



**Corporate Policy and  
Resources**

**Thursday, 28 July 2022**

**Subject: Budget and Treasury Monitoring - Quarter 1 (part) 2022/2023  
(1<sup>st</sup> April 2022 to 31<sup>st</sup> May 2022)**

Report by:

Director of Corporate Services

Contact Officer:

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Purpose / Summary:

This report sets out the revenue, capital and treasury management activity from 1<sup>st</sup> April 2022 to 31<sup>st</sup> May 2022.

## **RECOMMENDATION(S):**

### **REVENUE**

- a) Members accept the forecast out-turn position of a £0.038m net deficit from reserves as of 31<sup>st</sup> May 2022 (see Section 2) relating to revenue activity.
- b) Members approve the use of Earmarked Reserves (2.4.1).
- c) Members accept the use of Earmarked Reserves during the quarter approved by the Chief Finance Officer using Delegated powers (2.4.2).
- d) Members accept the contributions to Earmarked Reserves (2.4.3).
- e) Members accept the amendments to statutory fees and charges for planning applications (2.3.2)

### **CAPITAL**

- f) Members accept the current projected Capital Outturn as detailed in 3.1.1.

- g) Members approve the capital budget reinstatement of £0.070m as detailed at 3.1.3, and to bring forward budget of £0.028m from 2023/2024 into 2022/2023, as detailed at 3.1.2.

#### **TREASURY**

- h) Members accept the report, the treasury activity and the prudential indicators.

#### **IMPLICATIONS**

**Legal:** None arising as a result in this report.

## Financial : FIN/49/23/CPR/SL

### REVENUE

The draft revenue forecast out-turn position for 2022/2023 is currently reflecting a net deficit from reserves of £0.038m relating to revenue activity as of 31<sup>st</sup> May 2022.

A summary of the forecast out-turn position relating to business-as-usual activity:

Summary of Out-turn Position 2022/2023		
	£ 000	
FORECAST OUTTURN AS AT 31.05.22	32	BEFORE CARRY FORWARDS
<b>CARRY FORWARDS : BASE BUDGET-PREVIOUSLY APPROVED</b>	6	ALREADY APPROVED
<b>CARRY FORWARDS : USE OF EARMARKED RESERVES</b>	0	ALREADY APPROVED
<b>SUB-TOTAL:</b>	<b>38</b>	
SERVICE CARRY FORWARD REQUESTS	0	Pending Approval by Management Team April 2023
<b>NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:</b>	<b>38</b>	
<b>TOTAL CARRY FORWARDS:</b>	<b>6</b>	

The forecast General Fund Balance as of 31 March 2023 is £3.836m (excluding carry forwards). This is £1.336m above the minimum working balance of £2.5m agreed by this Committee.

The items with significant variances are contained within this report at 2.1 and 2.2.

### CAPITAL

The Capital Forecast Out-Turn for 2022/2023 is £15.018m, a variance of £0.445m against the approved budget of £15.464m.

The amendments to the scheme are requested at 3.1.2 and 3.1.3:

- Unlocking Housing (living over the Shop) - capital budget reinstatement of £0.070m, and
- Smart Device Refresh-Members - bring forward budget of £0.028m from 2023/2024 into 2022/2023.

### TREASURY

The Treasury Management activities during the reporting period are disclosed in the body of this report. Total external borrowing is currently £21.5m; however, no additional borrowing will be required this financial year.

There have been no breaches of Treasury or Prudential Indicators within the period of this report.

Average investments for the period (Apr-May) were £20.003m, which achieved an average rate of interest of 1.40% (Jan-Mar was 22.440m, 0.896%).

**Staffing:**

Salary budgets for 2022/2023 were set based on an estimated 2% pay award. The increase in salary costs is now anticipated to be higher than budgeted, with an estimate of 4%. £0.25m was carried forward from the 2021/2022 surplus into 2022/2023 which will allow for up to a 4% increase. However, there will be an ongoing budget pressure from 2023/2024 to be considered through the MTFP and budget setting process.

A 2% (£0.235m) Vacancy Factor is included within the 2022/2023 Budget, which was applied to salary budgets for posts which are on our organisational establishment (basic pay, superannuation and national insurance).

There is no variance to report against salary budgets at this period.

**Equality and Diversity including Human Rights:** None arising as a result of this report.

**Data Protection Implications:** None arising as a result of this report.

**Climate Related Risks and Opportunities:** None arising as a result if this report.

**Section 17 Crime and Disorder Considerations:** None arising as a result of this report.

**Health Implications:** None arising as a result of this report.

**Title and Location of any Background Papers used in the preparation of this report :** N/A

**Risk Assessment:** This is a monitoring report only.

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

*i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)*

**Yes**

**No**

**X**

**Key Decision:**

*A matter which affects two or more wards, or has significant financial implications*

**Yes**

**No**

**X**

## 1. Executive Summary

**This report provides the oversight of financial performance for:**

### **REVENUE**

- Revenue Forecast Out-Turn (after carry-forwards) – Deficit from Reserves £0.038m. (-0.25% of Net Revenue Budget – see 2.1 for details of significant variances).
- Carry forwards approved during the year of £0.006m (see Appendix 2 for details).
- **Budget risks:**
  - Continued increase in fuel costs (2.2.3)
  - Pay award 2022/2023, and cumulative impact on future years' (2.2.4)
  - Impact of inflation on costs
  - Impact of movement in interest rates
  - Impact of the uncertain economic position (Ukraine/Russia, cost of living issues, government change of leadership, Covid)

### **CAPITAL**

- Capital Forecast Out-Turn: £15.018m, a variance of £0.445m against current budget £15.464m. The amendments to the programme that are being requested at this time are:
- Approval to claw back £0.028m from 2023/2024 for the Member IT Refresh, which is due to take place this year.
- Reinstate a budget of £0.070m for Unlocking Housing – Living over the Shop as the grant funding has now been extended. (Section 3.1.3).

