 1.8. There are two inherent risks to the Council's spending power which are important to consider. In the short-term, income from the local taxbase is expected to be impacted because of the change in economic conditions over the past twelve months. This is considered further in the council tax and business rates section below. Over the medium-term, the Government have already stated the need to bring public finances back under control and this could have implications for spending on public services.

#### Spending Review 2020 and Local Government Finance Settlement 2021/22

- 1.9. The Chancellor presented the results from the 2020 Spending Review on Wednesday 25<sup>th</sup> November 2020. In addition to providing a comprehensive update on the state of the national public finances, it set departmental resource levels for 2021/22. A short one-year timeframe was preferred to enable the Government to prioritise its response to the Covid-19 pandemic.
- 1.10. The UK economy and public finances are materially different from the Budget presented in March 2020. Key points to note:
  - Gross domestic product, which measures the size of the economy, is predicted to fall by 11.3% in 2020, before returning to growth in 2021. However, the economy is not expected to reach pre-crisis levels until the end of 2022.
  - Borrowing and debt has significantly increased, reflecting the wide scale interventions from the Government in supporting businesses and individuals, and recognising increased need within public services.
  - Unemployment has risen and is expected to peak at 7.5% during the middle of 2021. This compares to an unemployment rate of 4% during 2020 (Q1).
- 1.11. The Budget presented by the Chancellor in March 2020 assumed that nationally the Government would generate enough through taxation receipts to fund day to day expenditure, with borrowing needed for capital investment. As a result of increased expenditure and reduced receipt forecasts over the period, the Treasury anticipates borrowing large sums over the period which is not deemed to be sustainable beyond the medium term. Revisions to the estimates presented in March 2020 are expected in the 2021 budget alongside steps to ensure the public finances are on a sustainable path which is likely to have implications for investment levels in public services, taxation and other Government spending.

1.12. At a national level, core spending power for Local Government will increase from £49.0bn in 2020/21 to £51.2bn in 2021/22, comprising:

- £1.9bn from an option to levy a 3% adult social care precept in 2021/22, in addition to an option of a 2% general rate increase.
- An additional £0.3bn of new grant funding for adult and children's social care in addition to maintaining the £1bn announced at SR19.
- Revenue support grant will be increased in line with inflation.
- The business rates multiplier will be frozen in 2021/22, with Councils compensated via additional section 31 grant.

1.13. The draft Local Government Finance Settlement 2021/22 was published on Thursday 17<sup>th</sup> December 2020. and confirmed announcements from the Spending Review 2020 and translated them into funding allocations for each Council.

1.14. The core spending power summary for England is as follows:

Illustrative Core Spending Power	England (figures in £Bn's)						
	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Settlement Funding Assessment	21.2	18.6	16.6	15.6	14.6	14.8	14.8
Business Rate under indexation grant	0.2	0.2	0.2	0.3	0.4	0.5	0.7
Council Tax & ASC Precept	22.0	23.2	24.7	26.3	27.8	29.2	31.1
Improved Better Care Fund	-	-	1.1	1.5	1.8	2.1	2.1
New Homes Bonus	1.2	1.5	1.3	0.9	0.9	0.9	0.6
Rural Services Delivery Grant	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Transition Grant	-	0.2	0.2	-	-	-	-
Adult Social Care Support Grant	-	-	0.2	0.2	-	-	-
Winter Pressures Grant	-	-	-	0.2	0.2	-	-
Social Care Support Grant	-	-	-	-	0.4	-	-
Social Care Grant	-	-	-	-	-	1.4	1.7
Lower Tier Services Grant	-	-	-	-	-	-	0.1
<b>CORE SPENDING POWER</b>	<b>44.7</b>	<b>43.7</b>	<b>44.3</b>	<b>45.1</b>	<b>46.2</b>	<b>49.0</b>	<b>51.2</b>

1.15. The core spending power summary for North Lincolnshire is as follows:

Illustrative Core Spending Power	North Lincolnshire (figures in £M's)						
	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Settlement Funding Assessment	58.5	50.9	45.3	42.1	38.7	39.4	39.4
Business Rate under indexation grant	0.4	0.4	0.5	0.7	1.1	1.3	1.7
Council Tax & ASC Precept	57.9	60.9	65.6	69.5	72.7	76.2	81.5
Improved Better Care Fund	-	-	3.7	5.0	6.3	7.0	7.0
New Homes Bonus	2.7	3.2	2.1	1.0	0.7	0.4	0.2
Rural Services Delivery Grant	0.0	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
Lower Tier Services Grant	-	-	-	-	-	-	0.3
<b>CORE SPENDING POWER</b>	<b>119.6</b>	<b>115.6</b>	<b>118.0</b>	<b>119.8</b>	<b>121.8</b>	<b>129.1</b>	<b>135.9</b>

According to Treasury calculations, North Lincolnshire Council can access an additional £6.8m in 2021/22. Of the increase, £5.3m assumes the full council tax increases are applied locally.

- 1.16. The Government have also continued to acknowledge the ongoing impact of Covid-19 on local authority finances and have announced further details of its £3bn Covid-19 support package for 2021/22. This includes:

<b>Scheme</b>	<b>Detail</b>	<b>NLC Allocation</b>
Un-ringfenced emergency funding	Un-ringfenced grant funding provided to cover any Covid-19-related costs for the priority pressures (e.g. social care, shielding, homelessness) and any further Covid-19 costs in 2021/22.	£4.5m
Local council tax support grant	New, un-ringfenced funding that will be provided to authorities in recognition of the increased costs of providing local council tax support due to the pandemic.	£1.4m
Local tax income guarantee	The Spending Review confirmed that local authorities will be compensated for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21.	TBC*
Sales, fees and charges extension to June 2021	A continuation of the scheme that is currently in operation in 2020-21, for the first 3 months of the 2021/22 financial year.	TBC

\*An estimate has been made for the council tax element of the local tax income guarantee. Detailed Government guidance around the business rate element has not been received at the time of writing.

- 1.17. The Spending Review set aside a further £21.3bn which has not yet been allocated to Government departments, and represents further funding set aside by Government to respond to the Covid-19 pandemic as it sees necessary.
- 1.18. The Spending Review also provided an update for the upcoming potential changes to Local Government finance:
- The move to 75% business rate retention and the implementation of the fair funding review has been delayed.
  - The Treasury has decided not to proceed with a reset of business rates baselines in 2021-22 and will maintain the existing 100 per cent business rates pilots for a further year.
  - The Treasury is undertaking a fundamental review of the business rates system and is currently considering responses to the call for evidence. A final report setting out the full conclusions of the review will be published in spring 2021.

- 1.19. The Chancellor has announced that the Government will publish its next budget on Wednesday 3<sup>rd</sup> March 2021. The Budget will set out the next phase of the plan to tackle the virus and protect jobs and will be published alongside the latest forecasts from the Office for Budget Responsibility (OBR).
- 1.20. This raises uncertainty for the medium and long-term shape, size and structure of Local Government finance. It is possible that fiscal consolidation extends to future settlements for Local Government and is a risk that is reflected in Council's updated reserve strategy in Appendix 4.
- 1.21. It is also possible that the impact of the pandemic will bring wider systemic changes to local taxation. Council tax and business rates have largely remained the same for many years. The Government have already committed to a fundamental review of business rates – focussing on how the business rates system currently works, issues to be addressed, ideas for change and a number of alternative taxes.

#### Council Tax & Adult Social Care Precept

- 1.22. Income from council tax equates to just over half of the Council's core funding base. It is the most important source of funding to the Council and is the one to which it has most control. There is generally a lower degree of volatility within council tax than other funding sources, such as business rates. Its relative importance has continually increased over the past ten years.
- 1.23. Gross forecast income from council tax is based on two key assumptions:
  - (i) the Council Tax base (expressed in band D equivalents)
  - (ii) the band D rate of Council Tax.
- 1.24. Full Council met on Monday 25<sup>th</sup> January 2021 and set the 2021/22 council tax base at 49,640.3 band D equivalents, a reduction of 0.5% compared to 2020/21. It is a further reduction from the taxbase for 2021/22 which was assumed in the 2020/23 medium term financial plan, 50,279.5 band D equivalents, with the biggest contributing factors set out below (including band D impact):
  - A reduction in the collection percentage estimate
  - A reduction in future property growth forecasts
  - An increase in the number of single adult households
  - More CTSS recipients than had been expected
  - Lower property growth to October 2020 than had been expected
- 1.25. Most of the downward revisions in the taxbase estimate are directly attributable to the Covid-19 pandemic. The overall taxbase estimate aims to reflect a realistic and prudent position, recognising the increased risk to the taxbase. The current reality is that the short, medium and long term effects to the economy are uncertain, which increases the profile and importance of in-year monitoring so that material variances can be flagged at the earliest

opportunity. The Council's intelligence led monitoring during 2020/21 informed the 2021/22 taxbase estimate. Any variance in council tax income during 2021/22 would result in a collection fund surplus or deficit in 2022/23.

