Report of the Director of
Governance and Communities

Meeting: 24th February 2022

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

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

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1. The purpose of this report is to set out the council's financial strategy, and within that framework to seek approval for the budget 2022/23 and the Medium Term Financial Plan 2022/25. The Financial Strategy supports the delivery of the Council Plan.

1.2. The report provides assurance on the councils financial resilience, confirms that the estimates presented in the report are robust and that reserves are adequate. This meets the requirements of section 25 of the Local Government Act 2003 and provides a basis for Council to set a balanced budget.

1.3. The key decisions required in accordance with Section 31 to 52 of the Local Government Finance Act 1992 (and subsequent modifying legislation) are:

- To set the council's revenue budget for 2022/23
- To set the Council Tax for 2022/23
- To approve an indicative medium term financial plan for 2022/25

2. BACKGROUND INFORMATION

2.1. The Council operates within legally defined powers to fulfil a range of duties informed by its local ambition and priorities set out in the Council Plan. The powers include the ability to raise funding to invest locally. The council must decide on its spending power, taking into account how much government grant and business rates it will receive and the level of Council Tax it intends to set.

2.2. This report provides the basis upon which the council can set a balanced budget for 2022-23 and a robust financial forecast for the medium term financial planning period 2022-25, as required by legislation.

2.3. In determining the budget for 2022-23 the Council is required to set the council tax rate for a Band D property made up of a general rate and an adult social care precept. The maximum increase applied is capped by a referendum limit set by the Department of Levelling up Housing and Communities (DLUHC).

2.4. The Financial Strategy and Medium Term Financial Plan in Appendix 2 provides the national and local strategic context upon which the proposed budget is calculated.

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

2.6. The Council Plan describes its main purpose as to **Lead** the place of North Lincolnshire; **Promote** prosperity and wellbeing; **Prevent** and protect from harm, **prioritising the most vulnerable,** in order to achieve better outcomes for the people and place of North Lincolnshire. The outcomes are themed under four areas:

- Safe
- Well
- Prosperous
- Connected

2.7. There is a strong financial management ethos across the council underpinned by the Council's values. The council is currently forecasting that its net operating cost will balance against the 2021/22 budget. The forecast includes an increase in complex need within adult social care, combined with an increase in the cost of care packages. This has been recognised in the Local Government finance settlement with additional grant funding being provided and precept funding enabled in 2022/23.

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

2.9. The ability for the Council to embrace opportunities and face future challenges is rooted in its one council, one family and one place approach. The refreshed council plan will reconfirm aspiration and ambition for people and place and provide the bedrock to translate policy intentions through priority action and delivery plans.

3. OPTIONS FOR CONSIDERATION

3.1. The annual Revenue Budget for 2022/23 and Medium Term Financial Plan 2022/25 is proposed for approval in Appendix 2.

3.2. The Revenue Budget assumes a level of income from general Council Tax of £72.9m. This is based upon a general Council Tax band D equivalent rate of £1,436.17, which represents an increase of 1.99% from the total 2021/22 band D rate.

3.3. The revenue budget assumes the level of income from the Adult Social Care precept of £9.9m. This is based upon an adult social care precept rate of £195.90, which represents an increase of 2% from the total 2021/22 band D rate.

3.4. Appendix 4 sets out the relevant Council Tax precept information for approval.

3.5. In addition, as billing authority for the area, the council is responsible for levying a council tax not only to meet its own requirements, but also to meet the precepts of lower and higher tier authorities in the area, and to collect that tax on their behalf. The precepting bodies are:

- Parish and Town Councils in North Lincolnshire
- Humberside Police and Crime Commissioner
- Humberside Fire and Rescue Authority

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

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

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

4. ANALYSIS OF OPTIONS

4.1. The budget proposal for 2022/23 set out in this report represents a balanced budget where net operating expenditure is equivalent to the Council’s estimate of spending power. The estimate of spending power assumes a planned one-year use of reserves of £1.5m.

4.2. The 2022/25 medium term financial plan provides a view on future funding, in order to assist the longer-term planning and use of council’s financial resources. This is in line with best practice and takes account of factors that may have an impact on the council’s spending.

4.3. The detailed analysis of funding and cost is included in Appendix 2.

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

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

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

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

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

<u>Legal Requirements</u>

6.1. The budget and Council tax decision must meet a number of statutory requirements. These are summarised here and provide the basis for the report's recommendations.

6.2. The Council has the power to decide the level of the revenue budget each year and the necessary Council tax to support it. Under the Local Government Act, 1988 this must be a **balanced budget** meaning that the Council must not run a deficit.

6.3. Additionally, under the Local Government Act 2003, the Chief Financial Officer must report to Full Council when it is considering its budget and Council Tax on:

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

- The **adequacy of reserves** allowed for in the budget proposals. The council has to ensure that its budget makes allowances for reserves at least equal to the statutory minimum (Part 2 Section 25 (1) (b) of the Act) (5.2).

6.4. The Director of Governance and Communities is the council's Chief Financial Officer under Section 151 of the Local Government Act, 1972. Her advice is contained in Appendix 6, and throughout the rest of the report. The Act at Part 1, Section 25 (2) requires that members of the council take account of these factors in making their decisions.

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

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

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

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

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

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

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

8.2. No conflicts of interest have been declared.

9. RECOMMENDATIONS

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

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

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

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

9.5. That the Council’s Chief Financial Officer be authorised to make technical budget adjustments to the management accountabilities structure and subjective analysis in 2022/23 in line with financial procedure rules.

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

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

9.8. Pursuant to minute 2718 of the Council, the Members’ Allowance Scheme for 2022/23 be approved.

DIRECTOR OF GOVERNANCE AND COMMUNITIES

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Date: Monday 14th February 2022

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

TECHNICAL BUDGET RECOMMENDATIONS **Appendix 1**

That the following technical recommendations be approved:

1. That the general council tax band D rate be set at £1,436.17, which represents an increase of 1.99% from the total 2021/22 band D rate.

2. That the adult social care precept band D rate be set at £195.90, which represents an increase of 2% from the total 2021/22 band D rate.