### **TREASURY MANAGEMENT**

- Treasury Management Report and monitoring:
- Investments held as of 31<sup>st</sup> May 2022 were:
  - Average investment interest rate for April to May was 1.40%.
  - Total Investments at the end of Quarter 1 was £14.618m.

The tables below reflect investment movements and prudential borrowing analysis:

<b>Investment Movements</b>	<b>Qtr. 1 £'000</b>
Investments B/fwd. (at 31.3.2022 incl. bank)	<b>20.020</b>
(Less) Capital expenditure	<b>-1.372</b>
Add PWLB/Other LA Borrowing in year	0
Add/(Less) Net Revenue Expenditure	<b>-3.454</b>
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	<b>-1.169</b>
Add Working Capital Movement	0.593
<b>Investments c/fwd (at Period end)</b>	<b>14.618</b>

Our prudential borrowing position reflects actual borrowing undertaken from the Public Works Loans Board/Other Local Authorities and the amount of internal borrowing required to meet the actual costs of borrowing up to the 31<sup>st</sup> March 2023.

	<b>Qtr. 1 £'000</b>
<b>Prudential Borrowing</b>	
Total External Borrowing (PWLB) and Other Local Authorities	16,500
Internal Borrowing	5,000
<b>Total Prudential Borrowing at 31.05.2022</b>	<b>16,741</b>
	<b>38,241</b>

**REVENUE BUDGET MONITORING QUARTER 1 (part)**  
**(1<sup>st</sup> April 2022 to 31<sup>st</sup> May 2022)**  
**Forecast Outturn for 2022/2023**

2. The Revenue Budget forecast out-turn currently stands at a net deficit from reserves of £0.038m as detailed in the table below.

This is after taking account of £0.006m of revenue budget carry forwards. The details of which are provided at **Appendix 2**.

Details of headline variances by Cluster can be found below at 2.1 and 2.2.

SERVICE CLUSTER	2022/2023					
	Original Budget	Revised Budget	Forecast Outturn	Outturn Variance before Cfws	Carry Forwards	Outturn Variance after Cfws
	£	£	£	£	£	£
Our People	1,733,300	2,039,900	1,991,150	(48,750)	0	(48,750)
Our Place	4,223,700	4,472,200	4,535,999	63,799	0	63,799
Our Council	6,066,500	6,621,800	6,651,200	29,400	5,600	35,000
<b>Controllable Total</b>	<b>12,023,500</b>	<b>13,133,900</b>	<b>13,178,349</b>	<b>44,449</b>	<b>5,600</b>	<b>50,049</b>
<b>Corporate Accounting:</b>						
Interest Receivable	(149,200)	(149,200)	(149,200)	0	0	0
Interest Payable	451,800	451,800	451,800	0	0	0
Investment Income	(1,470,800)	(1,470,800)	(1,470,800)	0	0	0
Precepts and Levies	2,746,900	2,746,900	2,736,100	(10,800)	0	(10,800)
<b>Movement in Reserves:</b>						
Use of General Fund	(541,100)	(1,618,700)	(1,618,700)	0	0	0
Contribution to General Fund	75,400	75,400	75,400	0	0	0
Use of Specific Reserves	(1,691,800)	(1,727,800)	(1,728,550)	(750)	0	(750)
Contribution to Specific Reserves	2,636,700	2,639,900	2,639,900	0	0	0
Repayment of Borrowing	898,000	898,000	898,000	0	0	0
<b>Net Revenue Expenditure</b>	<b>14,979,400</b>	<b>14,979,400</b>	<b>15,012,299</b>	<b>32,899</b>	<b>5,600</b>	<b>38,499</b>
<b>Funding Total</b>	<b>(14,979,400)</b>	<b>(14,979,400)</b>	<b>(14,979,400)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR</b>	<b>0</b>	<b>0</b>	<b>32,899</b>	<b>32,899</b>	<b>5,600</b>	<b>38,499</b>

Carry Forwards - previously approved	5,600
<b>Total Carry Forwards</b>	<b>5,600</b>

2.1 The significant movements being:

Cluster	EXPENDITURE	Total £000	Direction of Travel
<b>BUDGET UNDERSPENDS</b>			
Our People	Grounds Maintenance Contract.	(£74)	New
<b>PRESSURES</b>			
Our Council	Insurance premium increase.	£25	New
Our Place	Fuel - increased costs.	£48	New
	Various forecast outturn variances <£10k	(£3)	New
		(£4)	

Cluster	INCOME	Total £000	Direction of Travel
<b>BUDGETED INCOME NOT ACHIEVED</b>			
Our Place	Car Park Income - Parking Permit sales reduced.	£42	New
		£42	

<b>TOTAL VARIANCE</b>	<b>£38</b>
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2.2 Significant items (>£10k) of note by Cluster:

2.2.1 Our Council

- £0.006m approved carry forwards into 2023/2024 (see Appendix 2 for details).
- £0.025m increased cost of insurance premium following a new contract tender exercise. The contract has been awarded to multiple suppliers to cover the different elements of insurance cover required, and is effective for three years from 31<sup>st</sup> May 2022, with an option to extend for a further two years.

