



**Corporate Policy and
Resources Committee**

Thursday, 10 November 2022

**Subject: Budget and Treasury Monitoring - Quarter 2 2022/2023
(1st April 2022 to 30th September 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 1st April 2022 to 30th September 2022.

RECOMMENDATION(S):

REVENUE

- a) Members accept the forecast out-turn position of a £0.216m net contribution to reserves as of 30th September 2022 (see Section 2) relating to revenue activity.
- b) Members accept the use of Earmarked Reserves during the quarter approved by the Chief Finance Officer using Delegated powers (2.4.1).

CAPITAL

- c) Members accept the current projected Capital Outturn as detailed in 3.1.1.
- d) Members approve the adjustments to the Capital Budget as detailed in 3.2.
- e) Members approve the revised Capital Budget of £10.5m.

TREASURY

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

IMPLICATIONS

Legal: None arising as a result in this report.

Financial : FIN/86/23/CPR/SL

REVENUE

The draft revenue forecast out-turn position for 2022/2023 is a net contribution to reserves of £0.216m relating to revenue activity as of 30th September 2022.

A summary of the forecast out-turn position:

Summary of Out-turn Position 2022/2023		
	£ 000	
FORECAST OUTTURN AS AT 30.09.22	(240)	BEFORE CARRY FORWARDS
CARRY FORWARDS : BASE BUDGET-PREVIOUSLY APPROVED	6	ALREADY APPROVED
CARRY FORWARDS : USE OF EARMARKED RESERVES	10	ALREADY APPROVED
SUB-TOTAL:	(224)	
SERVICE CARRY FORWARD REQUESTS	8	Pending Approval by Management Team April 2023
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	(216)	
TOTAL CARRY FORWARDS:	24	

The forecast General Fund Balance as of 31 March 2023 is £3.999m (excluding carry forwards). This is £1.499m above the minimum working balance of £2.5m agreed by this Committee and is before any contribution approved to support the Cost of Living.

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 £10.493m, a variance of £6.279m against the revised budget of £16.772m.

The amendments to the scheme are requested at 3.2.1 and 3.2.2.

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, further additional borrowing may be required this financial year, our prudential indicators have been set to allow this.

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

Average investments for the quarter 2 (July - September) were £20.960m, which achieved an average rate of interest of 1.94% (April - May was 20.003m, 1.40%).

Staffing:

Salary budgets for 2022/2023 were set based on an estimated 2% pay award. £0.25m was carried forward from the 2021/2022 surplus into 2022/2023 which will allow for up to a 4% increase. However, the latest proposed pay award is based on a monetary value against each scale point for NJC Local Government staff, which equates to an average increase of 6%. The forecast outturn for salary expenditure contained within this report is based on the latest proposal being accepted although we await confirmation.

There will be an ongoing budget pressure from 2023/2024 to be considered through the MTFP and budget setting process.

The mini budget presented by Government in September 2022 included the removal of the additional 1.25% applied to National Insurance contributions for Health and Social Care from the 6th of November 2022. This has reduced the forecast outturn by c£0.03m.

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).

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 of 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

☒

Key Decision:

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

Yes

☐

No

☒

1. Executive Summary

This report provides the oversight of financial performance at the end of Quarter 2 2022/2023 for:

REVENUE

- Revenue Forecast Out-Turn (after carry-forwards) – Contribution to Reserves £0.216m. (1.44% of Net Revenue Budget – see 2.1 for details of significant variances).
- Carry forwards (see Appendix 2 for details) – total £0.024m
 - approved during the year of £0.006m
 - previously approved use of reserves £0.01m
 - requests pending approval at year-end £0.008m
- **Budget risks:**
 - Continued increase in fuel costs (2.2.3)
 - Pay award for 2022/2023, and cumulative impact on future years' (2.2.6)
 - Impact of inflation at unprecedented levels on day-to-day 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: £10.493m, a variance of £6.279m against current budget £16.772m and include the following requests:

Members are asked to approve:

- Anticipated rephasing of schemes to/from future years of £6.815m (see section 3.2.1 for detail of schemes).
- To increase the budget for Disabled Facilities Grant by £0.534m - £0.234m funded from S106, £0.3m, funded from Capital Receipts reserve (details provided in separate report to Committee).
- Financial Management System – reduce budget by £0.001m and return to reserves.
- Approve adjustments to Thriving Gainsborough Townhall/THI Scheme and Gainsborough Heritage Regeneration to reflect the use of grant funding for 5-7 Market Place redevelopment (see detail in 3.2.2).
- The revised Capital Budget of £10.5m.

TREASURY MANAGEMENT

Treasury Management Report and monitoring:

- Investments held as of 30th September 2022 were:
 - Average investment interest rate for July to Sept was 1.94%.
 - Total Investments at the end of Quarter 2 was £20.666m.

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	Qtr. 2 £'000
Investments B/fwd. (at 30.6.2022 incl. bank)	21.115
(Less) Net Capital expenditure	(2.455)
Add PWLB/Other LA Borrowing in year	0
Add/(Less) Net Revenue Expenditure	(7.442)
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	8.783
Add Working Capital Movement	0.665
Investments carried forward (at Period end)	20.666

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 31st of March 2023.