3. To note that at its meeting held on 14 December 2021 Council calculated the following amounts for the year **2022/23**. These are as required by regulations made under Section 33(5) of the Local Government Finance Act 1992:

   (a) **50,801.0** as its Council Tax Base for the year [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") (regulation 3)

   (b) the Council Tax Base for each part of the area as shown in **Appendix 4**, column 2 (regulation 6)

4. That the following amounts calculated for **2022/23**, as required by Sections 31 to 52 of the Local Government Finance Act 1992 as amended, be approved:

   (a) **£83,518,096** being the **relevant basic amount of Council tax** for 2020/21 (Council Tax requirement for the Council's own purposes excluding parish precepts but including special expenses)

   (b) **£365,994,133** being the aggregate of the amounts which the council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by parish and town councils (**gross expenditure including parish precepts and special expenses**)

   (c) **£280,775,349** being the aggregate of the amounts which the council estimates for the items set out in Section 31A (3) of the Act (**gross income**)

   (d) **£85,218,784** being the amount by which the aggregate at (b) above exceeds the aggregate at (c) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council Tax requirement** for the year (**Item R** in the formula in Section 31B(1) of the Act)

   (e) **£1,677.50** being the amount at (d) above (Item R), divided by Item T (3(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts) **(Band D council tax including parish precepts and special expenses)**

(f) **£2,307,996** being the aggregate amount of all special items and Parish precepts referred to in Section 34(1) of the Act, as per **Appendix 4 (Total of all Parish Precepts and Special Expenses)**

(g) **£1,632.07** being the amount at 4(e) above less the result given by dividing the amount at 4(f) above by Item T, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates

(h) **£36.60** being the amounts to be added to the amount at 4(g) above being the amounts of the special item or items relating to dwellings in those parts of the Councils area mentioned above divided in each case by the amount at 3(b) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its Council tax for the year for dwellings in those parts of its area to which one or more special items relate

5. To note that for the year 2022/23 the major precepting authorities have stated the amounts in precepts issued to the council, in accordance with Section 40 of the Local Government Finance Act, 1992 (**police and fire precepts**).

6. To set the amounts of Council Tax for the year 2022/23 for each of the categories of dwellings, in accordance with Section 31B of the Local Government Finance Act 1992 as amended **(Council tax including police, fire and parish precept for each band and each parish)**.

7. To confirm the robustness of the estimates used in setting the level of Council Tax in accordance with the requirements of the Local Government Act 2003 (Part 2 Section 25 (1)(a) of the Act).

8. To confirm the adequacy of reserves included in the budget in accordance with the requirements of the Local Government Act 2003 (Part 2 Section 25 (1) (b) of the Act), and the policy for use of reserves as set out in Section 5 of the report and at **Appendix 3**.

9. To approve the use of the capital receipts flexibility enabling spending charged to the revenue budget on service transformation to be capitalised as set out at **Appendix 7**.

1. Local Policy Context

1.1. The ability for the Council to embrace opportunities and face future challenges is rooted in its one council, one family and one place approach. The refreshed Council Plan will reconfirm aspiration and ambition for people and place and provide the bedrock to translate policy intentions through priority action and delivery plans.

1.2. Informed by local strategy and policy intent, the activity, investment and resource deployment are shaped around the priorities of the council:

- Keeping people safe and well
- Enabling flourishing and resilient communities
- Enabling economic growth and renewal, and
- Well led council

1.3. The Council is responsible for adoption of its budget and policy framework and once in place it is the responsibility of the Executive to implement it. Cabinet collectively leads on budget and performance monitoring across the whole range of council activities including delivery oversight to support achievement of council outcomes within the strategic policy frameworks of the Local Plan and Council Plan.

1.4. Impact against outcomes will be agreed by Cabinet as part of the strategic monitoring and oversight reporting.

1.5. In this context the proposed budget provides the resources to achieve the following:

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

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

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

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

2. Financial Strategy and Financial Planning Environment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3. The Council is currently in the recovery and renewal phase following the Covid-19 pandemic and is developing a deeper understanding of what 'normal' now means. Some elements of the Council's operating environment have begun to stabilise, specifically the threat to public health has reduced from twelve months ago. During 2022/23 the Council will need to be able to respond and mitigate against potential transmission of new variants whilst national restrictions are lifted.

2.4. In many respects, the financial planning challenge has become two-pronged. In addition to ensuring the Council continues to work with partners to meet ongoing health and social care need, the Council must also now deal with a challenging economic environment which is forecast to worsen before it improves. According to the Bank of England, the prevalence of higher inflation is precipitated by global energy and tradable goods prices reflecting restrictions in supplies. It envisages inflation will increase to close to 6% in February and March, before peaking at 7.25% in April. Inflation is projected to fall back to a little above the 2% target in two years' time.

2.5. Council spending won't be excluded from the impact of inflation either through contractual application of an inflation measure (e.g. CPI/RPI) or national pay awards. Our residents and businesses will also experience the impact of price increases, which may impact on the council's normal activity levels and revenue streams. Based upon the current economic environment the cost base is likely to grow faster than our ability to grow our income, and as such this will be closely monitored throughout the year.

2.6. At the outset of the financial planning process, a series of strategic principles were established to provide a framework for the organisation:

- A process shaped by **principles** and **outcomes**, not solely efficiency (led by the needs of the organisation)

- Adopting the Council **values** framework (Integrity, Excellence, Self-Responsibility, and Equality of Opportunity)

- Activity/areas reviewed with a focus on **Intent** (what/when/why), **Implementation** (how) and **Impact** (the difference being made)

- Ensuring a process which best identifies, manages and mitigates service and organisational **risk**

- Enable the organisation to take the **best decisions** supported by the best financial and non-financial information

- Balance robust **challenge** and **support** to meet financial stewardship requirements and advance sustainability aspirations

- With efforts to increase **capacity** and further develop service **capabilities** to enhance resilience

- Being **progressive** and **outward** (deepening and strengthening connections across the organisation)

- Making best use of non-financial information to complement and improve the **quality** of financial information

- Supported by **development** of strong Business Partnering relationships

- Seek opportunities with partners to maximise economies of scale whilst enabling communities to take more responsibility for their local facilities

3. Spending Power and Budget Requirement

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

Table 1 – Estimate of Spending Power

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

Table 2 – Proposed Investment by Chief Officer delegated responsibility

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

Table 3 – Proposed Investment by Priority

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

Table 4 – Subjective Analysis

SUBJECTIVE	2022/23 Proposed Budget £000's
GROSS EXPENDITURE	
Employees	106,345
Premises Costs	7,461
Transport Costs	6,341
Supplies & Services	25,901
Third Party Payments	120,204
Capital Financing	12,335
Total Expenditure	**278,587**

SUBJECTIVE	2022/23 Proposed Budget £000's
GROSS INCOME	
Sales Fees & charges	(25,387)
Rents	(5,290)
Other Income	(4,757)
Payments from other LAs	(398)
Joint Finance	(826)
Government Grants	(70,794)
Internal Recharges	(1,284)
Total Income	**(108,736)**

Table 5 – DSG/Individual Schools Budget

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

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

4.1. The Council's spending power is set out in Table 1. This shows that the Council expects to have £169.8m available to invest in Council plan priorities, funded by a combination of nationally allocated and locally generated resources. Spending power in 2022/23 reflects an anticipated increase in resources of £7m (4.3%) from 2021/22.