- 1.26. Beyond 2021/22, the impairment to the taxbase is expected to begin unwinding but this process is assumed to take several years and will be intertwined with the state of the national economy. Overall tax base growth of 0.9% is assumed in 2022/23, with a further 1% increase in 2023/24. This will be kept under active review going forward.
- 1.27. In the 2021/22 Local Government Finance Settlement, the Government maintained the council tax referendum limit for general council tax increases at 2%. When making its assessment of Spending Power for Local Government, the Government assume that Council's will maximise their flexibilities to increase council tax. This plan assumes a 1.99% increase in 2021/22, with further 1.99% increases in 2022/23 and 2023/24. The increase in 2021/22 equates to £2.52 per month per band D property (£1.68 per month per band A property).
- 1.28. In addition, Councils are also able to levy an additional increase in the adult social care precept. This represents a local charge to contribute towards the cost of social care services. To date, the Council has maximised its possibilities under the adult social care precept to increase the funding available to support the local social care system. In the settlement, it was announced that an additional 3% adult social care precept could be levied either fully in 2021/22, or across 2021/22 and 2022/23. This plan assumes a 3% increase is applied in 2021/22, which equates to £3.79 per month per band D property (£2.53 per month per band A property).
- 1.29. The relative importance of council tax has increased significantly over the last ten years. It now accounts for over half of funding. Total funding from council tax and the adult social care precept is expected to be 39% higher in 2023/24 than it was in 2016/17. This is demonstrated in the table below:

<b>Council Tax Summary</b>	<b>2016/17</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>
Council Tax Base	46,498.1	48,147.2	48,602.1	49,442.8	49,889.5	49,640.3	50,081.5	50,572.0
Council Tax Rate:								
General rate (band D)	1,273.86	1,286.72	1,313.61	1,354.75	1,382.49	1,412.67	1,444.36	1,476.68
ASC Precept (band D)	25.48	64.46	104.99	104.99	134.18	179.68	179.68	179.68
Council Tax Yield:								
General rate (£M)	59.2	62.0	63.8	67.0	69.0	70.1	72.3	74.7
ASC Precept (£M)	1.2	3.1	5.1	5.2	6.7	8.9	9.0	9.1

- 1.30. 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 5.

- 1.31. Finally, a number of bodies impose levies on the Council's general income from council tax. This includes: the Environment Agency, five Internal Drainage Boards and the Port Health Authority. The levy demands contribute towards the cost of activities undertaken by those bodies which provide benefit to North Lincolnshire, particularly water management and flooding prevention. The levies that have been requested are contained in Appendix 6 and equate to a charge per band D property of £30.88 funded from the Council's general council tax income.
- 1.32. 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.

### Business Rates

- 1.33. 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.
- 1.34. At Budget 2020, a fundamental review of the business rates system in England was set out, to be led by HM Treasury. The objectives for the review are: reducing the overall burden on business; improving the current business rates system; and considering more fundamental changes in the medium-to-long term. The review will not consider the structure of the local government funding system. Consultation concluded in October 2020 with conclusion expected in Spring 2021, potentially with announcements at Budget 2021 on Wednesday 3<sup>rd</sup> March 2021.
- 1.35. The Covid-19 pandemic emerged after the business rates taxbase was set for 2020/21. The taxbase estimate for 2020/21 reflected a growing economy. The economy has since been materially impacted by the public health emergency. To support businesses in 2020/21, the Treasury increased retail discount to 100% and expanded to cover all retail, leisure, and hospitality businesses, having originally been set at 33% for a narrower set of retail properties within a rateable value threshold. The changes mean that around 60% of businesses in North Lincolnshire do not pay any business rates in 2020/21, amounting to around £20m in additional foregone income, over and above the level assumed in the 2020/21 taxbase estimate. The Council is compensated via increased section 31 grant.
- 1.36. In addition, various business grants have been provided throughout the financial year which now exceed £40m. The Council continues to engage with local businesses through this challenging period as it prioritises enabling economic recovery, growth and renewal.
- 1.37. The Treasury had planned some major changes to the business rates retention system to take effect in or prior to 2021/22, including:

<b>Change</b>	<b>Commentary</b>
National revaluation of rateable values	The commitment to revaluing the rateable value for each business property has been postponed to 2023 to reduce uncertainty for businesses.
Reset of business rate baselines	Originally due to take place in 2020/21, there will be no reset of the business rates baseline for 2021/22. A reset could have led to a revised net yield, absorbing growth or losses and changing tariff and top-up amounts.
Move to 75% business rate retention	The planned increase of the amount of business rates retained locally to 75%, offset by reducing grant, has been delayed.

The timing of these changes has already been impacted by the Covid-19 pandemic and could be further impacted by the conclusion of the Treasury's fundamental review of business rates.

1.38. It is important to note that the taxbase approved for 2021/22 assumes that the Covid-19 specific interventions in respect of 100% retail relief and nursery relief will cease at the end of 2020/21. The Financial Secretary to the Treasury made a Written Ministerial Statement (WMS) to Parliament requesting billing authorities to consider waiting until the Chancellor has set out his plans at the Budget on 3 March, before issuing bills for 2021/22. This indicates that further changes to reliefs may be announced.

1.39. In the 2020 Spending Review, the Chancellor of the Exchequer announced a freezing of the business rates multiplier in 2021/22 to support businesses. This maintains the small business multiplier at 49.9p (per £1 of rateable value) and the upper multiplier at 51.2p. This is positive for businesses, with the Council's lost share of income compensated via additional section 31 grant.

1.40. Under the current system, the Treasury currently attributes each Council:

- A baseline funding level – the Treasury estimate of how much it expects each Council to need from business rates
- An estimated net yield – the Treasury estimate of how much it thinks will be collected by each Council

Where more is collected than needed, a tariff is payable. Where more is needed than collected, a top-up is due. This redistributes resource nationally to ensure all authorities business rates income is relative to their determined resource need.

1.41. The settlement sets out the Council's baseline funding level, the amount it expects the area to collect in business rates and the resultant tariff due to be paid. The tariff is structurally fixed until the next revaluation or reset of business rate baselines. The NNDR baseline funding is incorporated into the core spending power assessment (see 1.15), and is set out below:

<b>Settlement NNDR Assessment</b>	<b>2020/21 £M</b>	<b>2021/22 £M</b>	<b>Settlement Funding Assessment</b>	<b>2020/21 £M</b>	<b>2021/22 £M</b>

Estimated Net NNDR Yield	75.3	75.3
Split between:		
Central Government	37.7	37.7
Fire Authority	0.8	0.8
Local Authority	36.9	36.9
Tariff (-) / Top-Up (+)	(3.7)	(3.7)
<b>NNDR Baseline Funding</b>	<b>33.2</b>	<b>33.2</b>
Safety Net Threshold	30.7	30.7

Revenue Support Grant	6.2	6.2
NNDR Baseline Funding	33.2	33.2
<b>Total</b>	<b>39.4</b>	<b>39.4</b>

The figures from 2020/21 are unchanged in 2021/22 due to the Treasury decision to freeze the multiplier.

- 1.42. The actual amount forecast to be generated and retained from business rates in 2020/21 is contained in the 'Setting the National Non-Domestic Rates Tax Yield 2021/22' report, approved under delegated powers in January 2021. This report is a background paper to this report and sets the gross NNDR tax yield for 2021/22 at £100.0m. This converts to a net NNDR tax yield for 2021/22 of £74.9m through the above adjustments, of which the Council expects to retain £44.7m, £11.5m above the baseline funding level.
- 1.43. The position is an improvement on what had been expected twelve months ago. The core taxbase has reduced in value over the previous twelve months as a result of downward pressures to rateable values and has been exacerbated by an anticipated increase in the non-collection estimate. However, a large renewable energy development which connects to the energy grid in North Lincolnshire was allocated to the area for business rates purposes in 2020 and is forecast to contribute £3m per annum. This offsets existing losses in the taxbase elsewhere.
- 1.44. The additional resource retained from business rates is both a success and a risk. It is a success in that the Council yields more resource from business rates which enables it to invest more in local services, and a risk in that its resources from business rates could fall to £30.7m before safety net support.
- 1.45. The current business rates retention system is the source of funding with the greatest volatility due to the potential impact of external factors, therefore greatest risk. There are downward pressures to rateable values, an area where the Council has no control. The current system enables businesses to appeal rateable values, with potential refunds back to the start of the rating list (2017). Downward pressures encompass business rate appeals, and case law determinations which require the Valuation Office Agency (VOA) to take a different approach to certain types of non-domestic property. During 2020/21, the VOA have applied adjustments to North Lincolnshire's rating list which have reduced the area rateable value by £2.7m. The downward pressure is expected to continue, with greater intensity as a result of the pandemic, thereby increasing the importance of generating increases elsewhere to maintain an 'as is' position.
- 1.46. The Covid-19 pandemic is likely to increase downward pressures, with valuations pre-dating the pandemic coming under greater challenge. In

addition, there is increased risk that more businesses will become empty or cease trading, with implications for collection rates and reliefs. The taxbase estimate incorporates assumptions and adjustments in respect of: increased empty property relief, increased non-collection and more losses due to successful business rate appeals to reflect this increased risk.