	Qtr.2
Prudential Borrowing	£'000
Total External Borrowing (PWLB)	16,500
Other Local Authorities	5,000
Internal Borrowing	17,568
Total Prudential Borrowing at 30.09.2022	39,068

REVENUE BUDGET MONITORING QUARTER 2
(1st April 2022 to 30th September 2022)
Forecast Outturn for 2022/2023

2. The Revenue Budget forecast out-turn currently stands at a net contribution to reserves of £0.216m as detailed in the table below.

This is after taking account of £0.024m 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	1,975,800	1,842,176	(133,624)	10,000	(123,624)
Our Place	4,210,000	4,377,300	4,418,045	40,745	3,500	44,245
Our Council	6,080,200	7,037,100	7,145,573	108,473	10,300	118,773
Covid 19 Business Support Grants	0	50,000	50,000	0	0	0
Controllable Total	12,023,500	13,440,200	13,455,793	15,593	23,800	39,393
Corporate Accounting:						
Interest Receivable	(149,200)	(149,200)	(384,200)	(235,000)	0	(235,000)
Interest Payable	451,800	428,800	473,400	44,600	0	44,600
Investment Income	(1,470,800)	(1,470,800)	(1,471,683)	(883)	0	(883)
Precepts and Levies	2,746,900	2,746,900	2,736,100	(10,800)	0	(10,800)
Movement in Reserves:						
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)	(2,023,900)	(2,054,400)	(30,500)	0	(30,500)
Contribution to Specific Reserves	2,636,700	2,652,700	2,652,700	0	0	0
Repayment of Borrowing	898,000	898,000	898,000	0	0	0
Net Revenue Expenditure	14,979,400	14,979,400	14,762,410	(216,990)	23,800	(193,190)
Funding Total	(14,979,400)	(14,979,400)	(15,001,800)	(22,400)	0	(22,400)
NET SUBSIDY FROM / (CONTRIBUTION) TO RESERVES FOR THE YEAR	0	0	(239,390)	(239,390)	23,800	(215,590)

Carry Forwards - previously approved	5,600
Carry Forwards - approved at year end	8,200
Carry Forwards - use of Earmarked Reserves	10,000
Total Carry Forwards	23,800

2.1 The significant movements being:

Cluster	EXPENDITURE	Total £000	Direction of Travel
BUDGET UNDERSPENDS			
Our People	Balance of Connectivity Reserve uncommitted, to be returned to General Fund Balances.	(£30)	New
Our People	Grounds Maintenance Contract.	(£74)	↔
PRESSURES			
	Salary (savings) / pressure. Includes 2% vacancy factor £235k.	£37	↑
Our Council	Insurance premium increase £26k, offset by saving on ill health insurance (£18k).	£8	↑
Our Council	Crematorium - gas	£11	↑
Our Place	Fuel - increased costs.	£65	↔
Our Council / Our Place	Property Services - Electricity £14k, reduction in rental income £7k, repairs and maintenance expenditure £30k	£51	↓
	Various forecast outturn variances <£10k	£25	↑
		£93	

Cluster	INCOME	Total £000	Direction of Travel
BUDGETED INCOME EXCEEDED			
Corporate Accounting-Interest Received and Paid	Interest Receivable (£235k), Interest Payable £45k.	(£190)	↑
Funding	Government Grants - Council Tax Family Annexe and Transparency Code.	(£22)	↔
Our Place	Planning Fee Income has exceeded budgeted levels (£200k), offset by a reduction in pre-application fees £12k and increased operational costs of £11k.	(£177)	New
BUDGETED INCOME NOT ACHIEVED			
Our Council	Crematorium income forecast reduced to reflect the revised business plan.	£36	New
Our Place	Car Park Income - Parking Permit sales reduced.	£44	↓
		(£309)	
TOTAL VARIANCE		(£216)	

2.2 Significant items (>£10k) of note by Cluster:

2.2.1 Our Council

- There are £0.01m approved carry forwards into 2023/2024 (see Appendix 2 for details).
- There is £0.025m increased cost of our 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 31st May 2022, with an option to extend for a further two years.

This has been offset by a reduction in the ill health insurance premium of £0.018m. The actual amount payable is adjusted in year to reflect actual pension scheme membership as of the 31st of March 2022.

- Crematorium – there is a forecast £0.011m pressure on the cost of gas. The projected income forecast has also been reduced to reflect current trends as reported to Committee in July 2022, with a pressure of £0.036m.

2.2.2 Our People

- There are £0.01m approved carry forwards into 2023/2024 (see Appendix 2 for details).
- (There is £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.

- The balance of the Connectivity Reserve was drawn down into revenue budgets in previous years to support transport initiatives. The remaining balance of £0.03m is uncommitted and will be returned to General Fund Balances. Future transport initiatives and funding will be the subject of future reports to Committee.

2.2.3 Our Place

- There is £0.004m approved carry forwards into 2023/2024 (see Appendix 2 for details).
- There is an additional £0.177m of Income from planning fees forecast above the current income budget. The first six months of 2022/2023 has seen a high income from planning application fees (some 68% higher than the equivalent period last year). Whilst the fee income for non-major development applications has been at a fairly consistent level, we have seen some extra-ordinary applications for major developments that have brought in significant fees alongside. This includes the Anglian Water Elsham to Lincoln 57km pipeline, and application to extend the permission for the Gainsborough Southern Sustainable Urban Extension. Forecasting on the assumption that fee income from non-major applications remain steady, and other anticipated major development applications are submitted in this financial year as expected, then fee income should exceed this year's budget.
- There is a £0.065m forecast increase in fuel costs. The forecast is based on the price paid per litre of fuel during September 2022 (£1.42) and fuel consumption for the year 2021/2022. Fuel prices are volatile, and the impact of a full year at the new depot on consumption is not yet known. For context, every 1p increase in fuel price results in a £200 pressure each month.
- There is a £0.044m 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. This is expected to be an ongoing pressure within the Medium

Term Financial Plan (MTFP).