4.2. The financing framework in which the Council operates is controlled by national policy. Over the course of the previous ten years, there has been a considered shift towards ensuring a greater proportion of the cost of local government is funded from locally generated resources, with reductions in grant funding applied. This shift was intended to further strengthen local accountability and acted as an incentive for local authorities to promote economic growth, with the potential to generate increased resources from a bigger taxbase. The corollary with greater funding risk means that the opposite could also happen.

4.3. The Covid-19 pandemic has imposed an abatement to this shift. The public health restrictions had implications for the economy – expected in the main to be temporary – and prompted unprecedented intervention by Government. At a time where there is greater demand for public services, compounded by an operating environment subject to relatively high levels of inflation, the Government have increased grant support to the sector through direct grant allocations and increased business rate grant compensation to facilitate additional business rate relief in 2022/23.

4.4. It is important to note that the Council only has funding certainty for one year, as has been the case for the last few years. The longer-term financing framework is yet to crystallise, with a short-term focus preferred while a stable new normal reality is reached.

4.5. The analysis in this section sets out the national policy environment, and the impact on each funding source within Table 1. The basis on which they have been calculated is explained with any risk that may cause the figures to vary considered.

National Public Finance and Economic Context

4.6. The Government set out the national spending and taxation position for 2022/23 in the Autumn Budget, with indicative allocations for 2023/24 and 2024/25. The Autumn Budget and SR2021 set out higher taxation and real-terms increases in public sector investment, against a backdrop of improved economic forecasts which reflect slightly less scarring from Covid-19 and the potential for increased inflation over the medium term.

4.7. The national economic context is the most important aspect of the Autumn Budget. The projected performance of the economy directly correlates with the level of public receipts anticipated, and therefore how much the government can spend nationally on its priorities. The Autumn Budget incorporated forecasts from the Office for Budget Responsibility, and set out:

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

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

4.8. However, considerable risks with regards to inflation exist. Inflation was expected to peak at 4.4% (CPI, Q2 2022), but reached 5.4% in December 2021 and is expected to rise further. It has not been at this level since September 2011 (5.2%) and before that September 2008 (5.2%). The rate of inflation was last higher than the current rate in March 1992 (7.1%).

4.9. This has prompted the Bank of England to increase the base rate earlier than expected to 0.5% in February 2022, with further increases now expected as it seeks to return inflation towards its 2% target. Persistent high inflation risks increasing the cost of goods and services faster than increases in income, with implications for individuals and organisations. The potential implications for the Council are considered elsewhere in this report.

4.10. The next OBR economic and fiscal forecast is expected to be published on 23rd March 2022 and could contain further policy announcements.

National Policy Intent

4.11. In addition to providing a comprehensive update on the state of public finances, the Autumn Budget set out other policy announcements:

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

- This is to be funded by the new **health and social care levy**, which will increase the rate of employer and employee national insurance by 1.25 percentage points and is expected to generate more than £13bn in additional receipts per annum.

- Eight locations were selected to become **freeports**, with the Humber being one of them. Freeports have three objectives: (1) to become national hubs for global trade and investment, (2) create hotbeds for innovation, and (3) promote regeneration through the creation of high-skilled jobs. This is considered further within the business rates section.

- In order to reduce the burden of **business rates**, up to 400,000 retail, leisure and hospitality businesses will benefit from 50% business rate relief. In addition, the multiplier will be frozen until the next revaluation, due in April 2023.

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

<u>Local Government Finance Settlement 2022/23</u>

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

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

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

4.15. The Government announced plans to undertake a fair funding review several years ago. In the settlement, they committed to ensuring funding allocations are based upon an up-to-date assessment of needs and resources. This was last partially considered in 2013/14. Over the coming months, the Department for Levelling Up, Housing and Communities will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

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

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

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

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

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

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

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

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

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

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

Council Tax & Adult Social Care Precept

4.21. Income from council tax equates to just over half of the Council's core funding base. It is the most important source of funding to the Council and is the one to which it has most control. There is generally a lower degree of volatility within council tax than other funding sources, such as business rates. Its relative importance continues to grow.

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

4.23. Full Council set the 2022/23 council tax base on 14th December 2021 at 50,801.3 band D equivalents, an increase of 2.3% compared to the 2021/22 base which had itself been dampened due to the potential effects of Covid-19. The taxbase increase reflects the following (equivalent band D):

- An increase in the number of gross properties (481)
- An increase in the collection percentage estimate (288)
- Additional empty property surcharge cases (176 – see 4.8)
- A natural reduction in council tax support recipients (161)
- A reduction in the number of single adult households (58)

4.24. Beyond 2022/23, the taxbase is assumed to continue growing at a modest 0.8% growth per annum. This reflects a stable planning environment, with the primary difference each year relating to property growth of around 400 houses per annum. The Council has established robust taxbase management processes which ensure clear line of sight in respect of progress against the assumptions supporting the taxbase over the medium term.

4.25. In the Local Government finance settlement, the Government maintained the council tax referendum limit for general council tax increases at 2%. When making its assessment of spending power for Local Government, the Government assume that councils will maximise their flexibilities to increase council tax. **This plan assumes a 1.99% annual increase across all years**.

4.26. In addition, Councils are also able to levy an additional increase in the adult social care precept. This represents a local charge to contribute towards the cost of social care services. The Council has maximised its possibilities under the precept date, assuming the 1% deferred from last year is implemented in 2022/23. **This plan assumes a 2% increase in the adult social care precept in 2022/23, with 1% annual increases thereafter**.