- 1.47. It is important to note that the Council's business rate taxbase is dominated by large ratepayers. The top 50 properties by rateable value account for over half of the total rateable value, made up from 5,636 properties. Any change in valuation for any of these properties could significantly impact the Council's funding from business rates, both in terms of backdated appeals and ongoing revenue loss.

#### Collection Fund & Local Tax Income Guarantee

- 1.48. The council maintains a separate collection fund for council tax and business rates. The council makes an estimate of the total level of income it expects to receive into the collection fund at the start of the financial year, and pays out the relative share to each precepting authority. It then reviews the actual performance of the collection fund in its January estimate, which is used to forecast whether a surplus or deficit is expected to arise at the year end. The estimate is then shared amongst the major precepting authorities, according to the relative share for each, with the Council's share reflected in the funding base for the next year.
- 1.49. At the year-end, the definitive calculation is undertaken which gives rise to the actual surplus or deficit. If the actual differs from the January estimate, the difference will impact upon the funding base in the year following.
- 1.50. The optimum position would be a nil collection fund surplus/deficit, as it would mean that the council accurately forecast the level of locally generated taxation at the start of the year. However, this is highly unlikely because the estimate is based on lots of variables, most of which will change during the year.
- 1.51. In respect of business rates, there are major changes to the position assumed twelve months previously. Overall, the position combines a large collection fund deficit caused through the additional Covid-19 relief and a series of backdated refunds. However, this is deemed to be more than offset by compensatory section 31 grants and the backdated benefit of the renewable energy development, fully retained by the Council.
- 1.52. It is important to note that the collection fund core deficit also retains a prudent appeals provision linked to identified threats to rateable values, and a change to the impairment calculation methodology to reflect the increased risk of non-collection linked to the Covid-19 pandemic.
- 1.53. In respect of council tax, a deficit has been calculated on the collection fund and reflects two elements. In the final three months of 2019/20, the actual outturn was worse than had been expected twelve months previously. The

second element of the deficit relates to revised projections around in-year collection and is based on trend data from 2020/21 compared to previous years.

- 1.54. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were introduced by the Treasury, to enable Councils to spread any collection fund deficit arising in 2020/21 over a three-year period instead of the usual one-year time period. This was introduced to recognise the possibility of large deficits being generated and enables the Council to smooth its forecast deficit over a three-year period.
- 1.55. The Spending Review confirmed that the local authorities will be compensated for 75% of irrecoverable losses in council tax and business rates income in respect of 2020-21. The Treasury has shared the methodology for council tax losses, which has enabled the Council to forecast it will receive £0.267m to contribute towards the council tax deficit forecast. An estimate for business rates has also been modelled, although the actual amounts for both will not be known until the end of the 2020/21 financial year.

#### Funding for Social Care

- 1.56. Since 2016/17, the Treasury has provided a package of funding to support Local Government in managing increasing social care need and transformation in integrated provision.
- 1.57. The 2019 Spending Round contained announcements which increased the amount of sector specific funding in 2020/21. The announcements have been considered within the 'Local Government Finance Settlement 2020/21' section of this appendix. The total funding provided and enabled to contribute towards the cost of social care has therefore increased, as shown below (with forecasts for 2022/23 and 2023/24):

<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>
Social Care Precept	3.1	5.1	5.2	6.7	7.8	9.0	9.1
Improved Better Care Fund	0.3	5.0	6.3	7.0	7.0	7.0	7.0
Social Care Grant Funding	0.8	0.5	2.1	4.5	5.6	5.6	5.6
<b>Total</b>	<b>4.2</b>	<b>10.6</b>	<b>13.5</b>	<b>18.2</b>	<b>20.4</b>	<b>21.6</b>	<b>21.7</b>
Change Per Year	-	6.4	2.9	4.7	2.2	1.2	0.1

- 1.58. The budget proposal assumes the Council will continue to maximise its flexibilities under the adult social care precept in 2020/21, as it has to date.
- 1.59. In total, social care specific funding is expected to increase by £2.2m in 2021/22 and represents the bulk of the total £3.5m forecast increase in total spending power. This enables social care budgets to be increased, ensuring the Council can continue to meet local need. This is considered further within the 'Analysis of Net Operating Expenditure' section of this appendix.
- 1.60. The adult social care precept is being used to contribute to maintaining effective local services. Adult social care services have been subject to significant cost pressures due to demographic changes and inflationary pressures, including the increase in the national living wage and relatively

high rates of general inflation over a sustained period. The adult social care precept, together with the approach to meeting need, contribute to containing the increasing cost of service delivery.

- 1.61. Use of the Improved Better Care Fund is agreed collectively with North Lincolnshire Clinical Commissioning Group (NLCCG), as its use is intended to benefit both Health and Social Care through more effective joint working as part of the Better Care Fund planning requirements. The Health & Wellbeing Board approve the planned use of the funding, in accordance with NHSE Planning Guidance.
- 1.62. Government proposals for the adult social care system are expected in 2021. The Council will continue to follow developments closely, influencing where possible, to fully understand the impact of any changes to the Council and its residents.

#### Public Health Grant

- 1.63. The Council receives a Public Health grant from the Department of Health and Social Care, ring-fenced to public health activities. The 2020 Spending Review confirmed that the grant will continue to be maintained but provided no further information. At the time of writing, the grant allocation has not been confirmed. The plan assumes that it will be maintained at 2020/21 levels. Public health specific functions are in the areas where they can achieve the greatest public health benefits for North Lincolnshire, maximising the use of Council resources.

#### Other Government Grants

- 1.64. A long-standing feature of local government finance has been the Revenue Support Grant, a general contribution from Government towards the cost of local services. This has been increased by inflation in 2021/22.
- 1.65. The Council also receives a Rural Services Delivery Grant, an acknowledgement that the cost of providing some local government services in rural areas carries with it a greater cost. The amount provided in 2021/22 is a marginal increase from the amount provided in 2020/21.
- 1.66. From 2011/12, the Government have incentivised Councils to encourage accelerated house building by providing a New Homes Bonus Grant rewarding the number of houses built. The grant incentive has been reduced since 2019/20, and the Government have confirmed they will consult on reforms to the New Homes Bonus shortly, with a view to implementing reform in 2022/23.
- 1.67. The Dedicated Schools Grant (DSG Central Grant) contributes towards the cost of statutory education authority services, with Schools Forum approval required annually. The budget proposal assumes consent will be given, as in previous years.

## Reserves

- 1.68. This plan assumes 1.99% general council tax and 3% Adult Social Care Precept increases. There is no planned reserves usage. This is in line with the reserves strategy in Appendix 4, and does not impair medium term funding achievability thereby not diminishing the Council's financial sustainability aspirations.

## **2. ANALYSIS OF NET OPERATING EXPENDITURE (Tables 1B, 1C, 1D & 1E)**

2.1. The Council's Net Operating Expenditure represents the day-to-day cost and income sources of council. The Council aligns revenue investment with the Council Plan priorities:

- Keeping people safe and well
- Enabling resilient and flourishing communities
- Enabling economic growth and renewal

A fourth priority relates to running the business well, which means an efficient and effective organisation supporting success in core priorities. Investment by priority area is contained in Table 2.

2.2. The Council aspires to achieve financial sustainability over the longer-term. This can only be achieved when the Council generates sufficient resource to fund its investment aspirations, in line with the Council plan, over the longer-term. The current funding framework is not conducive to this aim, with large parts of the Council's funding base determined externally. Despite this, the Council continues to develop the areas within its control which support success in this aim, namely enabling economic growth and embedding commercial principles throughout to ensure spend decisions are taken at the right level and at the right time. Where the Council is not able to generate sufficient resources to fund its preferred investment level, financial sustainability requires that the Council tailors its investment aspirations and prioritise investment to maximise outcomes.

2.3. The budget proposal contained in this appendix is converted into a national data collection, the Revenue Account form, which is due to be submitted to Government in early April. Every council is required to submit this form, which expresses investment in accordance with Government defined areas of spend. The results from this process allow for cross sector comparability.

### Financial Planning Environment

2.4. In March 2020, the Covid-19 pandemic meant that resources were prioritised to reacting and responding to the public health emergency. The strength of relationships across public bodies, voluntary and community organisations and local business meant that the Council and its partners were able to work as a collective to prioritise keeping people safe and well and protecting the local economy and enabling resilient communities as far as possible.

