

**NORTH LINCOLNSHIRE COUNCIL**

**CABINET**

**2021/22 Q3 Financial Management and Medium-Term Financial Plan Update**

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

- 1.1. To provide an update on the Council's in-year financial position.
- 1.2. To note the latest revenue budget and approve the revised capital programme.
- 1.3. To set out the Council's updated medium term financial planning position and options for consideration for funding strategy.

**2. BACKGROUND INFORMATION**

- 2.1. On 25<sup>th</sup> February 2021, the Council approved a Financial Strategy which set the framework for its revenue and capital investment plans in 2021/22 and over the medium term. The financial strategy is designed to enable successful delivery of the Council Plan and the Local Plan, maximising outcomes for the people and place of North Lincolnshire. The principles guiding our financial planning process are set out in Appendix 1.
- 2.2. The Council continues to adapt to operating with Covid-19 and maximising opportunities for future renewal alongside embracing its responsibility for health protection of the workforce and residents. A risk-based approach remains with regards to the safety measures incorporated into our operating models, responding to national and local measures, until such time that the threat to public health is sufficiently diminished.
- 2.3. This report informs Cabinet on how the approved budget is progressing based on the first three quarters of the financial year. Cabinet will receive a further update in March (indication of outturn). The final outturn will then be brought before Cabinet in summer 2022.
- 2.4. The Council continues to manage its resources to deliver the Council Plan, responding to the pandemic and ensuring business continuity through the recovery and renewal phase of the pandemic. Financial management and planning processes support our resource management and facilitate the journey to long-term financial sustainability.
- 2.5. The purpose of this report is to take stock of the in-year financial position and provide an update on the financial planning process. The Council's forecasts continue to be based on the best information held at that point in time.

## **In Year Financial Position:**

### **Revenue 2021/22**

- 2.6. The current approved revenue and capital budget and potential expenditure at outturn for 2021/22 can be seen in Appendix 3. Based upon financial management information at Q3 a balanced position is currently forecast. This position has been enabled by application of the Covid-19 funding for identified Covid-19 pressures in year. It continues to utilise this in line with grant conditions to support recovery and renewal, for the benefit of residents and businesses in North Lincolnshire.

### **Capital 2021/22**

- 2.7. There are a series of capital adjustments necessary to ensure the programme remains aligned with delivery timescales and the Council Plan. The in-year position can be seen in Appendix 3, with anticipated rephasing and a revised programme showing amendments to externally & internally funded schemes summarised in Appendix 5.

### **Budget Adjustments 2021/22**

- 2.8. Several adjustments to the revenue budget have been made, as the Council continually seeks to align budgets with delivery of the Council Plan. The adjustments have all been made under delegated powers and are summarised in Appendix 4.

### **Treasury Management 2021/22**

- 2.9. The Council is continuing to manage cash balances and debt in line with the approved Treasury Management Strategy. Capital financing costs are expected to be lower than budget at outturn, reflecting the rephasing of the capital programme as the pandemic continues to impact delivery timelines, and a better cash flow position due to the difference in timing between grants being received and spent. As a result, the in-year cost of capital financing is expected to be lower than the budgeted forecast.
- 2.10. The Council's borrowing at the end of December 2021 was £157m and is expected to remain lower than had been forecast throughout the course of the year due to a change in the profile and timing of expenditure and income cash flows. Appendix 6 sets out the prudential indicators for 2021/22 approved by Full Council on 25th February 2021, and the current estimate.

## **Medium Term Financial Plan Update**

- 2.11. A key element of effective financial management is a financial planning process that enables delivery of the Council Plan over the medium term whilst retaining resilience to short-term risks. The senior leadership engagement in financial planning and the financial management embedded throughout the organisation support our objectives for achieving longer term financial sustainability.
- 2.12. Recognising that financial planning is centred on the Council Plan, there are two elements to the process – funding strategy and investment planning.

The council's investment planning is enabled by combining the resources of Spending Power and Reserves.