2.2.2 Our People

- (£0.074m) saving on the ground's maintenance contract. (2022/2023 budget of £0.189m, contract value £0.115m).

The reduced costs are due to the economies of scale, as the contractor secured all tendered lots in the Lincolnshire framework – North Kesteven, East



Lindsey, West Lindsey, Rest of Lincolnshire. They also have secure compounds in or very close to each of the districts reducing travelling time and fuel costs and many employees are from the local areas. In addition, as the framework is open to parish/town councils they are also carrying out grounds' maintenance for Torksey and Northorpe Parish Councils and Gainsborough Town Council.

The current contract is in place for four years, from January 2022 to January 2026, with an option to extend for a further year.

### **2.2.3 Our Place**

- £0.048m – forecast increase in fuel costs. The forecast is based on the price paid per litre of fuel during May 2022 (£1.42) and fuel consumption for the year 2021/2022. Fuel price is volatile, and the impact of a full year at the new depot on consumption is not yet known. Both factors will be monitored, and an updated position reported to members at Qtr. 2. For context, every 1p increase in fuel price results in a £200 pressure each month.
- £0.042m pressure on car park permit income. This is due to the reduction in the number of permits being sold due to continued remote working in some sectors.

### **2.2.4 Establishment**

A 2% vacancy factor against salary budgets was approved for 2022/2023 through the MTFP, which equates to a reduction in budget of £0.235m.

Salary budgets for 2022/2023 were set based on an estimated 2% pay award. The increase in salary costs is now anticipated to be higher than budgeted, with an estimate of 4%. £0.25m was carried forward from the 2021/2022 surplus into 2022/2023 which will allow for up to a 4% increase. However, there will be an ongoing budget pressure from 2023/2024 to be considered through the MTFP and budget setting process.

## **2.3 Fees and Charges**

- 2.3.1 £1.754m has been received in Fees and Charges up to the end of the period against a budget of £1.747m, a surplus of £0.006m.

The one significant variance forecast for the year, reported at Qtr. 1 2022/2023 is a reduction in forecast income:

- Car Park income – parking permits £0.042m

### **2.3.2 Amendment to Fees and Charges 2022/2023**

There have been several changes to statutory planning application fees during 2022/2023, which are set by Government (The Town and Country Planning Regulations 2012). Details are provided for information:

CURRENT SCHEDULE		2022/23	VAT Rate	Action
New dwellinghouses	Where number of new dwellinghouses is not more than 50	£334.00	OS	Increase
	Where the number of dwellinghouses exceeds 50, £22,859 and an additional £138 for each dwelling in excess of 50 subject to a maximum in total of £300,000	£100.00	OS	Increase
Change of Use of a building and any land within its curtilage from Commercial/Business/Service (Use Class E) to Dwellinghouses (Use Class C3)	£100 for each dwellinghouse	£96.00	OS	Increase
Change of Use of a building from Shops (Use Class A1), Financial and Professional Services (Use Class A2), Betting Offices, Pay Day Loan Shops and Casinos (Sui Generis Uses) to Restaurants and Café's (Use A3)		£96.00	OS	Delete
	if it includes building operations in connection with the change of use	£206.00	OS	Delete
Change of Use of a building from Shops (use Class A1) and Financial and Professional Services (Use Class A2), Betting Offices, Pay Day Loan Shops (Sui Generis Uses) to Assembly and Leisure Uses (Use Class D2)		£96.00	OS	Delete
Change of Use from Shops (Class A1), Professional and Financial Services (Class A2), Takeaways (Class A5), Betting Offices, Pay Day Loan Shops or Laundrettes to Offices (Class B1a)		£96.00	OS	Delete

AMENDED SCHEDULE		2022/23	VAT Rate	Action
New dwellinghouses	Where number of new dwellinghouses is not more than 50	£462.00	OS	Increase
	Where the number of dwellinghouses exceeds 50, £22,859 and an additional £138 for each dwelling in excess of 50 subject to a maximum in total of £300,000	£138.00	OS	Increase
Change of Use of a building and any land within its curtilage from Commercial/Business/Service (Use Class E) to Dwellinghouses (Use Class C3)	£100 for each dwellinghouse	£100.00	OS	Increase
Additional Storeys on a home		£96.00	OS	New
Movable structure within the curtilage of a historic visitor attraction, or listed pub/restaurant/etc		£96.00	OS	New
Erection, extension or alteration on a closed defence site by or on behalf of the Crown of single living accommodation and/or non-residential buildings	(No fee set)	£0.00	OS	New

## 2.4 2022/2023 Use of and Contribution to Reserves

### 2.4.1 Use of Reserves – Member Approval Required

The following use of Earmarked Reserves is greater than £0.05m and requires the approval of Corporate Policy and Resources committee:

- £122.4k from the Unapplied Grants Reserve. Balance of the Outbreak Prevention Grant (DLUHC). This will support resources to assist with clearing the backlog of food safety inspections, to ensure that we meet our statutory obligations.

### 2.4.2 Use of Reserves – Delegated Decision

The Chief Finance Officer has used delegated powers to approve the use of earmarked reserves up to £0.05m – total approved £0.071m.