4.27. The average property banding in North Lincolnshire is band B. The general rate increase in 2022/23 equates to £2.02 per month, while the adult social care precept increase equates to £2.03 per month for a band B property.

4.28. In recognition of the increased pressure to households brought about by rising energy costs, the Government have announced a £150 council tax rebate for certain households (e.g. band A – D properties) at the start of 2022/23. To put this into context, the council tax increase proposed in this report will increase the annual charge for a band A property by £41.75.

4.29. The relative importance of council tax has increased significantly over the last ten years, in line with Government intent and policy. It now accounts for around half of total funding. Total funding from council tax and the adult social care precept is expected to be 48% higher in 2024/25 than it was in 2016/17. This is demonstrated in the table below:

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

4.30. Achieving financial sustainability remains a major long-term aim for the Council, where the Council generates enough resource from local sources to fund local need. Under the current funding system, the Treasury requires local decision making about council tax income levels relative to investment need within the national policy framework.

4.31. Increasing the rate of council tax is a local choice, considering factors such as investment need, financial resilience, and the burden on taxpayers – particularly during a period of relatively high levels of inflation. The cost base is at risk of increasing quicker than funding and is complicated further by inflation pressures which manifest for the Council and its taxpayers. If a decision is subsequently taken to not maximise the council tax increase in any year(s), this will result in a permanent funding impairment which cannot be recovered in later years.

4.32. The Council also collects council tax on behalf of other major precepting bodies (Humberside Police and Fire) and town and parish councils. Properties within Scunthorpe also pay a Special Expense charge, instead of a parish precept. Full Council sets the Scunthorpe Special Expense charge within the budget resolution. All precepts requested from precepting bodies are contained in Appendix 4.

4.33. Lastly, several bodies impose levies on the Council's general income from council tax. This includes: the Environment Agency, five internal drainage boards and the port health authority. The levy demands contribute towards the cost of activities undertaken by those bodies which provide benefit to North Lincolnshire, particularly water management and flooding prevention. The levies that have been requested are contained in Appendix 5 and equate to a charge per band D property of £31.97 funded from the Council's general council tax income.

Business Rates

4.34. Since 2013/14, the Council has been able to keep a share of the business rates paid in its area, under the 50% business rates retention scheme. In its simplest form, the Treasury currently receives 50%, with the Council keeping 49% and passing 1% to Humberside Fire and Rescue. The scheme provides financial incentives for local authorities to grow their economies.

4.35. In recent years, the Government had planned to make changes to the system and increase the amount of business rates that could be retained locally, to further sharpen the incentives in the system. However, the current system has integrated features which undermine the extent to which local authorities are rewarded for achieving local growth, specifically with regards to downward pressures on rateable values caused by business rate appeals. Furthermore, the Covid-19 pandemic has necessitated unprecedented Government intervention to support businesses in the form of additional business rate relief and grants. Hundreds of thousands of businesses will still be in receipt of expanded retail relief in 2022/23. On the whole, the business rates system is not wholly effective as a means of funding local services and as such the Government need to maintain a high degree of control over the system.

4.36. Rather than focus on fundamental changes to the rates retention system, the Government will now focus on the mechanism for redistributing funding to the authorities most in need, in support of its levelling up agenda.

4.37. The current business rates retention system sets out a baseline funding level for the Council (what it is deemed to need) and a forecast of the net yield (what it is expected to collect). The difference results in a tariff due to be paid. The tariff is structurally fixed until the next revaluation or reset of business rate baselines. The baseline funding is incorporated into the core spending power assessment (see 4.17), and is set out as follows:

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

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

4.38. The amount retained by the Council from business rates is determined by a detailed calculation in the ‘Setting the National Non-Domestic Rates Tax Yield 2022/23’ report, which was approved under delegated powers on 31st January 2022. The report sets out that the Council expects to retain £47.9m from a total collectable income estimate of £85.5m (56.1%).

4.39. Collectable income is forecast to be similar in 2022/23 as it was in 2019/20 due to the additional reliefs now available and the freezing of the multiplier since 2020/21. However, the Council is forecasting to retain £6.9m more in 2022/23 than it did in 2019/20. Of this, £5.4m is from additional section 31 compensatory grant funding from Government.

4.40. The amount of forecast retention in 2022/23 is significantly more than baseline need and is due to a combination of growth within the system and increase from fully retained items (e.g. renewables). The additional resource retained from business rates is both a success and a risk. It is a success in that the Council yields more resource from business rates which enables it to invest more in local services, and a risk in that its resources from business rates could fall to £30.7m before safety net support. The Council employs risk mitigation measures to support the organisation’s financial resilience.

4.41. The Government committed to conduct a review of business rates at Spring Budget 2020. It concluded its review of business rates and presented the findings in the Autumn Budget. The objectives had been to: reduce the overall burden on business; improve the current business rates system; and consider more fundamental changes in the medium-to-long term. In concluding the review, the Government committed to:

- Provide 50% business rate relief for eligible retail, leisure and hospitality businesses in 2022/23
- Freeze the multiplier until the next revaluation, due in 2023/24
- Introduce a new relief to support investment in property improvements, whereby enhancements do not attract higher charges until a year after they have been made
- Introducing measures to support green investment and de-carbonisation, providing exemptions for eligible plant and equipment
- Move to three yearly revaluations from 2023
- Invest in business rates systems to ensure fundamental change
- Providing stability ahead of the 2023 revaluation by extending transitional relief and the supporting small businesses scheme

- Consider the arguments for and against an online sales tax which, if introduced, would raise revenue to fund business rate reductions

4.42. The next revaluation of rateable values will take effect in 2023 – administered by the Valuation Office Agency – and will lead to updated property valuations for every business property. Valuations will reflect economic conditions at 1st April 2021, meaning updated property valuations will reflect the impact of the pandemic on cost inputs such as rents. At a national level, revaluations are required by law to be fiscally neutral which is achieved through an adjustment in the multiplier. The Council's funding from business rates is expected to remain substantially unchanged, with an adjustment to the tariff it pays likely.

4.43. The Humber was announced as one of eight freeports in the Autumn Budget, with the stated aim to "encourage businesses from around the world to create new hubs of global trade that will transform economic prospects and job opportunities for local communities". The Council is currently finalising arrangements with partners to establish the freeport. The freeport present opportunities and risks to the funding base considered further in the taxbase setting report. The taxbase calculation assumes that there will be no freeport relief awarded during 2022/23, which reflects the current position. Any retained business rates from the freeport site will be ring-fenced for the economic objectives of the freeport.