- Property Services – there is a £0.014m pressure across all properties for electricity, in addition to a reduction in rent of £0.007m. Unplanned repairs and maintenance expenditure is forecast to be £0.03m above budget.
- Utilities Assumptions - The Government has set a Supported Wholesale Price which is expected to be £211 per MWh for electricity and £75 per MWh for gas, less than half the wholesale prices anticipated this winter, this support is for six months only, from 1st of October 2022 to 31st of March 2023.

For West Lindsey District Council this will mean an average 44% increase on electricity costs from the 1st of October 2022. 40% has been built into the forecasts based on last year's usage, therefore, no additional pressure is expected on the majority of sites apart from the Caenby Corner Depot which will incur an additional pressure of £0.014m.

For gas there would have been an average 200% increase on the gas costs, but the gas contract is fixed until the 31st of March 2023.

2.2.4 Corporate Accounting

- **Interest Receivable** - Income for interest receivable is forecast to be £0.235m above the current budget. This is due to the budget being set when interest rates were historically low, and this combined with larger balances than expected in the early part of the year has meant that the Council is forecast to exceed its interest receivable budget.
- **Interest Payable** - Expenditure for interest payable is forecast to be £0.045m above the current budget. This is due to interest rates rising and the forecast is based around the cashflow projections of the Council, and the proposed external borrowing required to maintain resource levels.

2.2.5 Funding

- Windfall grants received from Government which have not been budgeted for total £0.022m.

2.2.6 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. £0.25m was carried forward from the 2021/2022 surplus into 2022/2023 which will allow for up to a 4% increase. However, the latest proposed pay award is based on a monetary value against each scale point, which equates to an average increase of 6%. The forecast outturn for salary expenditure contained within this report is based on the latest proposal being accepted although we await confirmation.

- There will be an ongoing budget pressure from 2023/2024 to be considered through the MTFP and budget setting process.
- The mini budget presented by Government in September 2022 included the removal of the additional 1.25% applied to National Insurance contributions for Health and Social Care from the 6th of November 2022. This has reduced the forecast outturn by c£0.03m.

2.3 Fees and Charges

- 2.3.1 £2.979m has been received in Fees and Charges up to the end of the period against a budget of £2.786m, a surplus of £0.193m.

The significant variances forecast for the year, reported at Qtr. 2 2022/2023 are:

- Planning fee income – increased by £0.2m
- Planning pre application income – reduced by £0.012m
- Crematorium income – reduced by £0.036m
- Car Park income – parking permits reduced by £0.044m

2.4 2022/2023 Use of and Contribution to Reserves

2.4.1 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 £0.184m.

- £0.045m from the Finance Budget Risk reserve (Covid) – additional officers for covid recovery has increased Microsoft licence costs.
- £0.005m from the Finance Budget Risk reserve (Covid) – Operational services agency staff.
- £0.004m from the Finance Budget Risk reserve (Covid) – Replacement of lamppost banners re covid safety messages with usual visitor economy banners.
- £0.012m from the Finance Budget Risk reserve (Covid) – Planning enforcement resources beyond end of September.
- £0.009m from Communities at Risk reserve. Match funding BECG windows at Hemswell.
- £0.003m from the Cultural Strategy Reserve. Consultant fees – Project Development relating to stage 2 of the TAC improvements capital scheme.
- £0.011m from the Cultural Strategy Reserve. WLDC voices – extension of Mayflower Officer post to 31.03.23.
- £0.05m from Revenue Grants Unapplied. Balance of Covid 19 Test & Trace Discretionary grant received in 2021/22, payments made in 2022/23.

- £0.006m from Finance Budget Risks reserve (Covid Support). Guildhall refurbishment stage 1 (desks/chairs/IT equipment).
- £0.021m from Cultural Strategy reserve. WLDC Voices – flagship event. Arts Council bid was submitted but unsuccessful. Approved use of reserve if bid unsuccessful of up to £0.03m.
- £0.01m from IT Reserve. Guildhall power costs – essential UPS maintenance (one off cost).
- £0.009m from General Fund Balances. Cost of Living Summit (Cadence). Approved by Council July 22.

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 31st March 2023 is £0.285m.