- £0.001m from the Cultural Strategy Reserve. Expression of Interest submissions to National Lottery Heritage Fund (NLHF) - Consultant fees.
- £0.036m from the Finance Budget Risk Reserve (Covid Support). Planning Enforcement temporary resource Apr-Oct 22.
- £0.009m from the Communities at Risk Reserve. Community café drop in space.
- £0.005m from the Communities at Risk Reserve. Mutualgain – community events initiative.
- £0.005m from the Communities at Risk Reserve. Summergangs Lane community space initiative.
- £0.007m from the Unapplied Grants Reserve. Balance of the Council Tax

- Hardship grant (DLUHC).
- £0.008m from the Unapplied Grants Reserve. Balance of the HM Land Registry Activity grant.

### 2.4.3 Contribution to Reserves

Contributions to reserves during the period:

- £0.016m to the Vehicle Replacement Reserve. Proceeds from the sale of five operational services' vehicles.

## 2.5 Grants

As of 1st April 2022, we had an amount of £0.638m relating to grants received which had yet to be expended. Budget provision will be created throughout the financial year as required to deliver projects in accordance with grant terms. The forecast balance as of 31<sup>st</sup> March 2023 is £0.453m.

### 2.5.1 Successful Grant Bids and New Grant determinations

The following grants have been received/awarded during this period:

Grant Issued By	Name of Grant	£
Department for Work & Pensions (DWP)	Housing Benefits - Rent Allowance	3,371,388
Lincolnshire County Council	Waste Collection - Purple Bins	744,192
Nottingham City Council	Home Upgrade Grant Phase 1 (HUG1)	277,200
Department for Levelling Up, Homes and Communities (DLUHC)	New Home Bonus	231,099
Department for Levelling Up, Homes and Communities (DLUHC)	Homelessness and Rough Sleeping Funding	185,790
Department for Levelling Up, Homes and Communities (DLUHC)	Local Council Tax Admin Support	99,005
Department for Work & Pensions (DWP)	Housing Benefit Admin Grant	92,524
Nottingham City Council	Local Authority Delivery Scheme Phase 3 (LAD3)	92,400
Department for Levelling Up, Homes and Communities (DLUHC)	Lower Tier Service Grants	86,661
Department for Levelling Up, Homes and Communities (DLUHC)	Council Tax Rebate	54,748
Department for Levelling Up, Homes and Communities (DLUHC)	Statutory Domestic Abuse Duty	31,812
Department for Work & Pensions (DWP)	Housing Benefits - Discretionary Housing Payments	17,787
Department for Work & Pensions (DWP)	Housing Benefits - DWP System Upgrades	12,329
Lincolnshire County Council	Disabled Facilities Grant (DFG)	10,444
Department for Environment, Food and Rural Affairs (DEFRA)	Biodiversity Net Gain Grant	10,047
Department for Work & Pensions (DWP)	Housing Benefits - Verify Earnings and Pensions (VEP) Grant	8,039
		<b>5,325,465</b>

### Other Items for information

### 2.6 Planning Appeals

In Quarter 1 2022/2023, to the end of May 2022, there were 5 appeals determined – all of which were dismissed.

There is 1 live application for costs.

Period	Number of Appeals	Allowed	Dismissed
April	0	0	0
May	5	0	5
<b>Total for Quarter 1</b>	<b>5</b>	<b>0</b>	<b>5</b>

## 2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Quarter 1 2022/2023 Monitoring Report

At the end of May 2022, there was a total of £0.23m outstanding debt in the system over 90 days. Most of this debt was over 150 days old (65%) and mainly comprised of:

- Environmental Protection & Licensing £0.03m – the debt recovery process is under way for all debt over 90 days, payment plans are being put in place where possible.
- Housing Benefits overpayments £0.03m the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.
- Housing £0.023m - the debt recovery process is under way for all debt over 90 days, payment plans are being put in place where possible.

The level of outstanding debt for the same period 2021/2022 is provided below for information:

2021/2022 Total £	Month	90 – 119 days £	120 – 149 days £	150+ days £	2022/2023 Total £
180,437	Quarter 1 - ending May 2022	8,874	72,139	149,028	230,041

## 2.8 Changes to the Organisation Structure

**2.8.1 Market Manager** – 2022/2023 pressure of £0.018m. New post expected to commence October 2022. Officer to act as the key linchpin between the stakeholders involved in the three town centres.

**2.8.2 Trinity Arts Centre Restructure** – additional cost of £0.03m, including £0.005m to provide ad hoc technical support, is offset by increased income.