2.5. As work towards recovery and renewal progresses – which includes continuously adapting infection control and outbreak management arrangements, and supporting the vaccine roll out – it is vital that partnership work continues so that North Lincolnshire remains resilient and able to withstand any future challenge and effects from the Covid-19 pandemic.

2.6. The mid-term recovery plan sets out priority action to mitigate against the impact of the Covid-19 pandemic for the most vulnerable residents,

communities and economies. The priorities, which align with the Council Plan, are:

- Keeping people safe and well, reduce the spread of Covid-19
- Protecting vulnerable people
- Enable resilient communities
- Protect and enable the local economy
- Well led Council

- 2.7. The Council has an excellent track record of containing increases in its cost base and managing risk – an importance which cannot be understated in a Local Government financial system that constrains the ability of Councils to increase resources. Cost consciousness is an organisational trait which is highly correlated with the financial resilience of the organisation. The Council has adapted, and strengthened where necessary, its financial management processes to ensure the financial impact remains as well understood as possible, given the fast-changing situation. This has enabled it to understand where more resource might be necessary and respond fully to Government requests of the sector for more information which has subsequently unlocked additional grant funding.
- 2.8. It is well understood that to achieve the best outcomes in managing the Covid-19 pandemic, the skills, far-reaching capabilities, and unique local knowledge of individual Councils are essential and will need to be fully utilised. This will continue to be the case until the virus has been fully suppressed. It is envisaged that this could be achieved in the main by the end of 2021, depending on the effectiveness of the vaccine rollout. As such, the Council will retain a focus on pandemic containment in 2021/22 which is reflected in the financial plan, with resource set aside specifically to fund pandemic related pressures.
- 2.9. The day-to-day management of revenue budgets is allocated to officers to ensure clear lines of oversight and accountability. Officers manage budgets in accordance with the resource accountability framework. Gross and net investment categorised under the accountability structure is contained in Table 3.
- 2.10. Investment can be presented subjectively as well as by area of activity. This gives an indication of how much the Council expects to spend on different spend categories (e.g. pay, goods and services). The 2020/21 forecast is summarised in Table 4.
- 2.11. 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.

- 2.12. 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 service 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.

#### 2020/21 Budget Review

- 2.13. In order to set a robust and balanced budget for 2020/21, it is important that the council's current financial position is properly understood and reflected. The quarter 3 budget review for 2020/21 forecasts a £500k underspend against the Council's net revenue budget. Cost pressures not directly pandemic related have been prevalent and in year have been offset by temporary savings, predominantly reflecting a higher-than-normal vacancy level and the implementation of initiatives designed to enhance outcomes while reducing cost. Where no permanent solution to mitigate or contain have been identified these have been factored into net budget requirement for 2021/22, such as social care. This position also reflects the shift in focus to pandemic related activity for which additional and specific funding has been made available by central government.
- 2.14. The current year operating environment has been influenced by pandemic response alongside normal business service delivery although adaptations of delivery models and working differently have threaded throughout the organisation. There are still some financial implications of the pandemic response that are not fully known. It is anticipated that the consolidated learning from operating throughout the pandemic will inform the longer term recovery and renewal planning to enable a sustainable cost base to be developed during the next financial year.

<b>Priority: Keeping people safe and well</b>				
<b>What is the Offer?</b>				
<p>North Lincolnshire Council will work with residents and partners to lead the place of North Lincolnshire to promote wellbeing, prevent harm and prioritise the most vulnerable. We will provide a range of services directly, together with partners or through contracts with other organisations to keep children and adults safe and achieve a better quality of life for everyone. We will work with children, young people, adults, families and carers to enable people to live well for longer, in their own homes, families and communities.</p>				
<b>Outcome Theme</b>	<b>Council Contribution</b>	<b>2021/22 Investment</b>		<b>2021/22 Band A Equivalent (£)</b>
Safer People	<p><b>Safer Children</b></p> <ul style="list-style-type: none"> <li>• Providing targeted family support in localities</li> <li>• Ensuring high quality Children’s Social Work assessment and child protection arrangements</li> <li>• Working in partnership with partners to provide Youth Offending services</li> <li>• Promoting and ensuring robust Safeguarding arrangements and partnerships</li> <li>• Providing accommodation for children who need to be Looked After.</li> <li>• Assessment and support to disabled children &amp; those with Special Educational Needs</li> </ul>	Expenditure Income <b>Net</b>	£82.755m £18.457m <b>£64.298m</b>	£465.04

	<p><b>Safer Adults</b></p> <ul style="list-style-type: none"> <li>• Enable access to preventative services via a holistic Wellbeing Offer delivered through the community hubs</li> <li>• Access to Assistive Technology and aids to support daily living as required</li> <li>• Enabling people to recover from significant life events and injuries through the Home First - rehabilitation &amp; reablement support, hospital, community, residential</li> <li>• Social Care assessment and Support Planning</li> <li>• Access to Personal Budgets if appropriate</li> <li>• Promoting and ensuring robust Safeguarding arrangements and partnerships including Deprivation of Liberty and including Approved Mental Health Practitioner duties</li> <li>• Facilitating, developing and shaping high quality provider markets to ensure sufficient care and support provision is available</li> </ul>			
Good health and wellbeing	<ul style="list-style-type: none"> <li>• Commissioning of a comprehensive Sexual health service</li> <li>• Commissioning of Substance misuse service</li> <li>• Commissioning Health Visitor and School Nursing services</li> <li>• Commissioning of a local Healthwatch service</li> <li>• Provide targeted support for families to enable improved outcomes</li> <li>• Provision of Occupational Therapy</li> <li>• Support for carers of adults and young people</li> </ul>	Expenditure Income <b>Net</b>	£11.158m £2.145m <b>£9.013m</b>	£56.19

## Priority: Enabling resilient and flourishing communities

### What is the Offer?

North Lincolnshire Council will promote communities where people are proud to live, where neighbours look out for each other and people enjoy a strong sense of belonging. We will engage with residents to understand how they view their local areas and work with communities to take ownership of place and improving the outcomes people achieve. We will provide information, advice and guidance that supports residents to participate in activities that matter to them and enables opportunities for people of all ages to take part in activities that contribute to their health and wellbeing.

Outcome Theme	Council Contribution	2021/22 Investment		2021/22 Band A Equivalent (£)
Cleaner, greener and safer spaces and environments	<p><b>Waste Management</b></p> <ul style="list-style-type: none"> <li>Managing our waste strategy and policy to minimise impact on the environment through a reduction in the amount of waste entering the system</li> <li>Enabling households and communities to increase use of composting</li> <li>Increase choice to encourage re-use and recycling through charging mechanisms</li> </ul> <p><b>Clean, light and tidy streets</b></p> <ul style="list-style-type: none"> <li>Energy efficient LED street lighting</li> <li>Enable community ownership for the maintenance of parks and open spaces and litter reduction</li> <li>Work with industry and partners to secure improvements in air quality</li> </ul>	Expenditure Income <b>Net</b>	£19.161m £4.320m <b>£14.841m</b>	£92.52

<p>Safe Places &amp; Safe Communities</p>	<p><b>Community Safety, Environmental health, Trading Standards &amp; Licensing</b></p> <ul style="list-style-type: none"> <li>• Deliver Environmental Health &amp; Housing services within communities that secure real improvements in public health outcomes</li> <li>• Carry out a licensing function to prevent crime, disorder, secure public safety, protect children and prevent public nuisance</li> <li>• Tackle rogue traders, criminal landlords and strengthen enforcement techniques</li> <li>• Carry out proportionate enforcement on roads and public spaces to improve safety and environmental quality</li> <li>• Promote the use of CCTV with partners</li> <li>• Domestic violence advice &amp; support</li> </ul> <p><b>Planning and Building Control</b></p> <ul style="list-style-type: none"> <li>• Delivering development in accordance with national and local policies - in the public interest</li> <li>• Delivering safe sustainable development - through Building Control and flood risk assessments</li> <li>• Enable development within North Lincolnshire to derive economic and community benefit</li> </ul>	<p>Expenditure Income <b>Net</b></p>	<p>£3.481m £2.215m <b>£1.266m</b></p>	<p>£7.89</p>
<p>Vibrant Leisure and Culture</p>	<p><b>Community Hubs, Active Lifestyles and Culture</b></p> <ul style="list-style-type: none"> <li>• Enable access to preventative services via a holistic Wellbeing Offer delivered through the community hubs</li> <li>• Providing a range of community facilities that enable an active lifestyle</li> <li>• Promote participation in positive and recreational activities</li> <li>• Providing community learning opportunities</li> <li>• Enabling access to arts, culture and entertainment</li> </ul>	<p>Expenditure Income <b>Net</b></p>	<p>£10.300m £5.906m <b>£4.394m</b></p>	<p>£27.39</p>

