



**Corporate Policy and
Resources Committee**

Thursday, 20 July 2023

**Subject: Budget and Treasury Monitoring - Quarter 1 2023/2024
(1st April 2023 to 31st May 2023)**

Report by:

Director of Corporate Services

Contact Officer:

Sue Leversedge
Business Support Team Leader

sue.leversedge@west-lindsey.gov.uk

Purpose / Summary:

This report sets out the revenue, capital and treasury management activity from 1st April 2023 to 31st May 2023.

RECOMMENDATION(S):

REVENUE

- a) Members accept the forecast out-turn position of a £0.057m net contribution to reserves as of 31st May 2023 (see Section 2) relating to revenue activity.
- b) Members approve the use of Earmarked Reserves - £0.057m (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).

CAPITAL

- d) Members accept the current projected Capital Outturn as detailed in 3.1.1.
- e) Members approve the adjustments to the Capital Budget as detailed in 3.2.
- f) Members approve the revised Capital Budget of £23.853m (3.1).

TREASURY

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

IMPLICATIONS

Legal: None arising as a result in this report.

Financial : FIN/29/24/CPR/SL

REVENUE

The draft revenue forecast out-turn position for 2023/2024 is a net contribution to reserves of £0.057m relating to revenue activity as of 31st May 2023.

A summary of the forecast out-turn position:

Summary of Out-turn Position 2023/2024		
	£ 000	
OUTTURN AS AT 31.05.23	(79)	BEFORE CARRY FORWARDS
CARRY FORWARDS : USE OF EARMARKED RESERVES	22	ALREADY APPROVED
NET CONTRIBUTION (TO) / FROM GENERAL FUND BALANCES:	(57)	
TOTAL CARRY FORWARDS:	22	

The forecast General Fund Balance as of 31 March 2024 is £3.266m (excluding carry forwards). This is £0.766m above the minimum working balance of £2.5m agreed by this Committee and is before any contribution approved to support the Cost of Living, or any further proposed use of General Fund Balances pending decisions taken on this agenda.

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

CAPITAL

The Capital Forecast Out-Turn for 2023/2024 is £23.853m, a variance of £0.595m against the revised budget of £24.448m.

The amendments to the scheme are requested at 3.2.

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 Quarter 1 (April – May 2023) were £18.889m, which achieved an average rate of interest of 4.402%.

Staffing:

Salary budgets 2023/2024 were based on a 2% pay award. An additional £0.2m was approved as a pay award contingency budget as part of the 2023/2024 Medium Term Financial Plan (MTFP), which will allow for up to a 3% increase.

Agreement was reached in May 2023 for the Chief Officer pay at 3.5%.

For NJC local government staff, a proposed increase of £1,925 pa at each scale point is pending agreement. This offer equates to pay rises of between 9.42% at the bottom of the pay spine to 3.88% at the top of band 13 (average of 6.27%).

The Chief Executive pay offer of 3.5% has been rejected and is pending further discussions.

Unison, GMB and Unite are balloting their members, with results expected in due course.

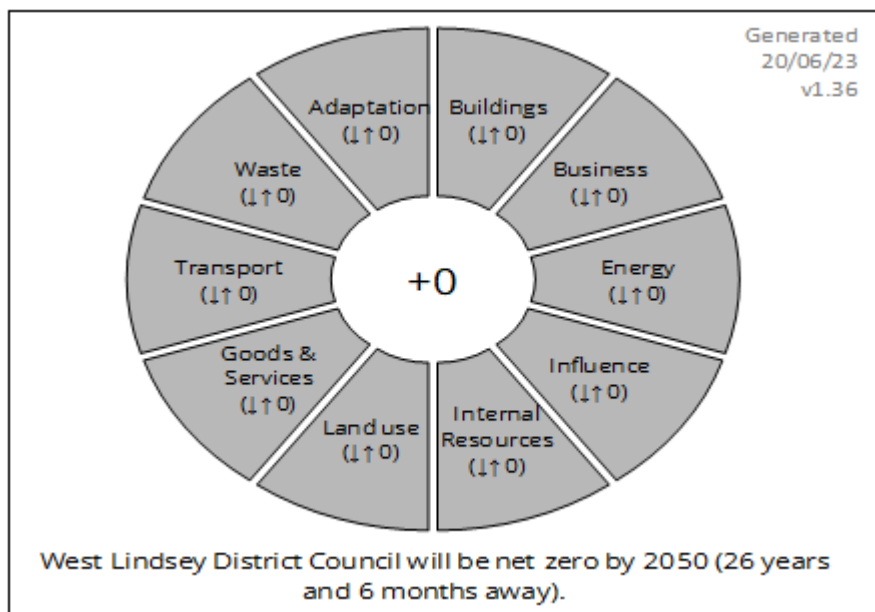
Based on the latest offer, there will be an additional pressure of £0.3m in 2023/2024, which is not included in the forecast outturn provided pending the final agreement, at which point a request for use of General Fund Balances is anticipated.