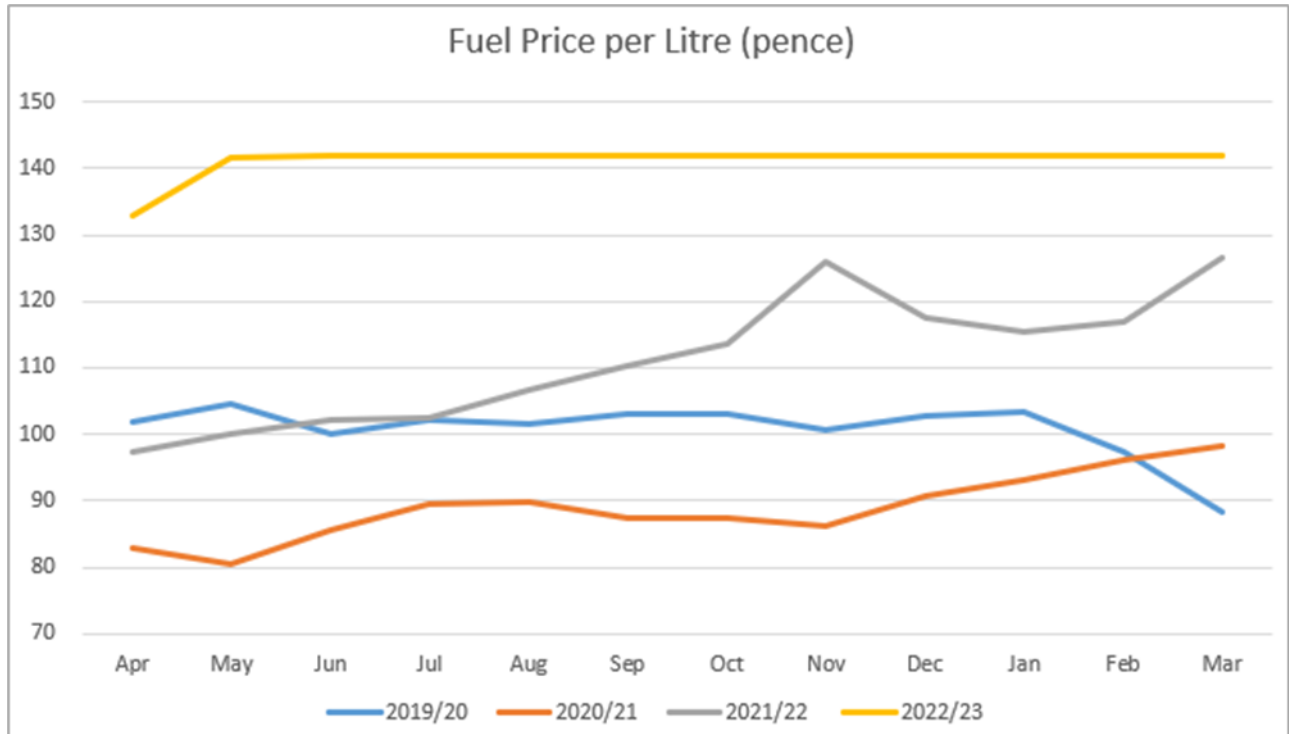
**2.8.3 Homelessness Prevention** – delete Homelessness Prevention & Relief Officer and replace with Home Choice Support Officer. Net saving of £0.003m.

**2.8.4 CCTV Service** - 2022/2023 pressure of £0.055m. Job evaluation for 3 existing operatives, and 3 new fixed term posts for 12 months. To be funded through external grant or from the general fund balance.

**2.8.5 Food, Health & Safety Technical Officer** – 2022/2023 pressure of £0.002m. Position amended to a career grade post.

