

## **NORTH LINCOLNSHIRE COUNCIL**

### **CABINET**

#### **Budget Review 2018/19**

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

- 1.1. To inform Cabinet of the current performance in respect of revenue and capital budgets for 2018/19.
- 1.2. The report seeks approval in respect of the latest revised budget for revenue and capital following the Council budget setting meeting held on Thursday 1<sup>st</sup> March 2018.
- 1.3. The report also informs Cabinet that cash balances and debt are being managed in line with the Council's approved treasury management strategy.
- 1.4. The report also sets out the budget planning process that will underpin the setting of the 2019/23 medium term financial plan.

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

- 2.1. The Council approved the budget for 2018/19 in March 2018, which is based on a number of assumptions and risks, outlined in the Revenue Budget 2018/19 and Financial Plan 2018/23 report, including demand for services within Adults and Children's Social Care, delivering operational efficiencies and achieving cross Council transformation.

##### **2018/19 Budget Position – Revenue**

- 2.2. The latest approved revenue and capital budget and forecast outturn for 2018/19 can be seen in Appendix 1.
- 2.3. Service budgets are monitored on a regular basis throughout the year and a council level budget position is reported quarterly. Based upon quarter one budget monitoring it is projected that revenue expenditure will be £139.8m, which 1.5% above the original budget is set.
- 2.4. The Council provides services to some of the most vulnerable people in its communities, across all groups, and the costs of these activities are heavily linked to levels of need and activity. The Council attempts to forecast demand levels when it sets its budget, but any difference to the forecast position will result in change in the level of cost being incurred by the Council. The expected level of activity within Intermediate Care Services

has increased by 25%. This activity is being effectively managed, with a high proportion of people moving on to live independently. Therefore the ongoing need is being managed – and longer-term care is not increasing. That said, the underlying complexity of needs across both older people and working age adults are impacting upon the cost of care packages, which is directly contributing to the increase in spending.

- 2.5. Increased activity for adult and children's social care reflects the national trend for these services, and locally there is a very good track record at managing this need. However, this trend is expected to continue and represents a risk to the availability of resources overall. It also underlines the importance of continuing to strengthen multi-agency working to best manage the total area impact.
- 2.6. Similarly, there is an increased demand for special education needs and alternative education, and as a consequence for education transport costs in core budgets. The volume of children accessing the service is continuing to increase, and requires a longer-term solution which is being explored with the Schools Forum.
- 2.7. There are also some challenges to achieving income targets in the shorter term, which are contributing to the financial position reported. This includes the commercial property portfolio, development control, construction services and the self-sustaining targets that have been set for sport, leisure and culture as part of its transformation journey.
- 2.8. At this point in the financial year, the realisation of the permanent savings through cross council integration have not yet fully crystallised. There will be a clearer position reported based upon quarter 2. In the meantime the Council is actively making use of a combination of approaches to manage risks and work towards a balanced budget at year-end, including making additional use of earmarked reserves, vacancy management and the re-phased revenue cost of the capital programme as a result of short-term borrowing. As part of the Council's active approach to financial risk management, it holds a modest contingency budget.

### **Reserves**

- 2.9. Should the position remain unchanged at year-end, the Council will be required to make an unplanned use of the revenue support account reserve, which would reduce the available balance to support the 2019/23 medium term financial plan.

### **Budget Adjustments**

- 2.10. A number of adjustments to the revenue budget have been made in the financial year, as the Council continually seeks to align budgets with optimal service delivery. The adjustments that have been made under delegated powers are summarised in appendix 2, which also shows the revised position. There are no adjustments which require cabinet approval.