	<ul style="list-style-type: none"> <li>• Celebrating the heritage of North Lincolnshire</li> <li>• Promoting North Lincolnshire as a place to visit</li> </ul>			
Quality Housing	<p><b>Housing</b></p> <ul style="list-style-type: none"> <li>• Housing Advice &amp; Support</li> <li>• Identify housing needs of North Lincolnshire for the future</li> <li>• Partnership working with developers to ensure the right houses are built</li> <li>• Provide pathways for social housing needs to be met, working in partnership with RSLs and other agencies</li> <li>• Promote telehealth and telecare to help individuals to ensure their needs continue to be met whilst remaining in their own home</li> <li>• Adapting homes, improving housing standards and supporting independent living to enable people to remain safe and well in their homes and contribute to their communities</li> <li>• Improve energy efficiency of the housing stock to reduce fuel poverty</li> </ul>	Expenditure Income <b>Net</b>	£1.757m £0.503m <b>£1.254m</b>	£7.82
Excellent Education	<p><b>Educational Access &amp; Inclusion</b></p> <ul style="list-style-type: none"> <li>• Providing a North Lincolnshire Imagination Library to encourage a love of reading from an early age</li> <li>• Ensuring sufficient good quality early years and school places</li> <li>• Maximising the use of early education (childcare provision) for eligible 2 year olds and 3 &amp; 4 year olds</li> <li>• Ensure sufficient levels of childcare are available in North Lincolnshire to meet the needs of our communities</li> <li>• Ensuring high levels of educational achievement and intervening early to keep standards high</li> <li>• Creating the conditions for schools to work together, to share practice and to continue improving</li> </ul>	Expenditure Income <b>Net</b>	£33.225m £28.265m <b>£4.960m</b>	£30.92

	<ul style="list-style-type: none"> <li>• Supporting school governance</li> <li>• Making sure that the needs of most children are met within mainstream education</li> <li>• Ensuring children with more complex needs achieve good outcomes</li> </ul>			
Thriving Communities	<ul style="list-style-type: none"> <li>• Helping communities to help themselves through the community grant scheme</li> <li>• Access to information, advice and guidance</li> <li>• Help young people find positive things to do</li> <li>• Celebrating our communities</li> <li>• Bereavement Services</li> <li>• Registration Services</li> </ul>	Expenditure Income <b>Net</b>	£2.441m £1.869m <b>£0.572m</b>	£3.57

## Priority: Enabling economic growth and renewal

### What is the Offer?

North Lincolnshire Council will work with residents and partners to lead the growth of North Lincolnshire to promote prosperity for all. We will provide a range of services directly, together with partners or through contracts with other organisations to create new businesses, jobs and opportunities for all. We aim to be a sustainable council, becoming more commercial, enabling innovation to invest back in to communities by promoting North Lincolnshire as best place to invest and live, leading to a more resilient tax base. Promoting excellence/equality of opportunity.

Outcome Theme	Council Contribution	2021/22 Investment		2021/22 Band A Equivalent (£)
Safe Roads, better roads and rail	<ul style="list-style-type: none"> <li>• Ensure a well maintained Highway Network through enhanced investment as defined by the Highways Act 1980</li> <li>• Consider all transport needs for the North Lincolnshire area when planning future transport infrastructure and networks</li> <li>• React to highway faults and hazards on a prioritised basis</li> <li>• Maintain an efficient &amp; effective street lighting network</li> <li>• Safeguard our priority highways network over the winter period, in line with national standards</li> <li>• Ensure safe road crossing points along key roads and provide advice &amp; information on safe road behaviour</li> <li>• Implement measures to control speeding including the use of enforcement</li> <li>• Maintain network of traffic signs, lights and control systems</li> </ul>	Expenditure Income <b>Net</b>	£7.537m £3.576m <b>£3.961m</b>	£24.69

Accessible Transport	<ul style="list-style-type: none"> <li>• Enable opportunities/options for sustainable and affordable travel to work</li> <li>• A modern transport provision; enhanced use of IAG to stimulate development and signpost</li> <li>• Provision of a parking permit scheme for people with disabilities</li> <li>• Promote use of public transport to ensure routes are commercially viable</li> <li>• Invest in a new demand responsive local bus service to meet the needs of rural communities</li> <li>• Enable the provision of home to school transport and target subsidies to students in partnership with colleges</li> <li>• Improved accessibility of cycle routes and other sustainable transport routes</li> <li>• Improve perception of cycle safety and encourage employers to provide workplace facilities</li> </ul>	Expenditure Income <b>Net</b>	£8.856m £1.794m <b>£7.062m</b>	£44.03
Growing business, more jobs, better paid jobs	<ul style="list-style-type: none"> <li>• Develop place narrative of North Lincolnshire as a place for local businesses, residents &amp; those investing &amp; visiting the area</li> <li>• Encourage business investment, growth, productivity and stability leading to more and better paid jobs throughout North Lincolnshire</li> <li>• Provide a co-ordinated approach to how the council interacts with business</li> <li>• Diversify markets and target growth sectors to attract higher skilled businesses</li> </ul>	Expenditure Income <b>Net</b>	£0.651m £0.282m <b>£0.933m</b>	£3.95
Enhanced skills and employability	<ul style="list-style-type: none"> <li>• Provide progression routes towards employment and improved learning and skills outcomes</li> <li>• Enable area wide accountability for raising skills levels and supporting sectors for economic growth and stability</li> <li>• Promote use of apprenticeship levy</li> </ul>	Expenditure Income <b>Net</b>	£1.506m £1.479m <b>£0.027m</b>	£0.17

<b>Priority: Running the business well</b>				
<b>What is the Offer?</b>				
North Lincolnshire Council is a public body elected to serve the whole of North Lincolnshire responsible for providing hundreds of essential services. As a public accountable body we must make sure that we run the business well and continue to be able to operate as a going concern. That means spending money wisely and looking after our assets to ensure we can get things done as promised and to ensure that we can demonstrate this to our residents and regulators. We continually strive to keep our running costs as low as possible and that means changing the way we do business to remain financially sustainable.				
<b>Council Contribution</b>		<b>2021/22 Investment</b>		<b>2021/22 Band A Equivalent (£)</b>
<b>Elected members and decision making</b> <ul style="list-style-type: none"> <li>• Deliver well-run elections and electoral registration, which inspires public and candidate confidence in the election process</li> <li>• We will support elected members to maintain high ethical standards</li> <li>• Oversee robust and transparent decision-making and scrutiny processes</li> </ul>	Expenditure	£1.641m		£9.96
	Income	£0.044m		
	<b>Net</b>	<b>£1.597m</b>		
<b>Leading the Organisation</b> <ul style="list-style-type: none"> <li>• Have a highly skilled, professional senior leadership structure to provide supportive challenge to the organisation and partners to ensure effective, high quality services that are responsive to the people and place of North Lincolnshire</li> <li>• Effective assurance and performance management</li> </ul>	Expenditure	£1.581m		£9.86
	Income	£0.000m		
	<b>Net</b>	<b>£1.581m</b>		
<b>Professional and Technical Advice</b>	Expenditure	£14.095m		£75.81
	Income	£1.935m		

<ul style="list-style-type: none"> <li>• Have robust structure and systems in place to ensure proper accounting and reporting that facilitates prompt payment to suppliers</li> <li>• Is a responsible employer</li> <li>• Maintain and develop responsive, modern, secure IT systems and infrastructure</li> <li>• Ensure we operate within the law</li> <li>• Provide modern, responsive and flexible commissioning and procurement systems and support to contribute to achievement of the council's priorities and outcomes across the organisation</li> <li>• Supporting cross-council and wider partnership integrated service development to achieve the best outcomes for our residents</li> </ul>	<b>Net</b>	<b>£12.160m</b>	
<p><b>Maintaining Council Assets</b></p> <ul style="list-style-type: none"> <li>• Ensure we have well maintained and safe buildings from which we can deliver services</li> <li>• Ensure we have a suitable and well maintained fleet of vehicles and equipment to meet the needs of the NL area.</li> </ul>	Expenditure Income <b>Net</b>	£12.832m £3.800m <b>£9.032m</b>	£58.18
<p><b>Customer Access, Taxation and Benefits</b></p> <ul style="list-style-type: none"> <li>• Undertake and maximise collection of income to invest in our priorities for North Lincolnshire</li> <li>• Process a broad range of statutory and non-statutory customer transactions within the standards we have set</li> <li>• Enable customer contact and access on-line, in person and via the telephone</li> </ul>	Expenditure Income <b>Net</b>	£31.771m £29.515m <b>£2.256m</b>	£14.06
<p><b>Financing and Levies</b></p> <ul style="list-style-type: none"> <li>• Invest and borrow in line with our Treasury Management Strategy</li> <li>• Maintain the required level of insurance to mitigate against risk</li> <li>• Contribute the necessary levies to organisations such as drainage boards</li> </ul>	Expenditure Income <b>Net</b>	£22.287m £1.512m <b>£20.775m</b>	£129.52

## Commercial Trading

### What is the Offer?

The Council seeks to maximise its resources through operating commercially. The following functions operating as trading entities and as such make a contribution to the council's spending power. Traded entities operate in the context of the local market to add value. It is intended that traded entities must fully recover total cost of operating through the fees and charges they apply.