4.44. The Government continues to provide some support to business impacted by Covid-19 through additional relief announced for 2022/23 and business grants in recognition of the challenges brought about by the Omicron variant. As the economy – and by extension the business rates system – transitions back to normal and the level of support provided reduces, the underlying impact of the pandemic to North Lincolnshire businesses will start to become clearer.

4.45. The current business rates retention system is the source of funding with the greatest volatility due to the potential impact of external factors, therefore greatest risk. There are downward pressures to rateable values, an area where the Council has no control. The current system enables businesses to appeal rateable values, with potential refunds back to the start of the rating list (2017). Downward pressures encompass business rate appeals, and case law determinations which require the Valuation Office Agency (VOA) to take a different approach to certain types of non-domestic property. During 2022/23, the VOA have applied adjustments to North Lincolnshire's rating list which have reduced the area rateable value by £2.5m. This takes the total appeal led downward adjustments on the 2017 list to £7.3m, which drags against other non-appeal growth of £11.2m. The downward pressure is expected to continue, thereby increasing the importance of generating increases elsewhere in the taxbase to maintain an 'as is' position.

4.46. It is important to note that the Council's business rate taxbase is dominated by large ratepayers. The top 50 properties by rateable value account for over half of the total rateable value, made up from 5,657 properties. Any change in valuation for any of these properties could significantly impact the Council's funding from business rates, both in terms of backdated appeals and ongoing revenue loss.

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

Collection Fund

4.48. The council maintains a separate collection fund for council tax and business rates. The council makes an estimate of the total level of income it expects to receive into the collection fund at the start of the financial year and pays out the relative share to each precepting authority. It then reviews the actual performance of the collection fund in its January estimate, which is used to forecast whether a surplus or deficit is expected to arise at the year end. The estimate is then shared amongst the major precepting authorities, according to the relative share for each, with the Council's share reflected in the funding base for the next year. At the year-end, the definitive calculation is undertaken which gives rise to the actual surplus or deficit. If the actual differs from the estimate, the difference will impact the funding base in the year following.

4.49. The optimum position would be a nil collection fund surplus/deficit, as it would mean that the council accurately forecast the level of locally generated taxation at the start of the year. However, this is highly unlikely because the estimate is based on lots of variables which inevitably change during the year.

4.50. Last year, the Government amended the collection fund regulations to enable Councils to spread collection fund deficits arising in 2020/21 over a three-year period instead of the usual one-year time period, recognising the potential for large deficits being generated and enabled the Council to smooth its forecast deficit over a three-year period.

4.51. In respect of council tax, a collection fund surplus is forecast for 2021/22 and reflects a better collection fund outturn from 2020/21 relative to the January forecast and an improvement in the in-year collection forecasts relative to the tax base assumption. The forecast surplus includes an allowance to fund the residual deficit from 2020/21 that is being spread over three years.

4.52. In respect of business rates, the 2021/22 estimate comprises a collection fund deficit caused through allocation of additional business rate relief, particularly the additional Covid-19 retail relief, as well as a series of successful appeals resulting in backdated refunds. This is deemed to be offset by compensatory section 31 grants and a reduction in the size of the appeals provision.

4.53. The 2020 Spending Review confirmed that the local authorities will be compensated for 75% of irrecoverable losses in council tax and business rates income in respect of 2020-21, through the local tax income guarantee scheme. The Council received slightly more funding under the local tax income guarantee funding scheme for council tax than it had expected to following 2020/21 outturn. However, it did not receive any support under the business rates element of the scheme, due to the Council receiving increased rates from renewable energy schemes.

Funding for Social Care

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

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

4.55. The budget proposal assumes the Council will maximise its flexibilities under the adult social care precept in all years of the financial plan.

4.56. In total, social care specific funding is expected to increase by £4.5m in 2022/23. This enables social care budgets to be increased, ensuring the Council can continue to meet local need. However, the cost and demand of social care services is increasing quicker than specific funding, requiring the Council to fund some of the extra cost increase through other sources (see section 2 – analysis of net operating expenditure).

4.57. The adult social care precept is being used to contribute to maintaining effective local services. Adult social care services have been subject to significant cost pressures due to several factors including: demographic changes, inflationary pressures, permanent effects of the Covid-19 pandemic and inter-dependency with the NHS system, the increase in the national living wage, and increased complexity of demand. The adult social care precept, together with the approach to meeting need, contribute to containing the increasing cost of service delivery.

4.58. Use of the Improved Better Care Fund is agreed collectively with North Lincolnshire Clinical Commissioning Group (NLCCG), as its use is intended to benefit both Health and Social Care through more effective joint working as part of the Better Care Fund planning requirements.

Public Health Grant

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

Other Government Grants

4.60. The Autumn Budget set out £1.6 billion of new grant funding in each of the next three years, on top of the funding to implement social care reform, to increase investment in supporting vulnerable children and support the provision of other local services. The settlement confirms it is being distributed between: a new 2022/23 services grant, a top up to the existing social care grant, and an inflationary increase to the improved better care fund. In total, this amounts to £4.6m for the Council, and is expected to remain in future years, although the distribution of the 2022/23 services grant may change in line with the wider review of resource and needs assessment.

4.61. A long-standing feature of local government finance has been the Revenue Support Grant, a general contribution from Government towards the cost of local services. This has been increased by inflation in 2022/23.

4.62. The Council also receives a Rural Services Delivery Grant, acknowledging that the cost of providing some services in rural areas carries with it a greater cost. The Government have frozen allocations at 2021/22 levels.

4.63. The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. The grant incentive has been significantly diminished in recent years, with the system in scope for review. The Government have confirmed it is rolling over the current approach for 2022/23. No resource is expected from this scheme beyond then.

4.64. The Council received a modest lower tier services grant in 2021/22. This has increased slightly for 2022/23, with no funding expected in future years.

4.65. The Dedicated Schools Grant (DSG Central Grant) contributes towards the cost of statutory education authority services, with Schools Forum approval required annually. It is assumed approval continues to be given.

Reserves

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

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

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

5.1. The Council's Net Operating Expenditure represents the day-to-day cost and income sources of council. The Council aligns revenue investment with the intent set out in the Council Plan, which outlines the priorities for the area and the outcomes it is seeking to maximise for residents.