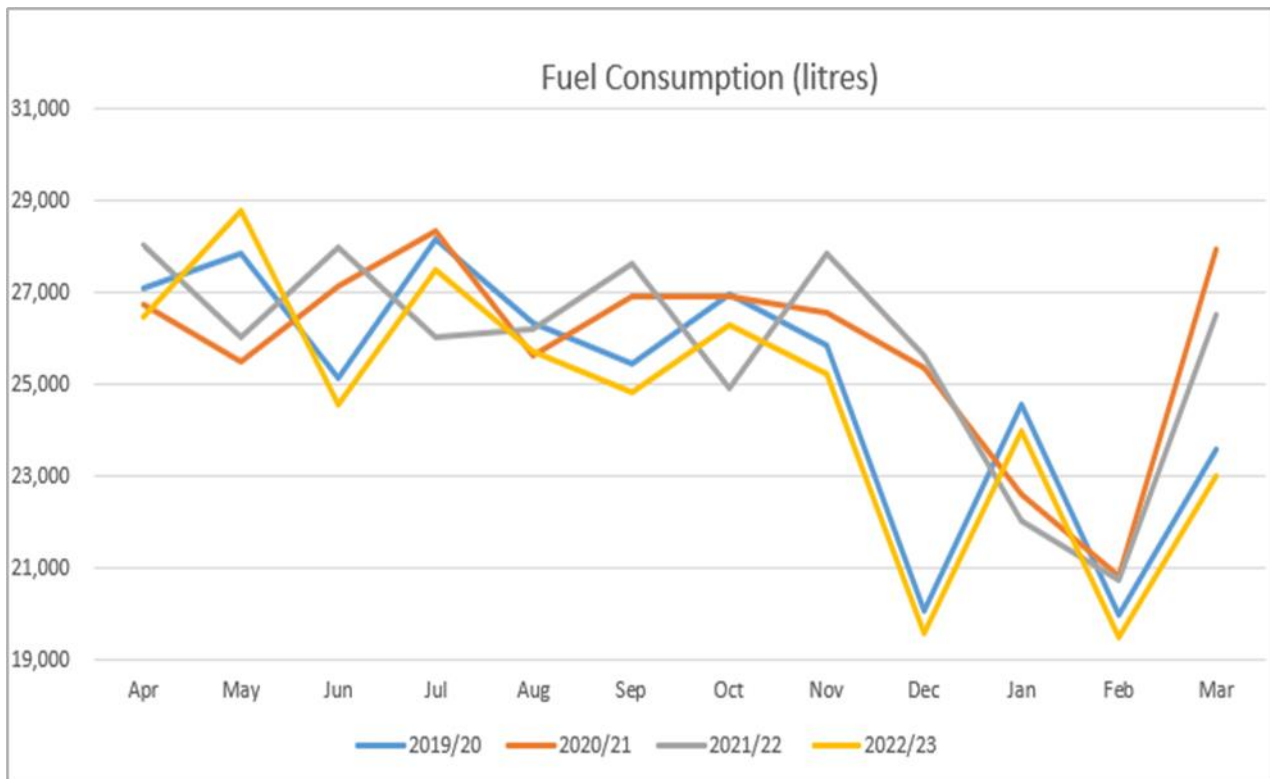
## 2.9 Fuel

2.9.1 The chart below shows the actual price paid per litre of fuel, in pence, during 2019/2020, 2020/2021 and 2021/2022. The prices shown for 2022/2023 are actuals to date, for the period April to May 2022, and forecast for the remainder of the year at the May 2022 rate of £1.42 per litre.



2.9.2 The chart below show the actual volume of fuel purchased, in litres, during 2019/2020, 2020/2021 and 2021/2022. The volumes shown for 2022/2023 are actuals to date, for the period April to May 2022, and forecast for the remainder profiled to reflect fuel consumption levels during 2021/2022.

There is a drop in fuel purchased December to February, which reflects the pause in Garden Waste collections.



### 3.1 CAPITAL BUDGET MONITORING – Quarter 1 2022/2023

3.1.1 The Capital Budget forecast out-turn is £15.018m against a revised budget of £15.464m. This results in a variance (underspend) of £0.445m.

This is made up of:

- £0.480m potential carry forwards into 2023/2024
- £0.028m requested drawback from 2023/2024 into 2022/2023, and
- £0.007m net overspend.

The amendments requested at this time to the Capital Programme are:

3.1.2 Approval requested to drawback £0.028m from 2023/2024 into 2022/2023 for the Member IT Refresh.

3.1.3 Approval is also sought for an addition to the following scheme:

- Request to reinstate a budget of £0.070m for Unlocking Housing – Living Over the Shop. This scheme was closed in 2021/2022 with the balance declared as an underspend and removed as it was grant funded. However, the grant funding deadline has been extended.

3.1.4 The out-turn position and narrative for capital schemes is provided in the table below:

## Capital Investment Programme 2022/2023

Corporate Priority/Scheme	Stage	Actuals	Base Budget	Revised Budget incl. Contingency	Forecast Outturn	Over/ (Under) Spend	Carry Forwards/ Drawbacks	Narrative	Contingency Forecast Outturn	Contingency Budget
		£	£	£	£	£	£		£	£
<b>Customer</b>										
3D Payment Secure	Stage 3	0	0	9,500	9,500	0	0		0	0
Income Management	Stage 1	(20,250)	0	47,700	40,700	(7,000)	0	Ongoing scheme. £7k contingency not to be spent unless urgent.	0	7,000
Website Replacement	Pre-Stage 1	0	0	42,100	42,100	0	0		0	0
Telephony (Equipment)	Pre-Stage 1	0	0	20,000	20,000	0	0		0	0
CRM System	Stage 3	0	83,800	95,400	95,400	0	0		0	0
Replacement Planning System	Stage 2	0	123,000	123,000	0	0	(123,000)	Unlikely to spend this year. New system to be procured.	0	0
<b>Economy</b>										
Crematorium Phase 2	Stage 3	636,531	0	0	0	0	0		0	0
Trinity Arts Centre Improvements	Pre-Stage 1	0	2,500,000	2,500,000	2,500,000	0	0		0	0
Saxilby Industrial Estates	Stage 4	(15,000)	0	0	0	0	0		0	0
Hemswell Cliff Investment for Growth	Stage 2	0	0	100,000	100,000	0	0		0	0
Market Rasen 3 year vision	Stage 2	0	150,000	200,000	200,000	0	0		0	0
Gainsborough Heritage Regeneration	Stage 2	0	449,600	500,000	500,000	0	0		0	0
Gainsborough Shop Front Improvement	Stage 3	0	52,413	52,413	52,413	0	0		0	0
5-7 Market Place Redevelopment	Stage 1	0	404,500	654,500	599,000	(55,500)	0	Contingency Budget - £10k required for change in structural solution to third floor to comply with building control regulations. £55.5k balance remaining uncommitted at this point.	10,000	65,500
Thriving Gainsborough - Cinema	Stage 2	0	2,219,212	2,420,512	2,420,512	0	0		0	0
Hemswell Masterplan Public Realm	Stage 2	0	0	50,000	50,000	0	0		0	0
Riverside Walk	Stage 3	(43,651)	0	0	0	0	0		0	0
Sun Inn	Stage 3	10,056	0	32,900	32,900	0	0		0	0
WLDC - Cinema Land Purchase	Stage 2	0	0	462,500	462,500	0	0		0	0
Thriving Gainsborough - Pocket Park	Stage 2	0	65,600	65,600	65,600	0	0		0	0
Thriving Gainsborough - Market Place/Streetscape	Stage 2	0	813,000	813,000	813,000	0	0		0	0
Thriving Gainsborough - Townhall THI	Stage 2	0	1,087,050	1,095,850	1,095,850	0	0		0	0
Thriving Gainsborough - Whitton Gardens	Stage 2	0	597,880	597,880	597,880	0	0		0	0
Thriving Gainsborough - Bus Station	Stage 2	0	125,100	151,300	151,300	0	0		0	0
Thriving Gainsborough - Living Over The Shops	Stage 2	0	575,580	583,480	583,480	0	0		0	0
Thriving Gainsborough - Wayfinding Strategy	Stage 2	0	0	66,300	66,300	0	0		0	0
Thriving Gainsborough - Resources	Stage 2	0	556,300	650,400	650,400	0	0		0	0