Traded Functions	2021/22 Investment	£M
Commercial Property Portfolio	Expenditure	£9.731m
Schools Catering and Cleaning	Income	£13.550m
Trade Waste	<b>Net Contribution to</b>	<b>£3.819m</b>
North Lincolnshire Markets	<b>Funds</b>	
Licensing		
Commercial Building Control		

## RESERVE STATEMENT AND STRATEGY

## Appendix 4

Table 1 – Reserve Statement

2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's		2021/22 £000's	2022/23 £000's	2023/24 £000's
Actual	Actual	Actual	Estimate	REVENUE RESERVES	Estimate	Estimate	Estimate
				<b>Organisation Reserves</b>			
6,858	6,858	7,158	7,603	General Fund	7,972	7,972	7,972
15,385	16,566	15,959	18,568	Risk and Transformation	18,199	18,199	18,199
-	501	-	-	NNDR Returned Levy	-	-	-
1,817	1,412	1,212	1,212	Public Health	1,212	1,212	1,212
<b>24,060</b>	<b>25,336</b>	<b>24,329</b>	<b>27,383</b>	<b>Total Organisation Reserves</b>	<b>27,383</b>	<b>27,383</b>	<b>27,383</b>
				<b>Earmarked Reserves</b>			
269	269	255	255	Safety Camera Partnership	255	255	255
233	227	213	38	Scunthorpe Special Expenses	38	38	38
284	284	-	-	Insurance Fund Profit/Loss	-	-	-
38	38	-	-	Shared Service Development	-	-	-
257	-	-	-	PTA Revenue Reserve	-	-	-
182	211	286	286	DSG-Delegated	286	286	286
16	16	23	23	Crematorium enhancement	23	23	23
159	226	101	60	S.106 Contributions	60	60	60
50	50	-	-	Financial Systems	-	-	-
99	122	163	139	Taxi Licensing	139	139	139
240	240	-	-	Elections	-	-	-
175	-	-	-	IT Software	-	-	-
-	205	59	46	Planning Improvements	16	-	-
-	-	100	55	Developer Contributions	55	55	55
72	-	-	-	Community Grants EMR	-	-	-
<b>2,074</b>	<b>1,887</b>	<b>1,200</b>	<b>902</b>	<b>Total Earmarked Reserves</b>	<b>872</b>	<b>856</b>	<b>856</b>
				<b>Grant Reserves</b>			
-	-	8,880	-	Covid-19 Funding	-	-	-
7,811	4,956	3,917	1,811	Grant Balances	1,303	1,303	1,303
<b>7,811</b>	<b>4,956</b>	<b>12,797</b>	<b>1,811</b>	<b>Total Grant Reserves</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>
<b>33,945</b>	<b>32,178</b>	<b>38,325</b>	<b>30,096</b>	<b>TOTAL COUNCIL RESERVES</b>	<b>29,558</b>	<b>29,542</b>	<b>29,542</b>
				<b>School Reserves</b>			
1,634	2,939	3,196	4,400	Schools Balances	4,200	3,500	3,500
1,767	1,488	2,069	2,069	Dedicated Schools Grant	2,069	2,069	2,069
<b>3,402</b>	<b>4,427</b>	<b>5,264</b>	<b>6,469</b>	<b>Total School Reserves</b>	<b>6,269</b>	<b>5,569</b>	<b>5,569</b>
<b>37,347</b>	<b>36,605</b>	<b>43,590</b>	<b>36,564</b>	<b>TOTAL RESERVES</b>	<b>35,826</b>	<b>35,111</b>	<b>35,111</b>

Table 2 – Risk and Transformation Reserve Breakdown

2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's		2021/22 £000's	2022/23 £000's	2023/24 £000's
Actual	Actual	Actual	Estimate	REVENUE RESERVES	Estimate	Estimate	Estimate
14,269	6,682	11,075	11,121	Risk & Transformation - General	10,752	10,752	10,752
-	5,000	-	-	Capital Financing	-	-	-
-	1,452	1,452	1,452	Self-Insurance	1,452	1,452	1,452
1,116	3,432	3,432	5,995	NNDR Risk	5,995	5,995	5,995
<b>15,385</b>	<b>16,566</b>	<b>15,959</b>	<b>18,568</b>	<b>TOTAL</b>	<b>18,199</b>	<b>18,199</b>	<b>18,199</b>

## RESERVES STRATEGY

- 4.1. The Chief Financial Officer of the authority is required under section 25 of The Local Government Act 2003 to report to it on the adequacy of the proposed financial reserves. Section 26 of the same act places an onus on the Chief Financial Officer to establish a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined when finalising the proposed budget.
- 4.2. 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.
- 4.3. 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
- 4.4. This report considers the material change of circumstances brought about by the Covid-19 pandemic, and the potential longer term impact on costs to Adults and Children's Social Care; and the short-term focus of Government in planning public service delivery. The increased uncertainty amounts to an increased risk of funding or expenditure shock, which has materialised at a handful of Councils elsewhere, and needs to be reflected in the Council's reserve statement to ensure the organisation be kept financially safe.
- 4.5. The Council adopts a risk led approach to the setting of reserves, an approach also recommended by the Local Government Association during its peer review in 2019/20. The strategy adopted last year, and the level of reserves planned to be held, are deemed to provide a strong baseline from which the Council can continue to manage its risks and maximise opportunities. This strategy reflects a refresh of the step-change introduced last year, principally because the strategy from twelve months ago is deemed to remain relevant and appropriate for the Council.
- 4.6. The Council continues to consider the financial resilience index collated and published by the Chartered Institute of Public Finance and Accountancy, designed to aid scrutiny and oversight of financial sustainability for each Council. Part of the index focusses on reserve levels and usage and compares our position to other local authorities, summarised as follows:

Indicator (Measure)	Description	CIPFA	Actual	Estimate	
		18/19	19/20	20/21	21/22
Reserves Sustain-ability (Years)	A measure of how many years it would take to deplete usable reserves if the most recent three-year average usage is maintained.  At the end of 2018/19, we were deemed a higher medium risk on this measure because of our reserve usage relative to others. At the end of 2019/20, our score should be amended to the maximum reflecting an increase in usable reserves.	<u>MIN</u> 2.8	<u>MIN</u> -	<u>MIN</u> -	<u>MIN</u> -
		<u>MAX</u> 100.0	<u>MAX</u> -	<u>MAX</u> -	<u>MAX</u> -
		<u>NLC</u> 29.0	<u>NLC</u> 100.0	<u>NLC</u> 22.8	<u>NLC</u> 26.2
Level of Usable Reserves (%)	A measure of the level of usable reserves compared to net revenue expenditure.  The Council was deemed a higher risk on this measure at the end of 2018/19, because many other authorities were holding relatively more than we were. At the end of 2019/20, the increase in usable reserves should improve our score, partly due to the late allocation of Covid-19 grant funding.	<u>MIN</u> 17.7	<u>MIN</u> -	<u>MIN</u> -	<u>MIN</u> -
		<u>MAX</u> 72.9	<u>MAX</u> -	<u>MAX</u> -	<u>MAX</u> -
		<u>NLC</u> 26.1	<u>NLC</u> 29.5	<u>NLC</u> 22.7	<u>NLC</u> 21.6
Change in Reserves (%)	A measure of the average change in usable reserves over the past three years.  The Council was deemed to be a higher medium risk at the end of 2018/19, which partly reflected that some authorities had contributed to reserves over the period. The increase in usable reserves is expected to improve the indicator result at the end of 2019/20.	<u>MIN</u> (51.9)	<u>MIN</u> -	<u>MIN</u> -	<u>MIN</u> -
		<u>MAX</u> 44.0	<u>MAX</u> -	<u>MAX</u> -	<u>MAX</u> -
		<u>NLC</u> (9.4)	<u>NLC</u> 27.7	<u>NLC</u> (11.6)	<u>NLC</u> (10.3)

CIPFA have not published actual data for 2019/20 at the time of writing. The figures above are based on officer calculations, replicating the 2018/19 methodology (with estimates given for 2020/21 and 2021/22).

- 4.7. The forecasts provide an opportunity to understand early the potential external assessment of North Lincolnshire's planned reserve usage and enable us to see how local plans in respect of reserve usage compare to other authorities in 2018/19, and ourselves over a longer period. However, each Council's reserve levels will be informed by its risk appetite and local assessment of risk. The timing of the Covid-19 funding received at the end of 2019/20 also distorts the position, with the contribution to reserves in 2019/20 to be reversed in subsequent years.
- 4.8. 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.

#### Strategic Reserves

- 4.9. 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.