On the same basis, there is an ongoing budget pressure from 2024/2025 to be considered through the MTFP and budget setting process of c£0.5m per year ongoing.

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 at the end of Quarter 1 2023/2024 for:

REVENUE

- Revenue Forecast Out-Turn (after carry-forwards) – Contribution to Reserves £0.057m. (-0.34% of Net Revenue Budget – see 2.1 for details of significant variances).
- Carry forwards (see **Appendix 2** for details) – total £0.022m
 - Previously approved use of reserves £0.22m
- **Budget risks:**
 - Fluctuations in fuel costs (2.9)
 - Impact of inflation at unprecedented levels on day-to-day costs
 - Impact of movement in interest rates
 - Impact of the uncertain economic position (War in Ukraine, cost of living issues and government policy changes)

Members are asked to approve:

The use of Earmarked Reserves - £0.057m from the Finance Budget Risks Reserve to correct budget oversights identified within the 2023/2024 MTFP (2.4.1).

Appendices included within the report:

1. Link Asset Services detailed commentary on Interest Rate Forecasts (Quarter ended 30th June 2023).
2. Details of revenue carry forwards.
3. Link Asset Services detailed economic commentary on developments during period ended 30th May 2023.
4. UK Shared Prosperity Fund (UKSPF) Update Qtr. 1 2023/2024.
5. RAF Scampton Expenditure Update Qtr.1 2023/2024.

CAPITAL

- Capital Forecast Out-Turn: £23.853m, a variance of £0.595m against current budget £24.448m.

Members are asked to approve the revised Capital Budget of £23.853m which include the following amendments:

- The Council has received a VAT refund of £0.742m on the Crematorium Capital Scheme after a successful bid to HMRC.
- Drawback £0.06m from 2024/2025 into 2023/2024 for the Vehicle Replacement Programme due to two electric vans which have been procured earlier than anticipated and are expected to be delivered in July 2023.

- Reinststate a budget of £0.037m for Income Management due to receiving late invoices for implementation costs for the e-store upgrade.
- Reinststate a budget of £0.05m for Riverside Walk due to receiving the final invoice of £0.044m, plus a final retention of £0.006m due to be paid out later this year. The project was delivered within the budgeted amount.
- Transfer of budgets between Levelling Up Fund (LUF) schemes due to realigning of salary budgets.

TREASURY MANAGEMENT

Treasury Management Report and monitoring:

- Investments held as of 31st May 2023 were:
 - Average investment interest rate for April to May was 4.402%.
 - Total Investments as of 31st May 2023 was £15.53m.

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	Qtr. 1 £'m
Investments B/fwd. (at 01.04.2023 incl. bank)	18.583
(Less) Net Capital expenditure	(1.251)
Add PWLB/Other LA Borrowing in year	0
Add/(Less) Net Revenue Expenditure	(1.761)
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	0.042
Investments (Incl. Bank) carried forward (at Period end)	15.613

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 2024.

	Qtr.1
Prudential Borrowing	£'000
Total External Borrowing (PWLB)	16,500
Other Local Authorities	5,000
Projected Additional Borrowing Required	5,000
Internal Borrowing	10,861

Total Prudential Borrowing**37,361**

REVENUE BUDGET MONITORING QUARTER 1
(1st April 2023 to 31st May 2023)
Forecast Outturn for 2023/2024

2. The Revenue Budget forecast out-turn currently stands at a net contribution to reserves of £0.057m as detailed in the table below.