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)	Rent Allowance	3,370,626
Department for Levelling Up, Homes and Communities (DLUHC)	Levelling Up Fund	1,044,915
Nottingham City Council	Local Authority Delivery Scheme Phase 2 & 3 (LAD2 & LAD3), Homes Upgrade Grant Phase 1 (HUG1)	275,520
Department for Levelling Up, Homes and Communities (DLUHC)	Rural Services Delivery Grant	248,835
Department for Levelling Up, Homes and Communities (DLUHC)	New Home Bonus	231,100
Department for Levelling Up, Homes and Communities (DLUHC)	Re-openenig High Streets Safely fund	104,119
Department for Levelling Up, Homes and Communities (DLUHC)	Lower Tier Service Grants	86,660
Department for Levelling Up, Homes and Communities (DLUHC)	Test & Trace	77,326
Lincolnshire County Council	Twin Stream Implementation	70,028
Department for Work & Pensions (DWP)	Housing Benefit Admin Grant	56,889
Heritage Lottery	Townscape Heritage (THI)	19,582
Lincolnshire County Council	DFG Grant Funding (Refcus)	10,877
Department for Environment, Food and Rural Affairs (DEFRA)	Pavement Licensing New Burdens	3,213
Department for Work & Pensions (DWP)	Rent Rebate	1,941
		5,601,631

Homes England Capacity Funding Bid

Homes England has offered an opportunity to the Council to bid for Capacity Funding to deliver Housing Infrastructure Fund project (Gainsborough Southern Sustainable Urban Extension) and other large scale housing opportunities for the remainder of 2022/2023 financial year and for 2023/2024 and 2024/2025. The Council is bidding for a total of £0.083m to cover internal costs, legal and commercial advice. We now await a decision from Homes England on whether the Council is successful in this bid.

Other Items for information

2.6 Planning Appeals

In Quarter 2 2022/2023, to the end of September 2022, there were 5 appeals determined – 4 of which were dismissed, 1 allowed.

There is 1 live application for costs.

Period	Number of Appeals	Allowed	Dismissed
June	1	0	1
July	4	1	3
August	0	0	0
September	0	0	0
Total for Quarter 2	5	1	4

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Quarter 2 2022/2023 Monitoring Report

At the end of September 2022, there was a total of £0.225m outstanding debt in the system over 90 days. Most of this debt was over 150 days old (94%) and mainly comprised of:

- Housing £0.052m - the debt recovery process is under way for all debt over 90 days, payment plans are being put in place where possible.
-
- Environmental Protection £0.046m – 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 £0.037m the majority of which will look to be recovered through ongoing entitlement or where appropriate on agreed repayment schedules.

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
209,718	Quarter 2 - ending Sept 2022	2,972	10,295	211,865	225,131

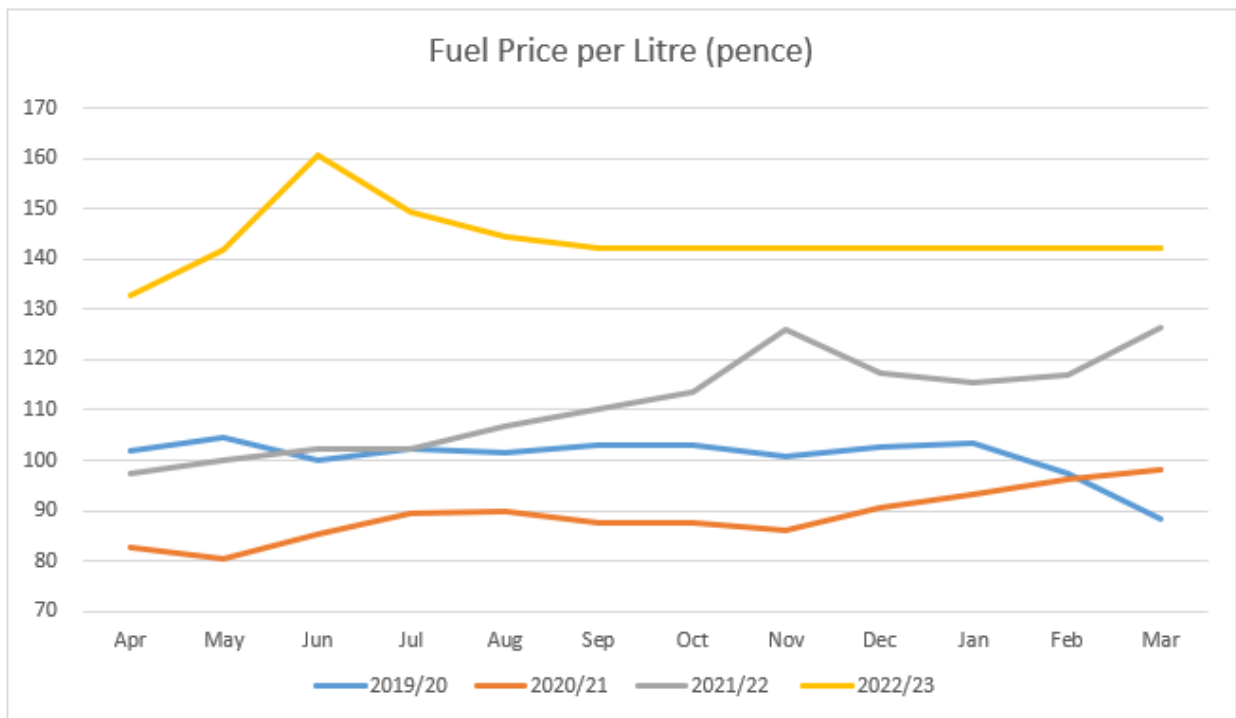
2.8 Changes to the Organisation Structure

- 2.8.1** Development Management - Development Officer. Increase hours from 22.5 to 30 per week. The increase has been funded from within existing budget provision.

2.8.2 Development Management - Developer Contributions Enabling Officer - band amended down from 12 to 11. Principal Technical Officer - band amended up from 8 to 9. Ongoing saving of £0.004m pa.