### **Funding Strategy: Spending Power**

- 2.13. After taking account of the Local Government Finance Settlement calculation North Lincolnshire's maximum core spending power in 2022/23 is £165.9m, which is an increase of £10.2m from 2021/22. Of this increase: £3.8m is predicated on council tax increases, with most of the remainder due to increased grant funding to recognise increased inflation impact on the cost of services, including the national living wage, removal of public sector pay freeze, health and care levy and specific policy changes in Adult Social Care. However this doesn't include the non-recurring COVID grant of £7m utilised in 2021/22 which is not allocated for 2022-23. Further detail of the finance settlement is included at Appendix 2.
- 2.14. Council Tax & ASC Precept: The referendum limits confirm the maximum annual core increases of 2% with the potential to levy an additional 1% ASC precept. Unused ASC precept from 2021/22 can be applied in 2022/23 (1% was deferred in our case). This means the **maximum** combined domestic rate increase for North Lincolnshire for 2022/23 is 4%.
- 2.15. Settlement funding (business rates) show very little change with the multiplier being frozen and the policy direction of 75% retention no longer being pursued.

### **Funding Strategy: Reserves**

- 2.16. The council maintains a General Fund Reserve of 5% of Net Operating Expenditure. Surpluses are held in the Risk and Transformation reserve or in Earmarked and Grant reserves depending on the funding source.
- 2.17. The Risk and Transformation Reserve had a closing balance at 2021/22 of £21.7m. It is proposed to split between risk (based upon impact and likelihood to provide resilience) and transformation (through one-off investment to reach sustainability) as part of organisational development including recovery and renewal where appropriate such as short-term support for leisure services income as memberships are built up to target levels.
- 2.18. In addition, Earmarked and Grant reserves utilisation is planned in line with relevant conditions and alignment to priorities.

### **Investment Planning**

- 2.19. The investment planning by management accountability is being redrafted in line with the revised management structure. This affords further opportunity for organisational redesign – the summary investment table in Appendix 2, table 2 shows the assumptions reflecting activity and inflationary pressures with ongoing work on assessing assumptions to maximise prudent utilisation of reserves. The Council's financial planning process will culminate in the 2022/25 medium term financial plan being taken to Full Council in February 2022.

### 3. OPTIONS FOR CONSIDERATION

- 3.1. To note the in-year financial position on revenue and capital budget plans and treasury management activity.
- 3.2. To note the latest revenue budgets in Appendix 4 and approve the revised capital programme in Appendix 5.
- 3.3. To note the medium term financial plan update above includes confirmation of the referendum limits for Council Tax and ASC precept at 2.18. The maximum increase for North Lincolnshire is 4% (made up of 2% Council tax, 1% ASC and a further 1% ASC deferred from 2021/22). **The local council tax rates will be subject to Full Council decision in February 2022.**

### 4. ANALYSIS OF OPTIONS

- 4.1. The in-year revenue forecast is based upon financial management information at quarter 3 and is an improved position since the previous quarter. Further detail is provided in the appendices.
- 4.2. The Local Government Finance Settlement provides certainty for one-year, although the Spending Review provided budget allocations for 3 years, the department responsible for determining the funding methodology for local government may determine different allocations for future years, including the determination of council tax referendum limits. The draft medium term financial plan assumes a steady state beyond 2022-23.
- 4.3. The changing composition of core spending power has been captured in Appendix 2 (table 3). The ever-increasing importance of council tax and ASC precept is fully evident (48% of CSP 15/16, 57% 22/23). Application of the maximum increase of 4% is assumed in treasury calculations and would contribute £3.8m to core spending power in 2022/22 with ongoing impact in future years.

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

- 5.1. The financial model under which Local Government operates means that risk management is fundamental to everything the Council does. The Council is constrained in its ability to significantly increase resources and is statutorily determined on large areas of need-led spending which can be volatile. Financial plans and the actions taken by the Council therefore must be adaptive to ensure the Council remains financially sustainable over the short, medium and long-term.

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

6.1. Not applicable.

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

7.1. Not applicable.

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

8.1. Not applicable.

## **9. RECOMMENDATIONS**

9.1. To note the revenue and capital budget monitoring position for 2021/22 which is set out at Appendix 3.

9.2. To note the medium-term financial plan update in Appendix 2.

9.3. To note the revenue budget adjustments approved under delegated powers and the revised budget position for 2021/22, summarised at Appendix 4.