4.10. The risk and transformation reserve provides capacity to maximise invest to save opportunities and cover the specific identified risks set out below:

Element	Analysis
NNDR risk	<p>The Council's income from business rates has been volatile since 2013/14, reflecting the inherent external risks within the current system. The Council's share of collection fund income from NNDR could fall by more than £4.5m before safety net support is received. The Council also fully retains £7.5m of renewables and enterprise zone income meaning losses in this cohort would be fully borne by the Council.</p> <p>The area's rateable value base is dominated by a combination of old and new industrial properties, accounting for a third of the base. Changes to the valuation of these sites would have a major impact. Business rate revaluation risk remains a concern, increased because of the Covid-19 pandemic which could have further repercussions.</p> <p>Under the current system, income levels are not guaranteed because circumstances could quickly change. The Council is especially susceptible for the reasons set out above and needs to guard against this to reduce the risk of any shocks necessitating immediate spending reductions.</p>
Other funding or expenditure shock	<p>The Council has funding certainty for 2021/22 only, and the Government have outlined that public spending and taxation changes will be necessary to offset national spend in respect of the Covid-19 pandemic. In order to provide headroom to transition to any local impact of local government finance change, a level of reserve is considered prudent.</p> <p>Expenditure shock: The main risk element is increased Adults and Children's Social Care costs. The Council manages these risks through an enablement, care closer to home, and One Family Approach model which includes early identification of increased demand to mitigate expenditure shocks.</p> <p>The full impact of the Covid-19 pandemic on people's social, economic, emotional and physical well-being and thus future demand for services is unknown at this stage. This could cause a bulge in cost which the reserve would help smooth.</p> <p>The recent changes proposed to NHS structures and Integrated Care Systems are likely to have an impact of delivery and therefore costs of social care. Therefore, there is a likelihood of additional costs having to be met from within council resources.</p> <p>Other risks are identified in Appendix 7 Robustness of Estimates table</p>
Self-insurance	<p>The Council has contracted external specialists to review its approach to insurance provisions and reserves, which identified a need to hold a specific self-insurance reserve, to complement the provision to adequately cover outstanding insurance risks.</p>
Transformation to lower cost base	<p>The Council's long-term aim of becoming financially self-sustainable requires the Council to control increases in its cost base and achieve reductions where necessary. Investment capacity can be an important enabler in achieving delivery model changes. It is envisaged that additional investment will be required to support the Council's medium term recovery from the impacts of the pandemic and strategic renewal. As the national roadmap is better understood, the council will need to re-assess the medium term financial plan and budget for 2021/22.</p>

After deduction of the above items, a balance of £10.8m is forecast to remain. This is deemed sufficient to cover identified operational and delivery risks. The Council anticipates contributing a modest amount to this reserve in 2020/21.

4.11. The size and scope of risks to which the Council is exposed can quickly change, requiring a fluid approach from the Council to ensure risk mitigation strategies are tailored appropriately. The level of identified risk is regularly reviewed which therefore means the level of reserves needing to be held is also regularly tested, to ensure a proportionate level is held at any given time.

#### Earmarked and Grant Reserves

4.12. Services hold some modest earmarked reserves and grant reserves, which must be spent in line with the conditions attached to the original allocations.

The Council also has a public health reserve, which must be spent in accordance with the Public Health outcomes framework.

#### Schools Reserves

- 4.13. 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 2021/22

Appendix 5

Parish or Area	Taxbase	Precept (£)	BAND (all figures in £)							
			A	B	C	D	E	F	G	H
Alkborough	163.5	5,436.00	22.17	25.86	29.56	33.25	40.64	48.03	55.42	66.50
Amcotts	77.1	3,114.00	26.93	31.41	35.90	40.39	49.37	58.34	67.32	80.78
Appleby	230.1	11,173.00	32.37	37.77	43.16	48.56	59.35	70.14	80.93	97.12
Ashby Parkland	240.1	4,000.00	11.11	12.96	14.81	16.66	20.36	24.06	27.77	33.32
Barnetby le Wold	537.7	25,000.00	30.99	36.16	41.32	46.49	56.82	67.15	77.48	92.98
Barrow on Humber	1,032.7	52,700.00	34.02	39.69	45.36	51.03	62.37	73.71	85.05	102.06
Barton upon Humber	3,644.7	160,679.00	29.39	34.29	39.19	44.09	53.89	63.69	73.48	88.18
Belton	1,173.7	29,000.00	16.47	19.22	21.96	24.71	30.20	35.69	41.18	49.42
Bonby	190.1	12,800.00	44.89	52.37	59.85	67.33	82.29	97.25	112.22	134.66
Bottesford	3,584.7	91,000.00	16.93	19.75	22.57	25.39	31.03	36.67	42.32	50.78
Brigg	1,701.7	118,319.00	46.35	54.08	61.80	69.53	84.98	100.43	115.88	139.06
Broughton	1,632.2	119,933.00	48.99	57.15	65.32	73.48	89.81	106.14	122.47	146.96
Burringham	215.0	15,079.00	46.75	54.55	62.34	70.13	85.71	101.30	116.88	140.26
Burton upon Stather	956.4	64,000.00	44.61	52.05	59.48	66.92	81.79	96.66	111.53	133.84
Cadney cum Howsham	150.5	6,800.00	30.12	35.14	40.16	45.18	55.22	65.26	75.30	90.36
Crowle	1,550.1	58,465.00	25.15	29.34	33.53	37.72	46.10	54.48	62.87	75.44
East Butterwick	42.2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
East Halton	203.4	7,214.00	23.65	27.59	31.53	35.47	43.35	51.23	59.12	70.94
Eastoft	142.4	5,500.00	25.75	30.04	34.33	38.62	47.20	55.78	64.37	77.24
Elsham	169.2	8,000.00	31.52	36.77	42.03	47.28	57.79	68.29	78.80	94.56
Epworth	1,566.3	71,115.17	30.27	35.31	40.36	45.40	55.49	65.58	75.67	90.80
Flixborough	524.8	17,000.00	21.59	25.19	28.79	32.39	39.59	46.79	53.98	64.78
Garthorpe & Fockerby	138.0	9,000.00	43.48	50.73	57.97	65.22	79.71	94.21	108.70	130.44
Goxhill	802.5	131,900.00	109.57	127.84	146.10	164.36	200.88	237.41	273.93	328.72
Gunness	633.9	32,047.00	33.71	39.32	44.94	50.56	61.80	73.03	84.27	101.12
Haxey	1,669.2	38,614.00	15.42	17.99	20.56	23.13	28.27	33.41	38.55	46.26
Hibaldstow	791.2	14,320.00	12.07	14.08	16.09	18.10	22.12	26.14	30.17	36.20
Horkstow	58.4	1,400.00	15.98	18.64	21.31	23.97	29.30	34.62	39.95	47.94
Keadby with Althorpe	489.2	34,532.00	47.06	54.90	62.75	70.59	86.28	101.96	117.65	141.18
Kirmington & Croxton	128.6	10,012.00	51.90	60.55	69.20	77.85	95.15	112.45	129.75	155.70
Kirton in Lindsey	1,079.4	103,488.00	63.92	74.57	85.23	95.88	117.19	138.49	159.80	191.76
Luddington & Haldenby	119.7	6,000.00	33.42	38.99	44.56	50.13	61.27	72.41	83.55	100.26
Manton	42.5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Melton Ross	72.0	4,800.00	44.44	51.85	59.26	66.67	81.48	96.30	111.11	133.33
Messingham	1,327.4	62,000.00	31.14	36.33	41.52	46.71	57.09	67.47	77.85	93.42
New Holland	248.8	18,527.00	49.65	57.92	66.20	74.47	91.02	107.57	124.12	148.94
North Killingholme	90.0	6,219.00	46.07	53.74	61.42	69.10	84.46	99.81	115.17	138.20
Owston Ferry	455.9	26,464.00	38.70	45.15	51.60	58.05	70.95	83.85	96.75	116.10
Redbourne	157.0	12,500.00	53.08	61.93	70.77	79.62	97.31	115.01	132.70	159.24
Roxby cum Risby	154.9	6,000.00	25.82	30.12	34.43	38.73	47.34	55.94	64.55	77.46
Saxby all Saints	88.5	6,850.00	51.60	60.20	68.80	77.40	94.60	111.80	129.00	154.80
Scawby cum Sturton	793.0	35,000.00	29.43	34.33	39.24	44.14	53.95	63.76	73.57	88.28
Scunthorpe *	16,152.2	582,609.85	24.05	28.05	32.06	36.07	44.09	52.10	60.12	72.14
South Ferriby	211.6	12,473.00	39.30	45.85	52.40	58.95	72.05	85.15	98.25	117.90
South Killingholme	305.8	16,440.00	35.84	41.81	47.79	53.76	65.71	77.65	89.60	107.52
Thornton Curtis	100.4	2,571.00	17.07	19.92	22.76	25.61	31.30	36.99	42.68	51.22
Ulceby	551.2	18,000.00	21.77	25.40	29.03	32.66	39.92	47.18	54.43	65.32
West Butterwick	276.0	2,000.00	4.83	5.64	6.44	7.25	8.86	10.47	12.08	14.50
West Halton	115.1	4,861.00	28.15	32.85	37.54	42.23	51.61	61.00	70.38	84.46
Whitton	86.0	2,567.00	19.90	23.22	26.53	29.85	36.48	43.12	49.75	59.70
Winteringham	334.2	20,500.00	40.89	47.71	54.52	61.34	74.97	88.60	102.23	122.68
Winterton	1,358.9	114,284.00	56.07	65.41	74.76	84.10	102.79	121.48	140.17	168.20
Wootton	179.7	9,000.00	33.39	38.95	44.52	50.08	61.21	72.34	83.47	100.16
Worlaby	202.6	15,985.00	52.60	61.37	70.13	78.90	96.43	113.97	131.50	157.80
Wrawby	513.8	12,000.00	15.57	18.17	20.76	23.36	28.55	33.74	38.93	46.72
Wroot	184.1	10,235.00	37.06	43.24	49.41	55.59	67.94	80.30	92.65	111.18
<b>49,640.3</b>	<b>2,269,526.02</b>									