## **2018/19 Budget Position – Capital**

- 2.11. Council approved a **capital investment** programme for 2018/19 of £70.2m at its budget setting meeting in March 2018. Cabinet subsequently amended this to £73.2m when it approved the re-phasing required as part of the 2017/18 outturn report in June. This forms part of a multi-year investment programme totalling £136.1m. The profile of the annual capital budget is regularly reviewed in order to ensure that capital resource is aligned to the year in which it is expected to be spent and so that the programme remains deliverable.
- 2.12. Currently the capital programme is forecast to spend in line with budget for 2018/19 with a small variance representing net slippage. It is anticipated that further re-phasing will be needed later in the year given that spend to date is lower than planned (this contributes to the revenue saving on planned borrowing). This is an issue of the timing of spending across the current four-year programme.
- 2.13. The programme has already been adjusted for the acceleration in highways spending approved at July cabinet. The impact of this can be seen in appendices 3 and 4.
- 2.14. When making capital investment plans, the Council is required to have regard to the Prudential Code for Capital Finance in Local Authorities. The code was updated in December 2017, and now requires Council's to produce a sustainable Capital Investment Strategy if it does not already do so. This Council produced an outline strategy when it approved its 2018/19 budget, and committed to developing a full strategy during 2018/19. The full strategy is being developed, and will be brought to a future meeting of cabinet as part of the quarterly financial update reports.
- 2.15. The investment strategy will set out the framework for all future capital investment decisions, and will support the Council's ambitions for North Lincolnshire to be the best place to live, work, visit and invest, and strengthens the consideration of prudence and risk management in decision making to ensure sufficient focus is given to:
- Longer term sustainability
  - The risk of capital plans
  - Avoiding exposing public funds to unnecessary or unquantified risk
- 2.16. As part of the revised approach to capital investment planning, the Council will attempt to strike the right balance between investment to support Council priorities, sustainability and long-term affordability.

## **2018/19 Budget Position – Treasury Update**

- 2.17. The Council is continuing to manage cash balances and debt in line with the approved Treasury Management Strategy. The Council will spend less

on debt interest during the year, lowering the in-year capital financing ratio when compared to the net revenue budget.

- 2.18. Borrowing at the end of June 2018 was £179.9m, and current cash flow and capital spending plans indicate a need to undertake around £40m further new borrowing by the end of 2018/19. Borrowing decisions are taken at the optimum time to reflect the profile of capital expenditure.
- 2.19. A revised set of prudential indicators for 2018/19 onwards has been approved by Full Council on 1<sup>st</sup> March 2018. The Treasury Management Strategy 2018/2019 report included the revised set of prudential indicators for 2017/18 which incorporate the lower capital financing costs, shown in appendix 5.

### **2019/23 Medium Term Financial Planning Process**

- 2.20. Work is already underway to refresh the Council's medium term financial plan in advance of the Council's budget setting meeting to be held on 28<sup>th</sup> February 2019.
- 2.21. The financial planning process will consider the risks and impact of the increase activity and complexity of need across children's and adult services on the overall resources available to the council.
- 2.22. At this stage in the planning process there are no indications of any changes in the assumptions made for 2019/20 resource envelope. The growth in the tax base continues to increase and there have been no indication from the Ministry of Communities, Housing and Local Government that the 4 year spending review that comes to an end in 2019/20 will be different than outlined.
- 2.23. As the Council's transformation journey continues, there will be new opportunities open to the Council with regards to deployment of its resources. The Council Plan 2018/19 signals how resources will be shaped and the budget process for the 2019/23 medium term financial plan will use a strategic commissioning approach for resource allocation, which focuses investment against outcomes and council priorities.
- 2.24. There are a number of key milestones in the budget planning calendar, internally and externally. Full Council in December will set the Council Tax Base, which will determine the basis for calculating income from council tax, assumed in the MTFP for 2019/20 and future years. The first external factor is the Chancellor's Budget Statement in November, followed by the Local Government Finance Settlement which is usually published in late December, which will inform whether there are any significant changes to the assumptions made within the MTFP in respect of government funding. This will also include notification as to the outcome of our bid to continue as part of the Business Rates Retention Pilot.

2.25. Further updates regarding the development of the MTFP and budget proposals will be presented to Cabinet for consideration.

### **3. OPTIONS FOR CONSIDERATION**

3.1. Cabinet considers and notes the budget monitoring position for 2018/19 outlined in the report, for revenue and capital, which is summarised in Appendix 1.