9.4. To approve the revised capital investment programme 2021/24, set out in Appendix 5.

9.5. To note the progress against the approved Treasury Management Strategy in Appendix 6.

### **DIRECTOR OF GOVERNANCE AND PARTNERSHIPS**

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

Reports to Full Council:

- Financial Strategy, Budget 2021/22 and Medium-Term Financial Plan 2021/24
- Capital Investment Strategy and Capital Programme 2020/2024
- Treasury Management and Investment Strategy 2021/22

Reports to Cabinet:

- Financial Position 2020/21 (Cabinet November 2021)

Other background papers:

- Q3 revenue and capital budget adjustments
- Local Government Finance Settlement 2021 (DHLUC, December 2021)

## Our Strategic Financial Planning Principles

### GUIDING PRINCIPLES

- An **enabling** process shaped by **principles** and **outcomes**, not solely efficiency (led by the needs of the organisation)
- Adopting the Council values framework (**Integrity, Excellence, Self-Responsibility, and Equality of Opportunity**)
- Activity/areas reviewed with a focus on **Intent** (what/when/why), **Implementation** (how) and **Impact** (the difference being made)
- Ensuring a process which best identifies, manages and mitigates service and organisational **risk**
- Enable the organisation to take the **best decisions** supported by the best financial and non-financial information
- Balance robust **challenge** and **support** to meet financial stewardship requirements and advance financial sustainability aspirations
- With efforts to increase **capacity** and further develop service **capabilities** to enhance resilience
- Being **progressive** and **outward** (deepening and strengthening connections across the organisation)
- Making best use of non-financial information to complement and improve the **quality** of financial information
- Supported by **development** of strong Business Partnering relationships

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**, investing 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

1. Full Council will meet on 24<sup>th</sup> February 2022 to consider setting an updated medium term financial plan comprising revenue and capital investment and the council tax for 2022/23. The purpose of this appendix is to inform Cabinet of the Local Government Finance Settlement that was published on Thursday 16<sup>th</sup> December 2021 and set out the funding envelope available for each Council in 2022/23. This follows on from the Autumn Budget in October, where the Government set spending limits for the sector.
2. The finance settlement fixes grant funding for 2022/23. It provides an estimate of council tax income, based on assumptions with regards to the rate and tax base. It also states the Council's baseline funding from business rates (i.e. what it needs from business rates). However, the actual amount of council tax and business rates that will support spending power next year will be determined by the taxbase for each set by the Council, together with the council tax rate (business rates multiplier set nationally and frozen for 2022/23).
3. **Council Tax & ASC Precept** : The settlement confirms maximum annual core increases of 2% with the potential to levy an additional 1% ASC precept. Unused ASC precept from 2021/22 can be applied in 2022/23 (NLC 1%). **Council Tax rates will be determined locally at Full Council in February** taking account of the local economic context and the cost of delivering services to expected standards. The impact of each 1% of rate increase is £0.8m so consideration on future sustainability will be needed in any divergence from the treasury assumptions made in the settlement.
4. The Autumn Budget set out new grant funding of £1.6bn per year over the next three years. The settlement confirms the distribution of this new grant funding for 2022/23:
  - £822m into a new 2022/23 Services Grant (recognising that local government delivers a range of services that are at the core of every community)
  - £636m top up to the existing Social Care Grant (ensuring local government has the resources it needs to support the most vulnerable through social care)
  - £63m via an inflationary increase to the Improved Better Care Fund (to support integrated working with the NHS)
5. While the latter two strands are likely to remain as is, the 2022/23 Services Grant is a temporary distribution utilising the current assessment proportions with distribution in future years expected to dovetail with the wider review.
6. It is important to note the wider economic context for public spending, with inflation forecast to remain elevated over 2022 and 2023. Of the two main measures of inflation, CPI is forecast to peak at 4.4% in 2022 Q2, and RPI is forecast to peak at 5.4% in 2022 Q1.