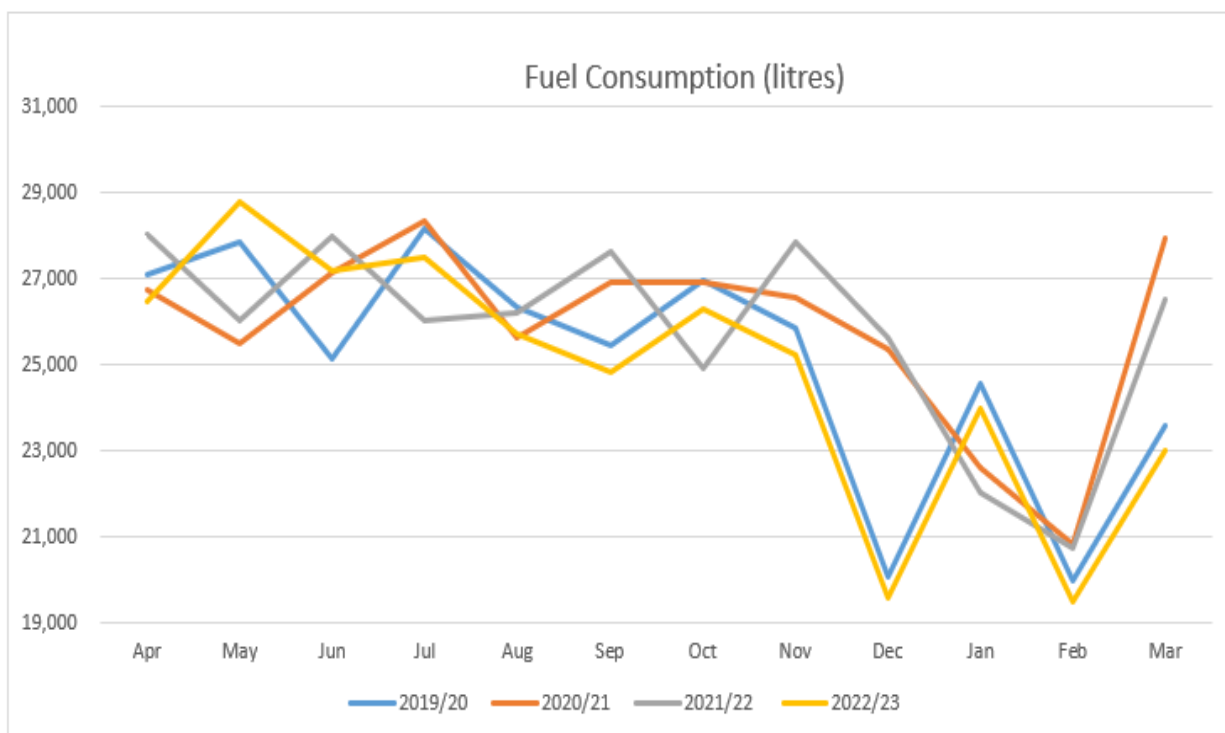
2.9 Fuel

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 September 2022, and forecast for the remainder of the year at the September 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 September 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 2 2022/2023

3.1.1 The capital programme spend to date is £2.514m against a revised budget of £16.772m. Expenditure is forecast to be £10.493m resulting in a £6.279m variance. The variance consists of:

- £6.815m which is planned to be rephased. Of this £0.008m is to be brought forward from 2023/2024 with £6.823m to be slipped to future financial years.
- There are net projected overspends of £0.536m, the most significant item being £0.534m relating to the Disabled Facilities Grant where the increased level of demand along with the rising costs of labour and materials is contributing to this pressure. A separate report on Disabled Facilities Grant is to be presented to Committee.

3.1.2 Subject to Committee approval, the Capital Programme will be reduced in this financial year with £10.5m being the new Revised budget for future monitoring purposes. The £0.007m contingency budget not forecasting to spend will be retained until the project is complete (Income Management).