This is after taking account of £0.022m 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.

Cluster	Base Budget £	Revised Budget £	Forecast Outturn £	Outturn Variance before Cfwds £	Carry Forwards £	Outturn Variance after Cfwds £
Our Council	7,785,400	8,435,800	8,433,483	(2,317)	0	(2,317)
Our People	1,832,400	1,849,900	1,865,125	15,225	7,400	22,625
Our Place	4,726,400	4,589,600	4,595,225	5,625	14,900	20,525
Covid 19 Business Support Grants	0	0	3,700	3,700	0	3,700
Grand Total	14,344,200	14,875,300	14,897,533	22,233	22,300	44,533
Interest Receivable	(577,300)	(577,300)	(611,375)	(34,075)	0	(34,075)
Investment Income - Property Portfolio	(1,576,700)	(1,577,400)	(1,587,204)	(9,804)	0	(9,804)
Drainage Board Levies	459,200	474,100	474,129	29	0	29
Parish Precepts	2,577,100	2,577,100	2,577,073	(27)	0	(27)
Interest Payable	794,400	794,400	794,400	0	0	0
MRP/VRP (repayment of borrowing)	906,100	906,100	906,100	0	0	0
Net Revenue Expenditure	16,927,000	17,472,300	17,450,656	(21,644)	22,300	656
Transfer to / (from) General Fund	(684,400)	(1,214,800)	(1,214,800)	0	0	0
Transfer to / (from) Earmarked Reserves	496,600	496,600	496,600	0	0	0
Amount to be met from Government Grant or Council Tax	16,739,200	16,754,100	16,732,456	(21,644)	22,300	656
Funding Income						
Business Rate Retention Scheme	(4,633,200)	(4,633,200)	(4,633,200)	0	0	0
Collection Fund Surplus - Council Tax	(290,000)	(290,000)	(290,000)	0	0	0
Parish Councils Tax Requirement	(2,577,100)	(2,577,100)	(2,577,100)	0	0	0
New Homes Bonus	(561,500)	(561,500)	(561,500)	0	0	0
Other Government Grants	(1,243,300)	(1,258,200)	(1,315,485)	(57,285)	0	(57,285)
Council Tax Requirement	(7,434,100)	(7,434,100)	(7,434,100)	0	0	0
TOTAL FUNDING	(16,739,200)	(16,754,100)	(16,811,385)	(57,285)	0	(57,285)
Balanced Budget / Funding Target	0	0	(78,929)	(78,929)	22,300	(56,629)

2.1 The significant movements being:

Cluster	EXPENDITURE	Total £000	Direction of Travel
BUDGET UNDERSPENDS			
	Salary (savings) / pressure. Budget includes 2% vacancy factor £226k and pay award contingency (£200k). (£46k) is further savings on vacant posts above the budgeted vacancy factor.	(£20)	New
PRESSURES			
Our Council / Our Place	Fleet repairs and maintenance (PAYG contract).	£95	New
	Various forecast outturn variances <£15k.	£10	New
		£85	

Cluster	INCOME	Total £000	Direction of Travel
BUDGETED INCOME EXCEEDED			
Corporate Accounting- Interest Received and Paid	Interest Receivable increased due to rising interest rates.	(£34)	New
Funding	Government Grants - DLUHC - Transparency Code and Internal Drainage Board Levies Support .	(£57)	New
Our Council	Refund of interest charged by HMRC in 2022/2023 on the VAT Partial Exemption Breach assessment.	(£51)	New
		(£142)	
TOTAL VARIANCE		(£57)	

2.2 Significant items (>£15k) of note by Cluster:

2.2.1 Our Council

- **Crematorium** – As stated at 3.2.1 the Council has received a VAT refund on the Crematorium Capital Scheme after a successful appeal to HMRC.

The interest of £0.05m which was paid in 2022/2023 on the original assessment has also been refunded.

2.2.2 Our People

- There are £0.007m proposed carry forwards into 2024/2025 (see **Appendix 2** for details).