7. The inflationary impact on the cost base from 2022/23 and beyond, will include existing contracted spend where annual increments are based on RPI or CPI and where contracts are ending, and new ones are procured. A wide range of scenarios are currently being modelled including consideration of the permanence of inflationary pressures. There has been some recognition of the impact in the Local Government financial settlement and core spending power has been increased in each of the next three years to help with this although that is only part of the solution. On the investment management side, the impact of inflation will also be addressed through a combination of effective financial management alongside service delivery development.
8. The effects of inflation highlighted above are likely to have implications on the Council's net operating expenditure. Other cost implications are as follows:
  - Confirmation that the public pay restraint policy is in place for 2021/22 only. The implications are of ongoing pay awards potentially linked to inflation.
  - The national living wage headline rate is due to increase to £9.50 per hour from April 2022, reflecting a 6.6% increase. Further pay inflationary pressures, with implications for the pay structure and price increases from suppliers.
  - The increased cost of employer national insurance arising from the health and social care levy is to be met from the new £4.8bn grant funding. This could amount to an additional £1m - £2m in cost for the Council (direct and indirect).
  - Social care reform is expected to have cost implications, which are not yet quantifiable.
9. It is envisaged that the Council will need to identify new ways to reduce its cost base, to accommodate increases elsewhere (e.g. social care). This is expected to require a combination of: organisational commissioning, addressing historical variances, focus on achieving economy, efficiency and effectiveness, supported by continuously improving supporting information (e.g. activity data integration, contract spend, service integration).
10. A draft position of the medium term financial plan is set out below which incorporates: the outcome from the finance settlement in December, an updated estimate of funding from the tax base, and required investment as set out in priority investment plans.
11. The next steps in the financial planning process are to agree the spending power assumptions following Cabinet consideration of the current position. The investment plans can then be finalised for recommendation to Council within the prudential code requirements for setting a balanced budget for 2022/23 within our funding strategy.



**Table 1 – Spending Power Projection**

2021/22 £000's	FORECAST SPENDING POWER	2022/23 £000's	2023/24 £000's	2024/25 £000's
(1,909)	<b>Use of Reserves</b>	-	-	-
	<b>SETTLEMENT FUNDING</b>			
(6,232)	Revenue Support Grant	(6,426)	(6,555)	(6,621)
(33,171)	NNDR Baseline Funding	(33,171)	(33,836)	(34,501)
<b>(39,403)</b>	<b>Total Settlement Funding</b>	<b>(39,597)</b>	<b>(40,391)</b>	<b>(41,122)</b>
	<b>OTHER GENERAL FUNDING</b>			
(70,321)	Council Tax (1.99% 22/23- 24/25)	(73,566)	(75,805)	(78,124)
(8,166)	Social Care Precept (2% 22/23, 1% 23/24 - 24/25))	(9,811)	(10,722)	(11,673)
1,356	Collection Fund Surplus (-) / Deficit (+): CTAX	(681)	455	-
(2,677)	Collection Fund Surplus (-) / Deficit (+): NNDR	921	921	-
(11,516)	NNDR Rate Retention Income	(14,083)	(16,892)	(17,223)
(206)	New Homes Bonus	(673)	-	-
(7,025)	Improved Better Care Fund	(7,237)	(7,025)	(7,025)
(216)	Rural Services Delivery Grant	(216)	(216)	(216)
(437)	DSG Central School Services	(437)	(437)	(437)
(5,559)	Social Care Grant	(7,614)	(7,614)	(7,614)
(252)	Lower Tier Services Grant	(266)	-	-
-	Market Sustainability and Fair Cost of Care Fund	(514)	(4,439)	(6,341)
-	2022/23 Services Grant	(2,287)	(2,287)	(2,287)
(9,435)	Public Health Grant	(9,727)	(9,922)	(10,120)
<b>(114,455)</b>	<b>Total Base Funding</b>	<b>(126,332)</b>	<b>(134,109)</b>	<b>(141,161)</b>
<b>(155,767)</b>	<b>TOTAL CORE FUNDING</b>	<b>(165,929)</b>	<b>(174,500)</b>	<b>(182,283)</b>
(7,070)	Total COVID-19 Funding	-	-	-
<b>(162,837)*</b>	<b>TOTAL FUNDING</b>	<b>(165,929)</b>	<b>(174,500)</b>	<b>(182,283)</b>