5.2. The Council has a strong track record of financial management, fostering a cost conscious culture within an organisation which focusses on how services can best work together to develop the best solutions to reach the best outcomes. This is a considerable shift from the traditional model whereby local authorities think in the sole context of services.

5.3. During 2021/22, the Council conducted a fundamental review of its financial resilience. The requirement to undertake an assessment of financial resilience as part of sound financial management derives from the Financial Management Code. The report represented a deep dive into the range of financial indicators which together enable the organisation to better understand its areas of strength, and areas which pose the greatest risk and could therefore undermine resilience going forward. The key highlights from the report are as follows:

- The Council emerged from 2020/21 in a position of strength. As a whole, the Council met heightened need and continued to keep people safe and well during an extremely challenging time, and did so within the additional resources provided by Government.

- The 2020/21 financial outturn enabled the Council to increase reserve balances by over £30m. While some of this will be utilised in 2021/22, the underlying position will help the organisation to remain financially safe amidst short and medium-term uncertainty.

- The Council has a strong track record of cost consciousness and working together to develop solutions to resolve emerging risks. This is evident in financial outcomes and will need to remain a key part of the organisation's modus operandi moving forward

5.4. The report also identified areas of development in order to ensure the Council remains in a strong position, particularly as the organisation approaches a highly uncertain and potentially volatile period. It remains vital that the strong current position does not translate into a complacency mindset. There are significant economic and sector-specific risks which mean the outlook for all local authorities remains challenging, regardless of the current position. It is vitally important to recognise that the current reserve position does not provide long-term financial resilience, instead it should be viewed as a means of helping to achieve sustainability.

5.5. Financial sustainability will always remain a key aim of the Council, even if the financing framework makes this difficult to achieve beyond short-term cycles. It requires continuous improvement in the way it plans and utilises resources, and recognition that saving £1 is harder than containing £1 of new spend.

Financial Resilience

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

5.7. External auditors gave a clean bill of health on the council's accounts for 2020/21 as they have each year since the inception of North Lincolnshire Council. The external auditors also review the arrangements for securing economy, efficiency and effectiveness in the use of resources. The Council achieved an underspend in 2020/21 – despite difficult and unprecedented circumstances – achieved through a combination of pro-active cost management initiatives, appropriate use of specific and non-specific Government grants and a managed general slow-down in 'normal' core spending while focus turned to the response to the Covid-19 pandemic.

5.8. The council is currently forecasting that its net operating cost will balance against the 2021/22 budget. The forecast includes an increase in complex need within adult social care, combined with an increase in the cost of care packages. This has been recognised in the Local Government finance settlement with additional grant funding being provided and precept funding enabled in 2022/23.

5.9. The Chartered Institute of Public Finance and Accountancy (CIPFA) publish a financial resilience index, which is designed to support and improve discussions surrounding the financial resilience of individual Council's. The index shows each Council's performance against a range of measures associated with financial risk, covering: reserve levels, social care spending, fees and charges, and debt. Relative to other Council's, North Lincolnshire is deemed a lower risk in respect of social care spending, and a higher risk in respect of reserves being held. This is considered further in Appendix 3.

2022/25 Medium Term Financial Plan & Risk Management

5.10. Each year, the Council undertaken a strategic financial planning process which principally aims to establish a robust and balanced budget proposal which ensures affordable investment in Council outcomes and priorities. The medium term financial plan considers different factors, such as: the current cost base, new and/or emerging local and national policy intent, the Council plan, the economic context and availability of funding.

5.11. In its simplest form, the medium term financial plan represents an amalgamation of assumptions in respect of anticipated Council expenditure, income and funding. The Council is legally bound to set a balanced budget for the upcoming financial year, having due regard to the adequacy of reserves and robustness of estimates (see Appendix 6).

5.12. The medium term financial plan is set out in Table 3 and contains a plethora of adjustments from the 2021/22 budget position. As can be expected given the financial planning environment, inflation accounts for the largest permanent change to the cost base in 2022/23:

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

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

- **Health and social care levy** – the new levy is the mechanism by which the Government will generate sufficient resource to fund the clearance of the health system backlog and social care reform. This has cost implications for the Council, with the employer rate of NI increasing from 13.8% to 15.05% - an underlying increase of 9.1%. It is also a cost due to be paid by employees.

- **Backdated pay award for 2021/22** – In the 2021/22 medium term financial plan, the Council had assumed that there would not be a pay award for staff as part of the national public sector pay restraint policy. However, a pay award is now likely, with a full and final pay offer of 1.75% proposed for most employees. To bring policy and finances into alignment, the additional cost will need to be funded.

- **Energy cost inflation** – the cost of energy has significantly increased in recent months largely due to the increase in wholesale gas prices. This is leading to higher energy costs for the Council, particularly as previously contracted rates mature.

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

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

5.15. In addition to funding inflation costs, the budget proposal for 2022/23 also makes adjustments to fund increasing activity levels within social care, as well as some increased activity elsewhere in the organisation (e.g. waste tonnages). Social care activity – particularly within adult social care – continues to increase both in terms of quantum and complexity, which reflects the permanent impact of the pandemic on a generation of residents, with reduced social interaction and therefore less opportunity for early help.

5.16. The budget assumes the cost of capital financing will be lower in 2022/23, which reflects revised borrowing estimates. Whilst of short-term benefit, the medium and longer-term position need to be kept under review considering the expected pathway of increases in the Bank of England base rate.

5.17. The Government provided temporary funding for the ongoing Covid-19 impact in 2021/22. This is not being maintained for 2022/23, necessitating the removal of the associated expenditure budget.

5.18. In addition to permanent adjustments reflecting £13.5m of cost increases together with £3.2m of cost reductions and the £4.8m Covid-19 adjustment, the medium term financial plan proposes short-term investment to support transition back to ‘normal’ in some service areas. This principally reflects areas where the delivery model and operating environment remain temporarily different to the situation pre-Covid. Accordingly, £1.5m of reserves will be used to support financial recovery in these areas. If the operating model shows no signs of returning during the next twelve months time, the Council will need to consider future policy in these areas.

5.19. Beyond 2022/23, the medium term financial plan assumes that the anticipated funding in respect of social care reform will be set aside to fund additional costs not currently borne by the Council.