2.2.3 Our Place

- There is £0.015m proposed carry forwards into 2024/2025 (see **Appendix 2** for details).
- The vehicle repairs and maintenance contract is on a Pay As You Go basis (PAYG) and is forecast to incur additional costs of **£0.095m** in the current financial year, partly due to the increased cost of parts and labour in the industry, and the age profile of the fleet. The costs are difficult to predict and are responsive to fleet issues.

The Director of Operational and Commercial Services and the Operational Services Manager are reviewing options to address this issue.

2.2.4 Corporate Accounting

- **Interest Receivable** - Income for interest receivable is forecast to be **£0.034m** above the current budget. This is due to the current base rate being higher than the peak expected when the budget was set, and this combined with pro-active treasury management has meant that the Council is forecast to exceed its interest receivable budget.

2.2.5 Funding

- Windfall grants received from Government which have not been budgeted for total **£0.057m**.
 - **£0.008m** Transparency Code grant from the Department for Levelling Up, Housing and Communities (DLUHC) to enable Authorities to become web-enabled and compliant with the Transparency Code.
 - **£0.064m** from the DLUHC to support Authorities with the budgetary pressure resulting from Internal Drainage Board Levies (DBL), being 13.5% of our total DBL liability for 2023/2024. **£0.015m** has been applied to offset the pressure on our DBL budget in 2023/2024, leaving a balance of **£0.049m**.

2.2.6 Establishment

- Salary budgets 2023/2024 were based on a 2% pay award. An additional £0.2m was approved as a pay award contingency budget as part of the 2023/2024 Medium Term Financial Plan (MTFP), which will allow for up to a 3% increase.
- Agreement was reached in May 2023 for the Chief Officer pay at 3.5%.
- For NJC local government staff, a proposed increase of £1,925 at each scale point is pending agreement. This offer equates to pay rises of between 9.42% at the bottom of the pay spine to 3.88% at the top of band 13 (average of 6.27%).
- The Chief Executive pay offer of 3.5% has been rejected and is pending further discussions.

- Unison, GMB and Unite are balloting their members, with the outcome expected in due course.
- Based on the latest offer, there will be an additional pressure of £0.3m in 2023/2024, which is not included in the forecast outturn provided pending the final agreement, at which point a request for use of General Fund Balances is anticipated.
- On the same basis, there is an ongoing budget pressure from 2024/2025 to be considered through the MTFP and budget setting process of c£0.5m each year.

2.3 Fees and Charges

- 2.3.1 £1.641m has been received in Fees and Charges up to the end of the period against a budget of £1.718m, a shortfall of **£0.077m**.

There are no significant variances forecast for the year at this stage.

2.4 2023/2024 Use of Reserves

2.4.1 Use of Reserves – Member Approval Required - £0.057m

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

- £0.057m from the Finance Budget Risks reserve. Budget oversights identified within the 2023/2024 MTFP during Qtr. 1 budget monitoring:
 - £0.052m grant income budget which was to offset a funded post within the establishment. This post was built into the establishment as non-funded during 2022/2023 and income budget should have been removed.
 - £0.005m honorarium budget for the Health & Safety team is needed for the Health & Safety Champions.

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 £0.042m.

- £0.011m from Revenue Grants Unapplied. Use of District Elections Covid grant for general expenses i.e., postal votes/stationery.
- £0.031m from Revenue Grants Unapplied. Use of Outbreak Prevention Fund for agency Spend.

2.5 Grants

As of 1st April 2023, we had an amount of £0.682m 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 2024 is £0.42m.