\*Total funding in 2021/22 included £1.9m budgeted use of reserves

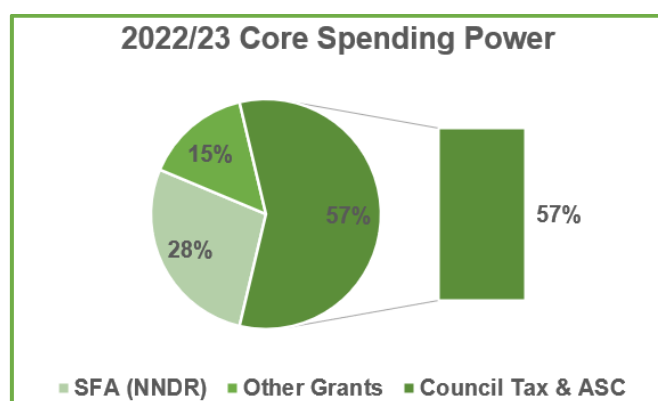
**Table 2 – Investment Summary 2022/23**

2021/22 £000's	INVESTMENT SUMMARY	2022/23
<b>158,293</b>	<b>SERVICE TOTAL - base</b>	<b>158,293</b>
4,544	Covid-19 Resource	
	Activity and Inflationary provisions:	
	Third party spend £147.4m @ 4%	5,896
	Staffing costs £101.6m @ 1.25% + 1.75%	3,048
<b>162,837</b>	<b>TOTAL INVESTMENT</b>	<b>167,237</b>
(160,927)	Settlement, Ctax, ASC, grants (0% inc)	(162,737)
	ASC 1% deferred from 2021/22	(798)
	ASC 1% 2022/23	(798)
	CTax 2%	(1,596)
	Total rate increase	4%
(1,909)	Risk and Transformation reserve use*	
<b>(162,837)</b>	<b>TOTAL INVESTMENT</b>	<b>(165,929)</b>
<b>0</b>	<b>(SURPLUS) / SHORTFALL</b>	<b>1,308</b>

\*to match the shortfall in 2022/23

**Table 3 – Spending Power Split showing increased dependence on council tax (North Lincolnshire)**

Illustrative Core Spending Power	North Lincolnshire (figures in £M's)							
	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Settlement Funding Assessment	58.5	50.9	45.3	42.1	38.7	39.4	39.4	39.6
Other Grant Funding	3.2	3.9	7.2	8.2	10.3	13.5	15.0	21.5
Council Tax & ASC Precept	57.9	60.9	65.6	69.5	72.7	76.2	78.5	82.3
<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>132.9</b>	<b>143.4</b>



12. The financial planning process is summarised in the table below:

Timeline	Milestone - detail		Progress
24 February 2022	Full Council	Set council tax and approve MTFP and revenue and capital budget	On track
24 January 2022	Cabinet	Draft MFTP	✓
15 December 2021	Department of Levelling Up, Housing and Communities	Draft local government finance settlement published	✓
14 December 2021	Full Council	Set council tax base	✓
22 November 2021	Cabinet	Financial position update and headline implications SR21	✓
27 October 2021	HM Treasury	Autumn Budget and Spending Review 2021	✓

**REVENUE AND CAPITAL MONITORING POSITION 2021/22**
**Appendix 3**

<b>REVENUE</b>	<b>Budget £000's</b>	<b>Forecast Spend £000's</b>	<b>Forecast Variance £000's</b>
<b>EXPENDITURE</b>			
Keeping People Safe and Well	74,218	74,572	354
Enabling Resilient and Flourishing Communities	26,748	27,099	351
Enabling Economic Growth and Renewal	7,776	8,750	974
Organisational Enablers	32,023	33,042	1,019
Running the Business Well	22,072	19,032	(3,040)
<b>NET OPERATING EXPENDITURE</b>	<b>162,837</b>	<b>162,495</b>	<b>(342)</b>
<b>FUNDING</b>			
Total Funding	162,837	162,495	342
<b>POTENTIAL VARIANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>REVENUE</b>	<b>Budget £000's</b>	<b>Forecast Spend £000's</b>
<b>EXPENDITURE</b>		
Adults & Community Wellbeing	42,467	45,771
Business Development	142	98
Central & Technical	26,284	23,273
Children & Community Resilience	22,743	20,259
Governance & Partnerships	18,140	17,413
Learning, Skills & Culture	12,208	13,517
Operations	33,691	35,260
Public Health	7,162	6,904
<b>NET OPERATING EXPENDITURE</b>	<b>162,837</b>	<b>162,495</b>
<b>FUNDING</b>		
Total Funding	162,837	162,495
<b>POTENTIAL VARIANCE</b>	<b>0</b>	<b>0</b>