3.1.3 Individual Schemes are detailed in the table below with commentary provided on performance.

Capital Investment Programme 2022/23

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
		£	£	£	£	£	£		£	£
Customer										
3D Payment Secure	Stage 3	8,000	0	9,500	9,500	0	0	Oct 22 is expected completion date. Payment won't be made until the system is tested and works.	0	0
Income Management	Stage 1	(20,250)	0	47,700	40,700	(7,000)	0	Oct 22 is expected completion date. Payment won't be made until the system is tested and works.	0	7,000
Website Replacement	Pre-Stage 1	0	0	42,100	42,100	0	0	Project complete.	0	0
Telephony (Equipment)	Pre-Stage 1	0	0	20,000	20,000	0	0	Started on market engagement and Management Team report.	0	0
CRM System	Stage 3	0	83,800	95,400	95,400	0	0	Project ongoing. £50k set aside for AI.	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. Business case being written. £123k to be slipped into 2023/2024.	0	0
Economy										
Crematorium Phase 2	Stage 3	(16,839)	0	0	0	0	0		0	0
Trinity Arts Centre Improvements	Pre-Stage 1	0	2,500,000	2,500,000	0	0	(2,500,000)	NLFH has rejected the initial application, stating the project is more Arts than Heritage. NLFH will consider a revised application if we can get Arts Council to support the project too. As a result the project is to be slipped to 2023/2024, as nothing will happen before then.	0	0
Saxilby Industrial Estates	Stage 4	(15,000)	0	0	0	0	0	Awaiting invoice and confirmation of registry.	0	0
Hemswell Cliff Investment for Growth	Stage 2	0	0	100,000	0	0	(100,000)	Investment into a shared community space where currently there is none. Plan is Qtr. 3/4 2022/2023 approvals. Early 2023/2024 investment completed. £100k to be slipped into 2023/2024.	0	0
Market Rasen 3 year vision	Stage 2	0	150,000	200,000	0	0	(200,000)	Historic Building Grant Officer is working with building owners, work progressing and architects have been appointed to develop schemes. Local steering group continues to support this work and are happy with progress. Building works are anticipated to begin at start of 2023 with grants to be awarded early 2023/2024, therefore slip entire budget of £200k to 2023/2024.	0	0
Gainsborough Heritage Regeneration	Stage 2	0	449,600	500,000	62,200	(2,600)	(435,200)	One application TH20 approved by building grant panel expected to be paid out in Qtr3 for £60k. Second application due in Autumn/winter for TH19 which will be funded from LUF with £2.2k THI contribution. £2.6k to be moved to 5-7 Market Place scheme and further applications being developed for 2023/2024 so slip remaining budget of £435,2k.	0	0
Shop Front Improvement	Stage 3	0	52,413	52,413	0	0	(52,413)	Applications are being developed in Market Rasen with one expected to be submitted in Qtr3/4 expecting to be paid out early 2023/2024. Slip whole budget of £52.4k to 2023/2024.	0	0
5-7 Market Place Redevelopment	Stage 1	287,465	404,500	654,500	676,200	21,700	0	Building works have now commenced and refurbishment is due to be completed in December. Additional budget of £21.7k funded from LUF £19.1k and THI £2.6k following new grant intervention following LUF commencement.	65,500	65,500
Thriving Gainsborough - Cinema	Stage 2	25,112	2,219,212	2,514,749	2,514,749	0	0	Further work required on the outturn projection - some budget likely to slip to 2023/2024.	0	0
Hemswell Masterplan Public Realm	Stage 2	0	0	50,000	10,000	0	(40,000)	£10k spend for playparks wet pour resurfacing expected to be completed during Qtr. 3. Remaining £40k capital budget is part of discussions around utilising this budget with the UK Prosperity Fund Project. £40k to be slipped into 2023/2024.	0	0

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
		£	£	£	£	£	£		£	£
Sun Inn	Stage 3	22,199	0	32,900	32,900	0	0	Capital budget reinstated for 2022/2023. The last variation of the agreement has a deadline for claims of August 2022.	0	0
WLDC - Cinema Land Purchase	Stage 2	323,000	0	738,800	738,800	0	0	Contracts have been exchanged though a condition that needs completing is the settlement of the first part of the restricted covenant. Novation of demolition contract in progress.	0	0
Thriving Gainsborough - Pocket Park	Stage 2	14,131	65,600	65,600	32,000	0	(33,600)	Following regular contract meetings with Project Centre LTD, it is expected that RIBA Stage 3 will be completed by the end of the 2022/2023. This covers all three Public Realm interventions, Whitton's Garden's, Baltic Mill Pocket Park and Market Place. Following RIBA Stage 3, it is expected that progress on these interventions will run at different rates, and the spend and progress will fluctuate against the original profile. Based on current estimates, the construction should begin in Q4 2023/2024. £33.6k to be slipped into 2023/2024.	0	0
Thriving Gainsborough - Market Place/Streetscape	Stage 2	28,064	813,000	813,000	85,000	0	(728,000)	Following regular contract meetings with Project Centre LTD, it is expected that RIBA Stage 3 will be completed by the end of the 2022/2023. This covers all three Public Realm interventions, Whitton's Garden's, Baltic Mill Pocket Park and Market Place. Following RIBA Stage 3, it is expected that progress on these interventions will run at different rates, and the spend and progress will fluctuate against the original profile. Based on current estimates, the construction should begin in Q4 2023/2024. £728k to be slipped into 2023/2024.	0	0
Thriving Gainsborough - Townhall THI	Stage 2	1,050	1,087,050	1,095,850	77,500	(19,100)	(999,250)	Promotion of scheme planning is taking place and communication with property owners is in progress. £19.1k to be used as a contribution towards 5-7 Market Place. £999.3k to be slipped into 2023/2024.	0	0
Thriving Gainsborough - Whitton Gardens	Stage 2	50,020	597,880	597,880	150,000	0	(447,880)	Following regular contract meetings with Project Centre LTD, it is expected that RIBA Stage 3 will be completed by the end of the 2022/2023. This covers all three Public Realm interventions, Whitton's Garden's, Baltic Mill Pocket Park and Market Place. Following RIBA Stage 3, it is expected that progress on these interventions will run at different rates, and the spend and progress will fluctuate against the original profile. Based on current estimates, the construction should begin in Q4 2023/2024. £447.9k to be slipped into 2023/2024.	0	0
Thriving Gainsborough - Bus Station	Stage 2	8,555	125,100	151,300	151,300	0	0		0	0
Thriving Gainsborough - Living Over The Shops	Stage 2	0	575,580	583,480	0	0	(583,480)	Promotion of scheme planning is taking place and communication with property owners is in progress. Aim to simplify scheme for owners and provide interim stage grant payments. £583.5k to be slipped into 2023/2024.	0	0
Thriving Gainsborough - Wayfinding Strategy	Stage 2	0	0	66,300	74,326	0	8,026	Scheme underway. Pull forward from 2023/2024.	0	0
Thriving Gainsborough - Resources	Stage 2	67,147	556,300	650,400	650,400	0	0	Project Team now all in post - may be some slippage to 2023/2024.	0	