### Capital Investment Programme 2022/2023

Corporate Priority/Scheme	Stage	Actuals	Base Budget	Revised Budget incl. Contingency	Forecast Outturn	Over/ (Under) Spend	Carry Forwards/ Drawbacks	Narrative	Contingency Forecast Outturn	Contingency Budget
		£	£	£	£	£	£		£	£
<b>Finances</b>										
Financial Management System	Stage 3	2,306	0	18,800	18,800	0	0		0	0
Capital Enhancements to Council Properties	BAU	224	70,000	81,000	81,000	0	0		0	0
Carbon Efficiencies - Street Lights	Stage 3	0	160,000	210,000	52,500	0	(157,500)	LED Street Light upgrade to be phased over multiple years. Alternative scheme delivery options are being considered in order to progress the works quicker.	0	0
Richmond House Conservatory	Stage 3	0	0	20,000	20,000	0	0		0	0
<b>Health &amp; Wellbeing</b>										
Market Rasen Leisure Centre	Stage 4	(435)	0	0	0	0	0		0	0
Disabled Facilities Grants	BAU	118,941	674,900	731,700	731,700	0	0		0	0
<b>Housing Growth</b>										
Unlocking Housing (Living over the Shop)	Stage 3	0	0	0	69,600	69,600	0		0	0
<b>Public Safety &amp; Environment</b>										
Vehicle Replacement Programme	BAU	714,500	828,000	918,800	918,800	0	0		0	0
Depot (P)	Stage 3	(41,871)	0	100,000	100,000	0	0		0	0
CCTV Expansion	Stage 3	0	0	46,000	46,000	0	0		0	0
<b>Staff &amp; Members</b>										
Smart Device Refresh - Members	BAU	0	0	0	28,000	0	28,000	Member refresh to take place this year. Budget to be brought forward to 2022/2023 from 2023/2024.	0	0
ERP Systems Phase 2	Stage 2	0	200,000	200,000	0	0	(200,000)	Spend unlikely this year. Scheme is for HR & Asset System.	0	0
Document Management System	Pre-Stage 1	10,238	0	46,400	46,400	0	0		0	0
<b>Vulnerable Groups and Communities</b>										
Extra Care Provision	Stage 1	0	750,000	750,000	750,000	0	0		0	0
Supported Accommodation (LEAP)	Stage 3	0	80,000	71,000	71,000	0	0		0	0
Local Authority Delivery Grant Phase 2 - Green Home	Stage 3	0	0	529,500	529,500	0	0		0	0
Ongo - Stow Road Marton	Stage 2	0	226,250	226,250	226,250	0	0		0	0
Lace Housing - Romangate Court	Stage 2	0	180,000	180,000	180,000	0	0		0	0
<b>Total Capital Programme Gross Expenditure</b>		<b>1,371,589</b>	<b>12,972,185</b>	<b>15,463,785</b>	<b>15,018,385</b>	<b>7,100</b>	<b>(452,500)</b>		<b>10,000</b>	<b>72,500</b>



## **3.2 Acquisitions, Disposals and Capital Receipts**

3.2.1 The Council has made no acquisitions of land and buildings during April/May 2022.

3.2.2 The Council has had no asset disposals of land and buildings during April/May 2022.

3.2.3 Capital Receipts - The total value of capital receipts at the end of May 2022 totalled £0.088m relating to:

- £0.064m from the Housing Stock Transfer Agreement share of Right to Buy receipts.
- £0.005m Loan repayments.
- £0.009m for the Council's share of the proceeds of two plots of land.
- £0.010m Repayments of Disabled Facilities Grant (DFG).

#### 4. TREASURY MONITORING – Quarter 1 (Apr – May 2022)

The Treasury Management Strategy Statement (TMSS) for 2022/2023, which includes the Annual Investment Strategy, was approved by the Council on 7<sup>th</sup> March 2022. It sets out the Council’s investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

- 4.1 Officers can confirm that there have been no breaches of Prudential Indicators as detailed at 4.7 below.
- 4.2 Interest received (Apr-May) has been more than the average 7-day Sterling Overnight Index Average (SONIA) (0.92%) with an average yield of 1.40% (including CCLA) and 0.81% (excluding CCLA). The Council budgeted to receive £0.149m of investment income, the forecast outturn is now £0.178m.

#### 4.3 Interest Rate Forecasts

The Council’s treasury advisor, Link Group, have provided the following forecasts on 21 June 2022:

	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
<b>BANK RATE</b>	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

Appendix 1 details Link Asset Services detailed commentary on Interest Rate Forecasts (as at end of May).

Link Asset Services detailed economic commentary on developments during quarter ended 30 June 2022 is included in Appendix 3.