<b>CAPITAL FORECAST 2021/22 – Budget Includes Rephasing shown at Appendix 5, tables 2 and 3</b>	<b>Budget £000's</b>	<b>Forecast Spend £000's</b>	<b>Year to Date Spend £000's</b>
<b>EXPENDITURE</b>			
Keeping People Safe and Well	3,241	3,234	2,358
Enabling Resilient and Flourishing Communities	10,170	10,170	6,798
Enabling Economic Growth and Renewal	20,998	21,083	10,893
Running the Business Well	4,651	4,651	2,344
Additional Investment Allocation	0	0	0
<b>TOTAL EXPENDITURE</b>	<b>39,060</b>	<b>39,138</b>	<b>22,394</b>
<b>FINANCING</b>			
External & Grant Funding	-25,565	-25,558	-
Council Resources	-13,495	-13,580	-
<b>TOTAL FINANCING</b>	<b>-39,060</b>	<b>-39,138</b>	<b>-</b>

## Analysis of Revenue 2021/22

1. The Council's Net Operating Expenditure represents the day-to-day costs of council service delivery. For 2021/22, the Council has a cash limit of £162.8m. Contained within the spending limit is £4.5m of un-ringfenced Covid-19 resource which will be allocated to fund Covid-19 pressures at the end of the year.
2. The Council has a strong track record of managing financial risk, with continuous improvement and implementation of efficient delivery models that achieve the best outcomes. Financial sustainability remains a key aim of the Council, which requires continuous improvement in how it generates and utilises resources. This relies upon robust financial management processes which enable it to identify emergent risk and opportunities which could impact delivery of the approved financial plan early, giving the potential to develop solutions and achieve a different financial outcome.
3. During quarter three monitoring, a balanced position is forecast at a Council level, this includes pandemic related costs totalling an estimated £4.1m.
4. The Council has constantly adapted its delivery models throughout the previous twenty months to keep people safe and well. The changes implemented have ensured continuity of high-quality care. The investment in keeping adults safe and well is forecast to be £3.3m extra than the budget assumed, which reflects additional staff costs, higher unit prices and increased activity. These pressures are partly attributable to temporary measures brought about by the pandemic, with around eighty percent considered a core issue which reflects higher activity and unit costs in both short term residential care and home care and with increased home care packages as people are supported to return to or remain in their own homes. Both elements represent a financial risk if they remain over the longer-term.
5. There is a forecast underspend of £2.7m for children and families which reflects, in part, the recent success due to the One Family approach, which is seeing improved outcomes for children and families and at a reduced cost locally. Revenue investment and changes to service delivery to increase capacity together with capital investment in early help with the completion of the Cambridge House One Family Approach Hub capital project have contributed to this outcome although within the overall underspend, £1m is identified as temporary cost reductions partly attributed to increases to in-year grants.
6. The cost of enabling resilient and flourishing communities is forecast to be overspent by the year-end. This reflects an amalgamation of various contributing elements that are attributable to Covid-19. This includes reduced income from active lifestyles which reflects a slower than expected return to pre-pandemic demand. It also includes a continued increase in the volume of waste tonnages for disposal. Furthermore, car parking income continues to be impaired which reflects lower usage. There are core underspends which help the overall Council position which comprises overachievement of planning fee income and a sensible approach to vacancy management during the period of restricted facility usage.
7. There is forecast to be an underspend within Council managed dedicated schools grant budgets, due to an uplift in DSG funding and the stabilisation of the number

of education healthcare plans. It has been assumed that this underspend will be transferred to the DSG reserve due to it being ring-fenced. Moreover, deficit recovery within three schools continues to progress well.