5.20. Strong financial management cannot exist without strong risk management. The ability to identify, influence and ideally mitigate risk is a fundamental pre-requisite to being a sustainable Council. Within financial plans, there are a series of identified risks which could materialise and translate into cost pressures if mitigating action is not taken. In stress testing every pound spent, it remains a key part of the medium term financial plan that nominated leads will be tasked with taking action to reduce the chance of risks materialising. This approach has avoided cost increases in previous years. However, the reality is that not all risks can be mitigated, and this approach relies upon there being sufficient capacity within reserves if needed (see Appendix 3).

5.21. The financial planning process is strategic in nature and incorporates the best knowledge from across the Council which informs investment need. It also adjusts for materialised risks which have been flagged during 2021/22 financial reporting (e.g. social care activity and 2021/22 pay award).

5.22. The base for 2022/23 is therefore considered to be solid. However, uncertainty beyond 2022/23 – and indeed uncertainty over the next year – mean that financial plans may need to change in future. This budget represents a solid base for future years, noting the scope for changes in the future which reflect clarifications in the operating environment and future opportunities borne out of the widescale organisational review of priorities and emergent Council plan.

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

5.24. The medium term financial plan beyond 2022/23 is unbalanced, with residual challenges remaining in each of the latter two years. This is the norm and reflects the operating environment in which the Council operates.

Financial Accountability

5.25. The day-to-day management of revenue budgets is allocated to officers to ensure clear lines of oversight and accountability. Gross and net investment categorised under the accountability structure is contained in Table 2. The table incorporates gross expenditure and income for each area in 2022/23.

5.26. Investment can be presented subjectively as well as by area of activity. This gives an indication of how much the Council expects to spend on different spend categories (e.g. pay, goods and services). The 2022/23 forecast is summarised in Table 4.

5.27. Government policy sets the mandate to what Local Government does, how it operates, and determines the financial context of resource availability. Locally, the Council interprets national policy to establish and tailor its offer to maximise outcomes for North Lincolnshire, based on understanding the local population and area's need, forecasting and managing demand, determining affordability limits and ensuring the link between all areas are understood. This inevitably gives rise to some prioritisation. The local policy also sets out how the Council operates within the law.

5.28. Under section 25 of the Local Government Finance Act 2003 it is a legal requirement for the council to have assurance, in the form of a report, that delivery activity in the plan period is properly costed, that proposals for spending are quantified and deliverable, and that risks are properly evaluated. The council is required to set a balanced budget; that is, it may not budget for a deficit. The budget contained within this report complies with this requirement.

School Expenditure and Funding

5.29. In addition to core Council funding, the Council also receives direct government grants provided for a specific purpose. Direct grants are either passed through the council to the intended recipient (e.g. housing benefit), or fund specific activities required by Government but not included within the overall financial settlement to local government (e.g. dedicated schools grant).

5.30. Dedicated Schools Grant is the main source of funding for the schools' sector. The funding is planned to be distributed in accordance with the relative proportions set out in Table 5. This primarily relates to four main blocks: schools block; early years; high needs; and a central block.

5.31. As can be seen in Table 5, total dedicated schools grant funding for North Lincolnshire is increasing to £159.3m, an increase of £6.5m (4.3%). The majority of the increase is planned to be invested within individual school budgets and in high needs provision, reflecting the national trend of increased need for specialist educational support. The national funding formula determines per pupil factor amounts. The local schools funding formula set out in Table 5 is subject to Cabinet Member (Children and Families) approval in consultation with Schools Forum.

RESERVE STATEMENT AND STRATEGY Appendix 3

Table 1 – Reserve Statement

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

Table 2 – Risk, Recovery & Transformation Reserve Breakdown

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

RESERVES STRATEGY

6.1 The Chief Financial Officer of the authority is required, under section 25 of The Local Government Act 2003, to report to it on the adequacy of the proposed financial reserves. Section 26 of the same act places an onus on the Chief Financial Officer to establish a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined when finalising the proposed budget.

6.2 The Council adopts a risk led approach to the setting of reserves, seeking to ensure the amount set aside is sufficient to cover identified risk. This appendix sets out the Council's assessment of risk, which in turn informs the level of reserves it plans to carry and the capacity available to support delivery of the Council Plan.

6.3 The Council holds reserves for three key purposes. They are held either; to responsibly manage risk, for a specific purpose, or on behalf of others. Reserves help the Council manage risks and challenges in several ways:

- Provide sufficient resilience to withstand funding or expenditure shocks
- Facilitate transformation and provide additional capacity to transition to a financially sustainable council
- Carry forward unapplied grant to cover costs which are expected to arise in future years

6.4 This report considers the uncertainty within the Council's operating environment, brought about by: the current economic context, the transition to a new and unknown 'normal' following the Covid-19 pandemic, the potential for higher and more complex need, and the short-term focus of Government in planning public service delivery. The increased uncertainty amounts to an increased risk of funding or expenditure shock, which has materialised at a handful of Councils elsewhere, and needs to be reflected in the Council's reserve statement to ensure the organisation be kept financially safe.

6.5 The Council continues to consider the financial resilience index collated and published by the Chartered Institute of Public Finance and Accountancy, which aims to aid scrutiny and oversight of financial sustainability for each Council.

6.6 In addition, the Council conducted a comprehensive review of financial resilience during 2021/22. The financial resilience assessment represents a deep dive into the range of financial indicators which together enable the organisation to better understand its areas of strength, and areas which pose the greatest risk and could therefore undermine resilience going forward. The outcomes from this report contribute to the reserve strategy.

6.7 The Council breaks down its reserves into three categories. Strategic reserves have the greatest flexibility and include the general fund and risk, recovery and transformation reserve. Earmarked and grant reserves are held to meet service/project specific costs and must be spent in line with any applicable grant conditions. School reserves are held on behalf of schools, with their usage decided by schools themselves, subject to Council oversight.

Strategic Reserves

6.8 The Chief Financial Officer determines that the General Fund is to be maintained at approximately 5% of core net revenue expenditure to cover any unforeseen demands that could not be reasonably defined when finalising the proposed budget, as required under section 26 of the Local Government Act 2003. The reserve statement assumes the balance is adjusted to equate to 5% of core net operating expenditure proposed in Appendix 2 for all years.