[illegible]

Capital Investment Programme 2022/23

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
		£	£	£	£	£	£		£	£
Health & Wellbeing										
Market Rasen Leisure Centre	Stage 4	0	0	0	0	0	0	Scheme is now complete.	0	0
Disabled Facilities Grants	BAU	548,971	674,900	731,700	1,266,082	534,382	0	£234k Major works to be funded through the S106, £300k to be funded from Capital Receipts Reserve. Overspend due to increased number of claims, and a rise in costs.	0	0
Housing Growth										
Unlocking Housing (LoS)	Stage 3	0	0	69,600	0	0	(69,600)	Application expected for 3 units expected to be submitted early 2023 for payment in 2023/2024. Slip remaining budget of £69.6k to 2023/2024.	0	0
Public Safety & Environment										
Vehicle Replacement Programme	BAU	785,000	828,000	918,800	835,600	0	(83,200)	4 new RCV have been received. One vehicle replacement has been delayed until next year and £83.2k to be slipped into 2023/2024. Remaining vehicles on order due this year.	0	0
Depot (P)	Stage 3	(38,926)	0	100,000	100,000	0	0	Main Depot scheme is finished. Sweepings bay structure still to complete. Planning permission stage. Estimated costs is £90k with contribution from LCC of £25k.	0	0
CCTV Expansion	Stage 3	1,400	0	46,000	46,000	0	0		0	0
Staff & Members										
Smart Device Refresh - Members	BAU	0	0	28,000	28,000	0	0	Member refresh to take place this year. Budget brought back 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 & Property. £200k to be slipped into 2023/2024.	0	0
Document Management System	Pre-Stage 1	19,863	0	46,400	46,400	0	0	Project to be complete by year end.	0	0
Vulnerable Groups and Communities										
Extra Care Provision	Stage 1	0	750,000	750,000	750,000	0	0		0	0
Supported Accommodation (LEAP)	Stage 3	28,570	80,000	71,400	71,400	0	0		0	0
Local Authority Delivery Grant Phase 2 - Green Home	Stage 3	257,643	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	90,000	180,000	180,000	180,000	0	0		0	0
Local Authority Delivery Grant Phase 3	Stage 3	0	0	310,000	310,000	0	0		0	0
Homes Upgrade Grant Phase 1	Stage 3	0	0	530,000	530,000	0	0		0	0
Total Capital Programme Gross Expenditure		2,513,888	12,972,185	16,772,322	10,493,482	536,257	(6,815,097)		65,500	72,500

3.2 Capital Programme Update 2022/2023

3.2.1 The following projects require re-phasing, affecting future financial years of the current capital programme in the 5-year MTFP:

Approval to carry forward £6.823m from 2022/2023 to future years are requested for the following schemes:

- Replacement planning system - £0.123m
- Trinity Arts Centre Improvements - £2.5m - Original NLFH application has been rejected - we need to submit a revised application.
- Hemswell Cliff Investment for Growth - £0.100m
- Market Rasen 3-year vision - £0.200m
- Gainsborough Heritage Regeneration - £0.435m
- Shop Front Improvement - £0.052m
- Hemswell Masterplan Public Realm - £0.040m
- Thriving Gainsborough - Pocket Park - £0.034m
- Thriving Gainsborough - Market Place Streetscape - £0.728m
- Thriving Gainsborough - Townhall THI - £0.999m
- Thriving Gainsborough - Whitton Gardens - £0.448m
- Thriving Gainsborough - Living Over the Shops - £0.583m
- Capital Enhancements to Council Properties - £0.070m
- Carbon Efficiencies Street Lights - £0.158m
- Unlock Housing (LOS) - £0.070m
- Vehicle Replacement Programme - £0.083m
- ERP Systems Phase 2 - £0.200m

Approval to bring forward funding £0.008m from 2023/2024 to 2022/2023 for the following scheme:

- Thriving Gainsborough – Wayfinding Strategy – approval to bring forward £0.008m

3.2.2 - The net over/(under)spend position of £0.536m request approval of the following scheme amendments:

- Financial Management System – the project is now complete, return underspend of £0.001m to the Project Investment Reserve.
- Disabled Facilities Grant - £0.534m overspend. Approval is sought to:
 - increase this budget by £0.234m funded from S106,
 - increase this budget by a further £0.300m to be funded from Capital Receipts Reserve (subject to separate report presented to Committee).
- The Committee is also asked to approve adjustments to the schemes to reflect the use of grant funding for 5-7 Market Place Refurbishment as below:

5-7 Market Place Refurbishment – Increase in budget of £0.0217m funded from the following schemes:

- Thriving Gainsborough Townhall/THI - £0.0191m – LUF Grant funding (budget on scheme to be reduced)
- Gainsborough Heritage Regeneration - £0.0026m HLF Grant funding (budget on scheme to be reduced)

3.3 Acquisitions, Disposals and Capital Receipts

3.3.1 The Council has made the following land acquisition during Quarter 2.

- The Lindsey Centre

3.3.2 The Council has not made any asset disposals during Quarter 2.

3.3.3 Capital Receipts - The total value of capital receipts at the end of Quarter 2 total £0.094m relate to:

- £0.064m from the Housing Stock Transfer Agreement share of Right to Buy receipts.
- £0.009m Loan repayments.
- £0.008m for the Council's share of the proceeds of a plot of land.
- £0.013m repayments of DFG Grants.