8. There are core issues totalling approximately £1m within enabling economic growth and renewal. This relates to a reduction in commercial property income and the cost of the whole transport offer being above the budgeted level. This requires consideration as part of the medium term financial planning process.
9. General operating costs have been higher than originally budgeted taking account of the ongoing enhanced building cleaning regime necessary for safe opening of operational buildings and facilities. Some traded services continue to experience financial consequence of the pandemic, for example schools catering services. Effective management of cash flow and treasury activity has enabled internal borrowing to fund capital rather than implementing new borrowing. This has led to in-year saving on cost of borrowing supporting the overall balanced position.
10. The Council has a reserves strategy which governs deployment of reserves. This forms part of the wider approach to risk management. Current financial plans aim to minimise use in 2021/22, to allow for incorporation into the medium term financial plan as both a balance held against identified risks and short-term transformation investment.

### **Analysis of Capital 2021/22**

11. The Council plans to invest over £118m of capital resource by 2023/24 to support delivery of the Council plan. Approval is sought for the latest capital investment plan set out in appendix 4 (table 1), with adjustments to the current approved programme reported to Cabinet in September 2021 contained in tables 2 and 3. These set out rephasing of investment and additional investment of £3.2m, reflecting further success in external funding bids. North Lincolnshire have been awarded funding from the Department of Education which together with internal match funding will create a modern, integrated complex care facility for young people.
12. The Council undertakes regular monitoring of its capital investment programme, to ensure the programme remains realistic and invests in Council priorities. Covid-19 has slowed delivery of the capital programme, which was evident during 2020/21 and remains so, which necessitates some re-phasing.
13. The adjustments that have been made ensure the programme is more realistic. However, the spend to date position indicates that further re-phasing may be necessary as part of the end of year adjustments. In addition, a minor expenditure risk has been flagged in relation to infrastructure investment. It is envisaged that this will be contained through underspends elsewhere in the programme.

Table 1 – Revenue Investment (Accountability Structure)

<b>2021/22 REVENUE INVESTMENT: BY SERVICE</b>	<b>Original Approved Budget £000's</b>	<b>Q2 Revised Approved Budget £000's</b>	<b>Technical Budget Transfers £000's</b>	<b>Q3 Revised Approved Budget £000's</b>
Adults & Community Wellbeing	42,556	42,501	-34	42,467
Business Development	393	276	-134	142
Children & Community Resilience	22,880	22,760	-17	22,743
Governance & Partnerships	18,262	18,168	-28	18,140
Learning, Skills & Culture	12,527	12,208	0	12,208
Operations	33,368	33,710	-19	33,691
Public Health	7,239	7,169	-7	7,162
<b>SERVICE TOTAL</b>	<b>137,225</b>	<b>136,792</b>	<b>-239</b>	<b>136,553</b>
Central & Technical	25,428	26,045	239	26,284
<b>NET OPERATING EXPENDITURE</b>	<b>162,653</b>	<b>162,837</b>	<b>0</b>	<b>162,837</b>

Table 2 – Revenue Investment (Council Plan Priority)

<b>2021/22 REVENUE INVESTMENT: BY PRIORITY</b>	<b>Original Approved Budget £000's</b>	<b>Q2 Revised Approved Budget £000's</b>	<b>Technical Budget Transfers £000's</b>	<b>Q3 Revised Approved Budget £000's</b>
Keeping People Safe And Well	73,455	74,038	180	74,218
Enabling Resilient and Flourishing Communities	26,956	26,786	-38	26,748
Enabling Economic Growth and Renewal	7,747	7,783	-7	7,776
Organisational Enablers	32,172	32,158	-135	32,023
Running the Business Well	22,323	22,072	0	22,072
<b>PRIORITY TOTAL</b>	<b>162,653</b>	<b>162,837</b>	<b>0</b>	<b>162,837</b>
<b>NET OPERATING EXPENDITURE</b>	<b>162,653</b>	<b>162,837</b>	<b>0</b>	<b>162,837</b>