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

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

Transformation to lower cost base	The Council is on an ongoing journey of continuous improvement, whereby it constantly seeks to improve connections with residents and businesses all within the context of our ambition to be Best Place for residents and the Best Council it can be. Phase one of the Senior Leadership review has reshaped the portfolios of responsibility, The council plan is being refreshed and a new Organisational Development Plan will focus on the approach to enabling, progressive and sustainable implementing system re-design where required. Having capacity to invest could be a key enabler for the organisation, which will help to control increases in its cost base and achieve reductions where necessary. The application of recovery reserve will be closely monitored throughout the year.

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

6.11 The budget proposal and use of reserve is based upon the assumption of council tax rates being set at the referendum limits: 3.99% total council tax increase in 2022/23. Where the Council resolution varies from this assumption the short-term funding gap could be met from the risk reserve. For every 1% of foregone council tax, there would be a permanent loss of funding in the region of £0.8m, increasing annually thereafter. Given the risks discussed within this report, it would not be prudent to use more than £1.6m in this way.

Earmarked and Grant Reserves

6.12 There are some modest earmarked reserves and grant reserves, which must be spent in line with the conditions attached to the original allocations. The Council also has a public health reserve, which must be spent in accordance with the Public Health outcomes framework.

6.13 In addition, the Council has residual funding from Covid-19 specific schemes which are expected to unwind over time as and when they are utilised.

Schools Reserves

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

Parish and Major Precepting Authority Precepts 2022/23 Appendix 4

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

Major Precepting Authority		Taxbase	Precept (£)	BAND (all figures in £) A	B	C	D	E	F	G	H
North Lincolnshire Council	*	50,801.0	72,958,872.17	957.45	1,117.02	1,276.60	1436.17	1,755.32	2,074.47	2,393.62	2,872.34
Adult Social Care Precept	*	50,801.0	9,951,915.90	130.60	152.37	174.13	195.90	239.43	282.97	326.50	391.80
Humberside Police		50,801.0	12,862,813.20	168.80	196.93	225.07	253.20	309.47	365.73	422.00	506.40
Humberside Fire Authority		50,801.0	4,577,678.11	60.07	70.09	80.10	90.11	110.13	130.16	150.18	180.22

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

Levies funded from Council Tax 2022/23 — Appendix 5

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

* the Council receives a grant from DEFRA to contribute approximately 20% towards the cost of the levy
** TBC – amount shown reflects 2021/22 levy applied against 2022/23 taxbase

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

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

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

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

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

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

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

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

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

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

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

Strategic Assessment: Robustness of Estimates	
Covid-19	The Covid-19 pandemic has had a significant impact across the Council, requiring delivery models to continually be adapted so that they continue to meet the needs of residents. All restrictions are currently planned to be repealed by March 2022, which changes the risk profile of Covid-19. The Council will need to continue to ensure it delivers services safely and minimises public health risk where necessary. Some changes from the pandemic are expected to be temporary (e.g. leisure income reduction), some expected to be permanent (e.g. increase in social care complex cases). The budget proposal recognises this and amends investment limits where necessary. However, this report recognises the residual uncertainty for all public service organisations and the need for the Council to continue to adapt as necessary on an ongoing basis.
Inflation	The rate of inflation is currently tracking well above the 2% Bank of England target, with latest Bank of England forecasts suggesting it could peak at 7.25% in April. Inflation is projected to fall back to a little above the 2% target in two years' time. There is a risk of further sustained increases, which could have implications across all Council spending. The medium term financial plan provides for additional inflation-led cost increases, which we think will be sufficient. Should the situation worsen, the Council has capacity within reserves to offset in the short-term. However, if it does worsen, it will become a national public finance issue and will partly require a national solution to ensure the sector as a whole remains sustainable. Inflationary increases have been allowed where appropriate in other areas of expenditure (e.g. energy costs). Re-commissioning and re-procurement provides the Council with the opportunity to ensure contract prices remain market tested.
Social care reform	The Government have set out its vision for social care reform, whereby the amount that individuals need to pay for care is capped. The wider reforms have implications for social care expenditure in the short and medium term, such as the supporting the market to move towards a fair cost of care. The Government have provided funding specifically for this aim, and this plan assumes the social care precept will be maximised to increase available resources further. The Council is also investing over and above these amounts. It is expected that this will be sufficient, however there is a risk that local care rates rise quicker than sector specific funding. This is combined with the health and care system risk and the interface between discharge from hospital and care need, which has been funded from NHS budgets in 2021-22.
Pay inflation	Pay is the largest subjective cost element incurred by the Council. The medium term financial plan provides for the cost of pay awards up to a level (average 2.5%). The rate of inflation is considered elsewhere, but its impact on pay demands is expected to be clear. A further complication is that the 2021/22 pay award is

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

	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 funding base uncertainty beyond 2022/23. There could be material changes to the Local Government financing framework – focussed around the updated assessment of needs and resources in development –during the year which impact on the later year estimates. The Council will remain fully engaged in this process, and maximise local intelligence to ensure the position is as well understood as it can be.
EU Exit	The United Kingdom has left the European Union and entered into a Trade and Cooperation Agreement, which came into effect on 1st January 2021. The implications of the agreement for the wider economy and public service provision are not fully known. It is not expected to directly impact on financial plans in the short-term.
Capital Financing	Prudent estimates of the costs of financing the council's borrowing have been built into the budget. There are two elements to these costs. The Minimum Revenue Provision (MRP) and Interest. The council's policy on MRP can be found in the Treasury Management Strategy. The interest cost can be split between interest payments on already contracted debt, which are certain, and interest payments assumed on forecast borrowing. As most borrowing is already contracted, the majority of this cost is fully known. Future borrowing will potentially be subject to higher interest rates if the Bank of England base rate continues to increase.

Strategic Assessment: Adequacy of Reserves
The reserves statement and strategy contained within Appendix 3 provides a clear and detailed explanation of the forecast reserves being held, the risks they are being held to mitigate against, and their planned usage. The budget proposal contained within this report assumes that reserves held for a specific purpose reduce, and that strategic reserve balances be maintained broadly at current levels to reflect the reduced certainty beyond 2022/23, among other risks. The budget also assumes the General Fund Reserve is maintained at around 5% of net operating expenditure in future years, which I deem prudent. On balance, I am satisfied that the Council's financial plans are robust and that reserves are adequate to manage the risks the Council is exposed to.

Capital Receipts Flexibility **Appendix 7**

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

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

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

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

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

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