3.2. Cabinet approves the latest proposed budget for revenue and capital 2018/19 outlined in Appendix 2 and 3.

3.3. Cabinet notes the performance in respect of Treasury Management.

3.4. Cabinet considers and notes the 2019/23 medium term financial planning process which the Council will progress between now and the Council's budget setting meeting to be held on 28<sup>th</sup> February 2019.

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

4.1. The analysis is outlined in the background information in section 2.

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

5.1. The Council must maintain a balanced revenue budget for each financial year. If the financial position outlined in this report is the outturn position at year-end, the potential call on the Revenue Support Account reserve will be more than planned. Accordingly, it is vital that the Council continues to work hard to contain spending within cash limits, to prevent the available balance reducing.

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

6.1. Not applicable

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

7.1. Not applicable

### **8. RECOMMENDATIONS**

8.1. To note the revenue and capital budget monitoring position for 2018/19, which is set out at appendix 1.

8.2. To note the revenue budget adjustments approved under delegated powers and the latest revised budget position for 2018/19, summarised at appendix 2.

- 8.3. To note the latest capital investment programme for 2018/19, summarised at appendix 3 and by scheme in appendix 4.
- 8.4. To note the progress against the approved Treasury Management Strategy in appendix 5.
- 8.5. To note the 2019/23 medium term financial planning process

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

Revenue Budget 2018/19 and Financial Plan 2018/23 Council Report Mar 2018

Capital Programme 2017/22

Treasury Management Strategy 2018/19

Revenue budget transfers analysis (Q3)

Capital budget transfers analysis (Q3)

<b>REVENUE</b>	<b>Budget (£'M)</b>	<b>Forecast (£'M)</b>	<b>Variance (£'M)</b>
<b>Service Budget</b>	<b>113.640</b>	<b>116.992</b>	<b>3.352</b>
Central & Technical Budget	24.086	22.833	(1.253)
<b>Total Budget</b>	<b>137.726</b>	<b>139.825</b>	<b>2.099</b>
Funding	(137.726)	(137.726)	-
<b>Net</b>	<b>-</b>	<b>2.099</b>	<b>2.099</b>

<b>CAPITAL</b>	<b>Budget (£'M)</b>	<b>Forecast (£'M)</b>	<b>Variance (£'M)</b>
Safe	5.941	5.990	0.049
Well	7.633	7.745	0.112
Prosperous	29.293	29.81	0.517
Connected	17.713	16.137	(1.576)
Council Transformation	12.567	12.567	-
<b>TOTAL</b>	<b>73.147</b>	<b>72.249</b>	<b>(0.898)</b>

## Revenue Budget Transfers 2018/19

## Appendix 2

<b>Service Area</b>	<b>2018/19 Original Budget £'M</b>	<b>Technical Adjustments Approved £'M</b>	<b>2018/19 Approved Budget £'M</b>
Access & Inclusion	2.603	2.209	4.812
Adult Social Care	17.516	2.336	19.852
Asset Management & Development	2.460	-0.150	2.310
Catering & Cleaning	0.029	0.014	0.043
Central Budgets	25.385	-1.313	24.072
Community Wellbeing	4.853	-2.171	2.682
Cross Council Initiative (Business Development)	0.000	-0.143	-0.143
Cross Council Integration (Governance & Partnerships)	0.000	-0.144	-0.144
Cross Council Integration (Children & Community Resilience)	0.000	-0.129	-0.129
Financial Services	2.236	0.138	2.374
Growth & Economy	1.700	0.380	2.080
Int Commissioning & Prevention	10.389	0.300	10.689
Legal & Democracy	2.513	0.351	2.864
LSC Strategy & Transformation	0.500	-0.168	0.332
Mental Health & Disability	14.916	-0.794	14.122
Organisational Development	0.547	0.495	1.042
Participation & Achievement	4.374	0.438	4.812
Public Health (Hub)	1.611	-0.306	1.305
Safeguarding (Children)	5.899	-0.235	5.664
Safeguarding (Organisation)	8.851	0.831	9.682
Social Work (Children & Adults)	0.871	0.035	0.906
Standards & Effectiveness	0.945	-0.018	0.927
Strategic Human Resources	0.680	-0.074	0.606
Strategic Projects	0.306	0.000	0.306
Strategy, Info & Outcomes	1.404	0.103	1.507
Transport, Highways & Environment	12.719	-2.312	10.407
Waste & Public Protection	14.419	0.327	14.746
<b>Net Budget</b>	<b>137.726</b>	<b>0.000</b>	<b>137.726</b>