# CAPITAL INVESTMENT PROGRAMME 2021/24

# Appendix 5

**Table 1 – Programme Summary 2021/24 (reflects rephasing in tables 3 and 4)**

**Table 1 – Capital Investment Programme Summary 2021/25**

Proposed Programme	2021/22 £000's	2022/23 £000's	2023/24 £000's	Total £000's
<b>Investment in Priority</b>				
Keeping People Safe and Well	3,241	5,956	593	9,790
Enabling Resilient and Flourishing Communities	10,170	19,754	3,326	33,250
Enabling Economic Growth and Renewal	20,998	26,075	10,812	57,885
Running the Business Well	4,651	11,473	2,797	18,921
<b>Total Investment</b>	<b>39,060</b>	<b>63,257</b>	<b>17,528</b>	<b>119,845</b>
Capital Investment Allocation	0	0	1,364	1,364
<b>Capital Investment Limit</b>	<b>39,060</b>	<b>63,257</b>	<b>18,892</b>	<b>121,209</b>
<b>Funding Analysis</b>				
External & Grant Funding	25,565	33,253	12,323	71,140
Revenue Funding	254	0	0	254
Borrowing	1,528	30,005	6,569	38,101
Capital Receipts	11,714	0	0	11,714
<b>Total</b>	<b>39,060</b>	<b>63,257</b>	<b>18,892</b>	<b>121,209</b>

**Table 2 – Externally Funded Schemes rephasing and net additional investment**

Capital Investment Scheme	2021/22 Before Changes £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	Total £000's
Baysgarth Park Enhancements	4	68	0	0	68
BDUK North Lincs Broadband	779	1,376	-721	0	655
Community Equipment	204	26	0	0	26
Complex Care (Disability)	0	400	1,704	0	2,104
Formula Capital Devolved To Schools	259	-70	57	0	-13
Future High Streets Fund	1,283	-700	700	0	0
Infrastructure Schemes	13,152	155	0	0	155
North Lincolnshire Northern Forest	108	-91	91	0	0
Schools Investment Programme	3,195	-69	121	0	52
Telecare Investment	291	-23	23	0	0
Towns Fund	1,148	100	0	0	100
<b>Total</b>	<b>20,423</b>	<b>1,171</b>	<b>1,975</b>	<b>0</b>	<b>3,147</b>

**Table 3 – Internally Funded Schemes rephasing and net additional investment**

<b>Capital Investment Scheme</b>	<b>2021/22 Before Changes £000's</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>Total £000's</b>
Additional Capital Investment Allocation	0	0	-2,416	-182	-2,598
Burton Sports Centre	66	-32	32	0	0
Community Buildings Investment - Community Hubs	1,644	-772	772	0	0
Community Buildings Investment - Operational Infrastructure	710	-35	35	0	0
Community Capital Grants	389	-89	89	0	0
Community Energy Projects	150	-100	100	0	0
Complex Care (Disability)	0	0	2,338	182	2,520
Defibrillators	3	-3	3	0	0
Enhanced & Prosperous Communities Fund	411	-200	200	0	0
Future High Streets Fund	1,336	-819	819	0	0
Leisure Equipment Replacement	111	30	0	0	30
North Lincolnshire Northern Forest	92	-32	32	0	0
Parks and Play Areas	0	50	-50	0	0
Plowright Theatre - Heating Improvements	56	0	78	0	78
Property Resilience Grants	0	56	-56	0	0
Property Trading Account Developments	24	-4	4	0	0
Replacement HR/Finance System	1,009	-303	303	0	0
Schools Investment Programme	1,802	-12	12	0	0
Towns Fund	1,750	-1,600	1,600	0	0
<b>Total</b>	<b>9,553</b>	<b>-3,061</b>	<b>5,507</b>	<b>182</b>	<b>30</b>



	2021/22	
	Budget (Feb 2021)	Forecast (Q3)
Estimates of capital expenditure	£M 49.3	£M 49.2
General Fund ratio of financing costs to the net revenue stream % (Based on Prudential Code 2013)	% 8.00	% 7.86
An estimate of the capital financing requirement	£M 264.6	£M 258.1
The authorised limit for external debt: borrowing other long-term liabilities total	£M 304.6 5.0 309.6	£M no change
The operational boundary for external debt: borrowing other long-term liabilities total	£M 269.6 2.0 271.6	£M no change
maturity structure of fixed/variable interest rate borrowing 2021/22 under 12 months 12 months to 2 years 2 years to 5 years 5 years to 10 years 10 years to 20 years 20 years to 30 years 30 years and above	% 60.0 30.0 50.0 50.0 75.0 75.0 100.0	% no change
Total principal sums invested for periods longer than 364 days	£M 0	£M no change