4. TREASURY MONITORING – Quarter 2 (June – September 2022)

The Treasury Management Strategy Statement (TMSS) for 2022/2023, which includes the Annual Investment Strategy, was approved by the Council on 7th 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 (July - September) has been more than the average 7-day Sterling Overnight Index Average (SONIA) (1.22%) with an average yield of 1.944% (including CCLA) and 1.460% (excluding CCLA). The Council budgeted to receive £0.149m of investment income, the forecast outturn is now £0.384m.

4.3 Interest Rate Forecasts

The Council's treasury advisor, Link Group, have provided the following forecasts on 27 September 2022:

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

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

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

4.4 Investments

The Council held investments of £20.666m on 30th September 2022. The table below details these investments for Quarter 2:

	Qtr. 2
Investments at Qtr. 2	£'000
Santander (35 Day Notice Account)	2,000
Aberdeen Money Market Fund	1,885
Lloyds Bank Account	51
LGIM Money Market Fund	6,230
CCLA Property Fund	3,000
Insight Money Market Fund	7,500
Total	20,666

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 Q2 due in the latter part of October or early in November.

4.6 New External Borrowing

No further temporary borrowing was undertaken in Quarter 2 of the financial year.

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

4.7 Total Prudential Borrowing at Quarter 2

	Qtr. 2
Prudential Borrowing	£'000
Total External Borrowing	21,500
Total Internal Borrowing	17,568
Total Prudential Borrowing	39,068

4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 30th September 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. 2 £'000
Treasury Indicators		
Authorised limit for external debt	43,000	43,000
Operational boundary for external debt	38,241	39,068
External Debt	26,500	26,500
Investments	(13,000)	(12,000)
Net Borrowing	13,500	14,500
Prudential Indicators		
Capital Expenditure	12,972	10,500
Capital Financing Requirement (CFR)	38,241	39,068
<i>Of Which is Commercial Property</i>	<i>20,211</i>	<i>20,211</i>
Annual change in CFR*	(1,184)	(1,227)
External Debt Forecast	26,500	26,500
Under/(over)borrowing	11,741	12,568
Ratio of financing costs to net revenue stream*	10.34%	11.73%
Incremental impact of capital investment decisions:		
Increase/Reduction (-) in Council Tax (band change per annum)	£0.00	£3.17

Appendix 1 (provided by our Independent Treasury Advisors)

Interest Rate Forecast

- The central forecast for interest rates was previously updated on 9th August and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the “fiscal event” has complicated the picture for the MPC, who will now need to double-down on counteracting inflationary pressures stemming from the government’s widespread fiscal loosening.
- Further down the road, it is anticipated the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- The CPI measure of inflation will peak at close to 10.4% in November 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.
- Regarding the “provisional” plan to sell £10bn of gilts back into the market each quarter, this is still timetabled to take place but not until October at earliest.
- In the upcoming months, forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)
- On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB Rates

- The yield curve has shifted upwards since the August update and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.25% to 5.75%. The yield curve is currently inverted.
- The view is the markets have built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further changes of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- The Bank of England acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- The Government acts too quickly to cut taxes and/or increases expenditure in the light of the cost-of-living squeeze.
- The pound weakens because of the UK's growing borrowing requirement resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term US treasury yields continue to rise strongly and pull gilt yields up even higher than currently forecast.

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 September 2022 out-turn monitoring. The final carry forward figures will reflect the actual outturn position at year-end.*

BASE BUDGET C/FWDS APPROVED PREVIOUSLY			Sept 22	Purpose of Carry Forward
Committee	Cluster	Business Unit	£ 000	
Prosperous Communities	Our 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.
TOTAL			6	

REVENUE CARRY FORWARDS – USE OF EARMARKED RESERVES

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 approved use of Earmarked Reserves where the project has slipped into future years.

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

USE OF EARMARKED RESERVES			Sept 22	Purpose of Carry Forward
Committee	Cluster	Business Unit	£ 000	
Prosperous Communities	Our People	Community Action	10	Hemswell Cliff Regeneration - revenue spend to support capital scheme. Capital scheme to be c/fwd into 2023/24 pending a further report on proposals.
TOTAL			10	

REVENUE CARRY FORWARDS – PENDING APPROVAL BY MANAGEMENT TEAM

Bids for budget underspends to be carried forward into 2023/2024, which require Management Team approval are as follows.

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

BASE BUDGET C/FWDS PENDING APPROVAL BY MT			Sept 22	Purpose of Carry Forward
Committee	Cluster	Business Unit	£ 000	
Prosperous Communities	Our Place	Environmental Protection	3	Noise monitoring equipment improvement.
Corporate Policy and Resources	Our Council	Change Management	5	There is a need to enhance the licenses to a configurable system in 2023/24.
TOTAL			8	