Major Precepting Authority	Taxbase	Precept (£)	BAND (all figures in £)							
			A	B	C	D	E	F	G	H
North Lincolnshire Council **	49,640.3	70,125,362.60	941.78	1,098.74	1,255.71	1,412.67	1,726.60	2,040.52	2,354.45	2,825.34
Adult Social Care Precept **	49,640.3	8,919,369.10	119.79	139.75	159.72	179.68	219.61	259.54	299.47	359.36
Humberside Police	49,640.3	12,073,017.36	162.14	189.16	216.19	243.21	297.26	351.30	405.35	486.42
Humberside Fire Authority	49,640.3	4,385,720.51	58.90	68.72	78.53	88.35	107.98	127.62	147.25	176.70

\* To be set at Council  
 \*\* Proposed band D in budget

## Levies funded from Council Tax 2021/22

## Appendix 6

Levying Body	Levy (£)	BAND (all figures in £)							
		A	B	C	D	E	F	G	H
<b>Internal Drainage Boards:</b>									
Ancholme	206,609.00	2.77	3.24	3.70	4.16	5.08	6.01	6.93	8.32
Doncaster East	15,312.00	0.21	0.24	0.28	0.31	0.38	0.45	0.52	0.62
Scunthorpe and Gainsborough	255,191.00	3.43	4.00	4.57	5.14	6.28	7.42	8.57	10.28
North East Lindsey	159,366.98	2.14	2.50	2.85	3.21	3.92	4.64	5.35	6.42
Isle of Axholme and North Nottinghamshire	722,815.00	9.71	11.32	12.94	14.56	17.80	21.03	24.27	29.12
<b>Environment Agency:</b>									
Anglian Northern	48,361.66	0.65	0.75	0.86	0.97	1.19	1.40	1.62	1.94
Trent	38,813.33	0.52	0.61	0.69	0.78	0.95	1.13	1.30	1.56
<b>Other:</b>									
North Eastern Inshore Fisheries *	72,190.00	0.97	1.13	1.29	1.45	1.77	2.09	2.42	2.90
Hull and Goole Port Health Authority **		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,518,658.97</b>	<b>20.39</b>	<b>23.79</b>	<b>27.19</b>	<b>30.59</b>	<b>37.39</b>	<b>44.19</b>	<b>50.98</b>	<b>61.18</b>

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

\*\*TBC

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

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

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

The financial strategy emphasises the continuing importance of risk management if the Council is to achieve its long-term aim of becoming financially self-sustainable. This has been made even more important by the Covid-19 pandemic, which has generated significant uncertainty 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 determined by Government.

Recognising the material change to the financial planning environment over the past twelve months, we have refined our reserves strategy to ensure it best reflects the short, medium, and long-term resilience needs of our organisation and so that the level of reserves to be held are enough to keep the organisation financially safe.

**For the reasons set out in this and the various reports and papers I am presenting alongside this one, I am satisfied that the council's investment plans for revenue and capital in 2021/22 are robust and reserves are adequate to manage the risks the Council is exposed to.**

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

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

Despite there be an established medium term financial plan, the degree of uncertainty with future funding allocations combined with the projected scale of the savings required by the Council to ensure a balanced budget each year means that I cannot, at this stage, comment on the robustness of budget estimates with effect from 2022/23. This situation applies across Local Government, therefore is not North Lincolnshire specific, but is important to keep in mind the considerable challenge ahead in terms of continuing to work towards financial self-sustainability.

<b>Strategic Assessment: Robustness of Estimates</b>	
Covid-19	The Covid-19 pandemic required the Council to adapt its delivery models during 2020/21 to ensure the needs of its residents were met. Some changes are temporary, some will be permanent. The budget proposal recognises this and amends investment limits where necessary. However, this report recognises the residual uncertainty for all public service organisations and the Council will need to continue to adapt as necessary on an ongoing basis. The Government provided additional resource in 2020/21 and has already established a support package for 2021/22 which we think will be sufficient based on the information and situation as it currently stands.
Pay inflation	Pay is the largest subjective cost element incurred by the Council. In the 2020 Spending Review, the Government confirmed that it would be introducing a partial pay freeze in 2021/22. Under the plan, employees earning less than £24,000 a year will be eligible for a pay rise of either £250 or the increase in national living wage, whichever is higher. This has been costed and built into the financial plan. However, the actual pay settlement for Local Government has not yet been determined and is subject to the normal pay negotiation process. There is a risk that the pay award is agreed at a higher level than the Council has budgeted for, a risk which can be managed through the reserve strategy.
Organisation Development	A key element of the Council's cost-conscious approach to service delivery involves maximising the benefits of Organisation Development, expanding skill sets and knowledge across the organisation and transferability of staff to ensure the right people contribute to the right activity at the right time. This can at times reduce the pressure to recruit immediately, providing a short-term financial benefit. This behaviour is well established and is assumed to continue in 2021/22.
Social care activity levels	The cost of providing social care is based upon the volume of demand on the service and the cost of care packages for each tier of care. The budget proposal increases affordability limits within adults and children's social care significantly, enabling increased price and activity to be funded. But the budget proposal makes an assumption that each service will continue to focus on early intervention, to prevent bigger increases in the most complex placements. Activity and cost are tracked during the year.
Other demographic changes	Other Council services are also subject to the impact of demographic changes, which could lead to an increase in demand for their services. An example is waste disposal. The budget makes a prudent assessment of forecast demand in 2021/22, 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).

Non-pay inflation	Allowances have been made in the budget for increases in the costs of services where required under the terms of the related contract. Inflationary increases have been allowed where appropriate in other areas of expenditure. Additionally, re-commissioning and re-procurement provides the Council with the opportunity to ensure contract prices remain market tested.
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.
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 for appeals. The former provides for a certain level of uncollectable debt and the latter provides for the likely impact of businesses successfully appealing against the value of their properties. The council has also set aside an element of its Risk and Transformation reserve to manage the residual risk inherent in the Business Rates Retention Scheme.
Government Funding	The report considers the inherent uncertainty in respect of the funding base beyond 2021/22. There could be material changes to the Local Government financing framework developed during the year which impact on the later year estimates. The Council can manage this risk in the short-term through the reserve strategy, and over the longer-term through its excellent track record of cost control and is therefore well placed to deal with future fluctuations.
EU Exit	The United Kingdom has left the European Union and entered into a Trade and Cooperation Agreement, which came into effect on 1 <sup>st</sup> January 2021. The implications of the agreement for Local Government are not yet fully known and are not likely to be known until the agreement reaches fuller implementation. Financial implications that may roll out later in the year will be met through use of reserves in the short term
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 the majority of borrowing is already contracted, the majority of this cost is fully known.

#### **Strategic Assessment: Adequacy of Reserves**

The reserves statement and strategy contained within Appendix 4 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 funding certainty beyond 2021/22, among other risks. The budget also assumes the General Fund Reserve is maintained at around 5% of net operating expenditure in future years, which I deem prudent.

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

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

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

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

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

This appendix outlines the “initial strategy” for 2021/22 which requires Council approval, with notification then being sent to the Ministry of Housing, Communities and Local Government (MHCLG). The Council’s plans to use of capital receipt flexibility in 2020/21 and 2021/22 are as follows:

Theme	Activity	Amount (£M)	Notes
Funding the cost of service reconfiguration, restructuring or rationalisation	Transformation Support team, digital capabilities and systems	0.5	<ul style="list-style-type: none"> <li>• investment in enhanced digital capability to support new ways of working</li> <li>• investment in new HR, Payroll and Finance systems. It is envisaged that improved systems will lead to a reduced cost of administration and financial management and also improve the quality of information used assessing the cost and benefit of transformational activities as well as supporting the commercial agenda through advanced management information.</li> </ul>