#### 4.4 Investments

The Council held investments of £14.618m on 31<sup>st</sup> May 2022. The table below details these investments for Qtr. 1 (part):

	Qtr. 1
Investments at Qtr. 1	£'000
Lloyds Deposit Account	0
Lloyds (32 Day Notice	0
Lloyds (95 Day Notice	0
Santander (35 Day Notice Account)	2,000
Santander (95 Day Notice Account)	0
Lloyds Bank Account	48
LGIM Money Market Fund	7,500
CCLA Property Fund	3,000
Insight Money Market Fund	2,070
<b>Total</b>	<b>14,618</b>

#### 4.5 Investment in Local Authority Property Fund (CCLA)

The total the Council has invested now stands at £3m (of an approved £4m). Interest is receivable on a quarterly basis with Q1 due during July.

#### 4.6 New External Borrowing

No further temporary borrowing was undertaken in Quarter 1 of the financial year.

The Council's total external borrowing stands at £21.5m.

#### 4.7 Total Prudential Borrowing at Quarter 1

	Qtr. 1
Prudential Borrowing	£'000
Total External Borrowing	21,500
Total Internal Borrowing	16,741
<b>Total Prudential Borrowing</b>	<b>38,241</b>

#### 4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31<sup>st</sup> May 2022.

#### 4.9 Compliance with Treasury and Prudential Limits

It is statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy (TMS).

During the financial year to date the Council has operated within these treasury and prudential indicators and in compliance with the Council's Treasury Management Practices.

The prudential and treasury Indicators are shown below and consider the revisions to the Capital Programme as detailed in section 3 of this report.

	Original £'000	Qtr. 1 £'000
<b>Treasury Indicators</b>		
Authorised limit for external debt	43,000	43,000
Operational boundary for external debt	38,241	38,241
External Debt	26,500	21,500
Investments	(13,000)	(14,618)
<b>Net Borrowing</b>	<b>13,500</b>	<b>6,882</b>
<b>Prudential Indicators</b>		
Capital Expenditure	12,972	15,018
Capital Financing Requirement (CFR)*	38,241	38,241
<i>Of Which is Commercial Property*</i>	<i>20,211</i>	<i>20,585</i>
Annual change in CFR*	(1,184)	0
External Debt Forecast	26,500	26,500
Under/(over)borrowing	11,741	11,741
Ratio of financing costs to net revenue stream*	10.34%	9.98%
<b>Incremental impact of capital investment decisions:</b>		
Increase/Reduction (-) in Council Tax (band change per annum)	£0.00	£0.00

\* In 2022/2023 CFR Commercial property assumes a full MRP is charged on the property.

## Appendix 1 (provided by our Independent Treasury Advisors)

### Interest Rate Forecast

We now expect the Monetary Policy Committee to increase Bank Rate during 2022 to combat the sharp increase in inflationary pressures. We do not think that the MPC will embark on a series of increases in Bank Rate of more than 1.00% during the current and next three financial years as we do not expect inflation to return to being sustainably above 2% during this forecast period.

***With unpredictable virus factors now being part of the forecasting environment, there is a risk that forecasts could be subject to significant revision during the next three years.***

### Gilt yields and PWLB rates

The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e., equities, or the safe haven of government bonds. The overall longer-run trend is for gilt yields and PWLB rates to rise moderately.

Our forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia / China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

Our target borrowing rates and the current PWLB (certainty) borrowing rates are set out below:

-

PWLB debt	Current borrowing rate as at 7.2.22 p.m.	Target borrowing rate now (end of Q1 2022)	Target borrowing rate previous (end of Q1 2022)
5 year	2.12%	2.20%	1.50%
10 year	2.24%	2.30%	1.70%
25 year	2.38%	2.40%	1.90%
50 year	2.06%	2.20%	1.70%

**Borrowing advice:** Our long-term (beyond 10 years) forecast for Bank Rate is 2.00%. As nearly all PWLB certainty rates are now above this level, borrowing strategy will need to be reviewed, especially as the maturity curve has flattened out considerably. Better value can be obtained at the very short and at the longer end of the curve and longer-term rates are still at historically low levels. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

In addition, there are also some cheap alternative sources of long-term borrowing if a client is seeking to avoid a “cost of carry” but also wishes to mitigate future re-financing risk. Please speak to your CRM to discuss options.

The suggested budgeted earnings rates for investments up to about three months’ duration in each financial year are as follows: -

Average earnings in each year	Now	Previously
2022/23	1.00%	0.50%
2023/24	1.25%	0.75%
2024/25	1.25%	1.00%
2025/26	1.25%	1.25%
Years 6 to 10	1.50%	-
Years 10+	2.00%	2.00%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for a trend of moderately rising gilt yields is unchanged. Negative, (or positive) developments could significantly impact safe haven flows of investor money into UK, US and German bonds and produce shorter-term movements away from our central forecasts.

Link's interest rate forecast for Bank Rate is in steps of 25 bps, (apart from the current rate of 10 bps), whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps.

## APPENDIX 2

### REVENUE CARRY FORWARDS – BASE BUDGETS ALREADY APPROVED

Budget underspends to be carried forward into 2023/2024, which have been approved during the year are provided below for information only.

The following carry forwards are base budgets which have been approved previously by Management Team or Committee.

• *Please note the figures quoted are as forecast at May 2022 out-turn monitoring. The final carry forward figures will reflect the actual outturn position at year-end.*

BASE BUDGET C/FWDS APPROVED PREVIOUSLY			May 22	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
Prosperous Communities	Council	Land Charges	6	Land charges project - 3 year software to be cfwd to 2023/24 (year 3). Horizon is a land charges specific system which is being used until the CRM system can be developed. The contract commenced 1st November 21.
		<b>TOTAL</b>	<b>6</b>	