## Adjusted Capital Programme 2018/19 (summary)

## Appendix 3

Planned programme	Revised Programme £000's	Adjustment £000's	Approved Programme £000's
<b>Outcome Area:</b>			
Safe	5,941	80	6,021
Well	7,601	32	7,633
Prosperous	29,426	(133)	29,293
Connected	17,713	1,000	18,713
<b>Council Transformation:</b>			
Work well - A Digitally Efficient Council	2,772	0	2,772
Work well - Council Offices - Town Centre Regeneration	5,549	68	5,617
Best Assets - Communities' Buildings Investment	1,038	0	1,038
Best Assets - Efficient Fleet	1,856	0	1,856
Capital Receipts Flexibility	1,284	0	1,284
<b>Total</b>	<b>73,180</b>	<b>1,047</b>	<b>74,227</b>
<b>Funding Analysis:</b>			
External & Grant Funding	26,190	47	26,237
Internal Funding:			
Revenue Funding	5,028	0	5,028
Internal & External Borrowing	35,992	1,000	36,992
Property Trading Account	1,725	0	1,725
Capital Receipts	4,245	0	4,245
<b>Total</b>	<b>73,180</b>	<b>1,047</b>	<b>74,227</b>

## Detail of Adjustment

## Appendix 4

Scheme by Outcome Area/ Area of Transformational Activity	2018/19 Latest Approved Programme £000's	2018/19 Adjust- ments £000's	2018/19 Revised Programme £000's
<b>Safe</b>			
Telecare Investment	306	80	386
<b>Well</b>			
Pods Construction	36	(36)	0
Brigg Recreation Ground Redevelopment	95	(47)	48
Winterton Gym & Skate Park	48	(20)	28
Barton Leisure & Wellbeing Investment	1,390	559	1,949
Carbon Management	198	(68)	130
Barton Sports Facility	110	(66)	44
Winterton Artificial Pitch	300	(290)	10
<b>Prosperous</b>			
Schools Investment Programme	5,499	(133)	5,366
<b>Connected</b>			
Local Transport Plan	9,878	1,000	10,878
<b>Council Transformation</b>			
Work well - Council Offices - Town Centre Regeneration	5,549	68	5,617

**Prudential Indicators**

**Appendix 5**

		2018/19	2018/19
		Budget (March 2018)	Revised (Quarter 1)
(i)	Estimates of capital expenditure	£m 70.2	£m 74.2
(ii)	General Fund ratio of financing costs to the net revenue stream % (Based on Prudential Code 2013)	% 10.5	% 9.5
(iii)	An estimate of the capital financing requirement	£m 267.1	£m 243.8
(iv)	The authorised limit for external debt: borrowing other long term liabilities total	£m 310.0 5.0 315.0	no change
(v)	The operational boundary for external debt: borrowing other long term liabilities total	£m 272.0 3.0 275.0	no change
(vi)	Upper limit for fixed rate exposure	% 100.0	no change
(vii)	Upper limit for variable rate exposure	% 40.0	no change
(viii)	upper and lower limits for maturity structure of borrowing UPPER LIMIT under 12 months 12 months and within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above  LOWER LIMIT 10 years and above	%  40.0 20.0 50.0 75.0 90.0  25.0	%  no change  no change
(ix)	Total principal sums invested for periods longer than 364 days	£m 0	£m 0

(i). Capital Programme expenditure has changed to reflect the revised programme