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	2,618,728
Department for Levelling Up, Homes and Communities (DLUHC)	Homelessness	193,511
Department for Levelling Up, Homes and Communities (DLUHC)	New Home Bonus	140,372
Department for Levelling Up, Homes and Communities (DLUHC)	Ctax Rebate	102,605
Department for Work & Pensions (DWP)	Housing Benefit Admin Grant	54,120
Department for Levelling Up, Homes and Communities (DLUHC)	Elections new Burdens	48,391
HM Land Registry	Land Registry	48,000
Department for Work & Pensions (DWP)	Discretionary Housing Payment	35,085
Department for Levelling Up, Homes and Communities (DLUHC)	New Burdens Accommodation	33,540
Department for Work & Pensions (DWP)	Misc Housing Benefit Grants	29,463
Department for Levelling Up, Homes and Communities (DLUHC)	Levy Account Surplus	25,350
Nottingham City Council	Homes Upgrade Grant (HUG)	20,000
Lincolnshire County Council (LCC)	Sweeper Bay	20,000
Department for Levelling Up, Homes and Communities (DLUHC)	Redmond Review	17,746
Department for Work & Pensions (DWP)	Rent Rebate	10,094
Department for Levelling Up, Homes and Communities (DLUHC)	Transparency Code New Burdens	8,103
Department for Levelling Up, Homes and Communities (DLUHC)	Taxi Checks	4,153
Arts Council England	Townscape Heritage (THI)	2,599
		3,411,860

Income and expenditure budgets will be created to reflect the grant being received and spend activity where applicable.

Other Items for information

2.6 Planning Appeals

In Quarter 1 2023/2024, to the end of May 2023, there were 5 appeals determined – 3 of which were dismissed, 2 allowed.

There are 2 live applications for costs.

Period	Number of Appeals	Allowed	Dismissed
April	2	0	2
May	3	2	1
Total for Quarter 1	5	2	3

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Quarter 1 2023/2024 Monitoring Report

At the end of May 2023, there was a total of £0.233m outstanding debt over 90 days. The majority of this debt was over 150 days old (94%) and mainly comprised of:

- Housing £0.075m
- Environmental Services £0.043m
- Building Control £0.016m
- Property Services £0.015m

For each of these areas 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 £0.033m 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 2022/2023 is provided below for information:

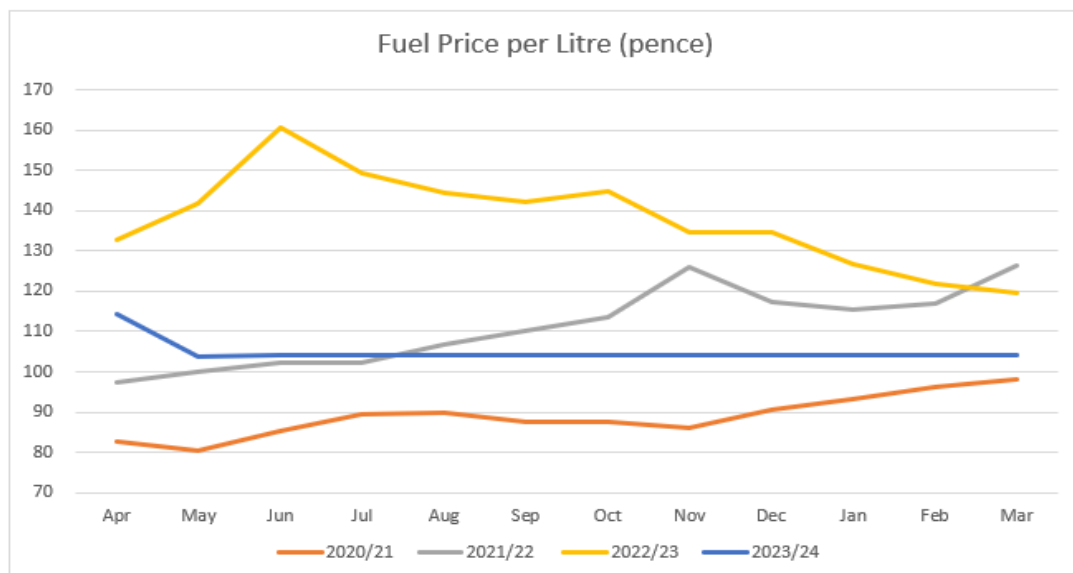
2022/2023 Total £	Month	90 – 119 days £	120 – 149 days £	150+ days £	2023/2024 Total £
230,041	Quarter 1 - ending May 2023	12,860	1,385	219,003	233,249

2.8 Changes to the Organisation Structure

There have been no changes to the organisational structure during the period.

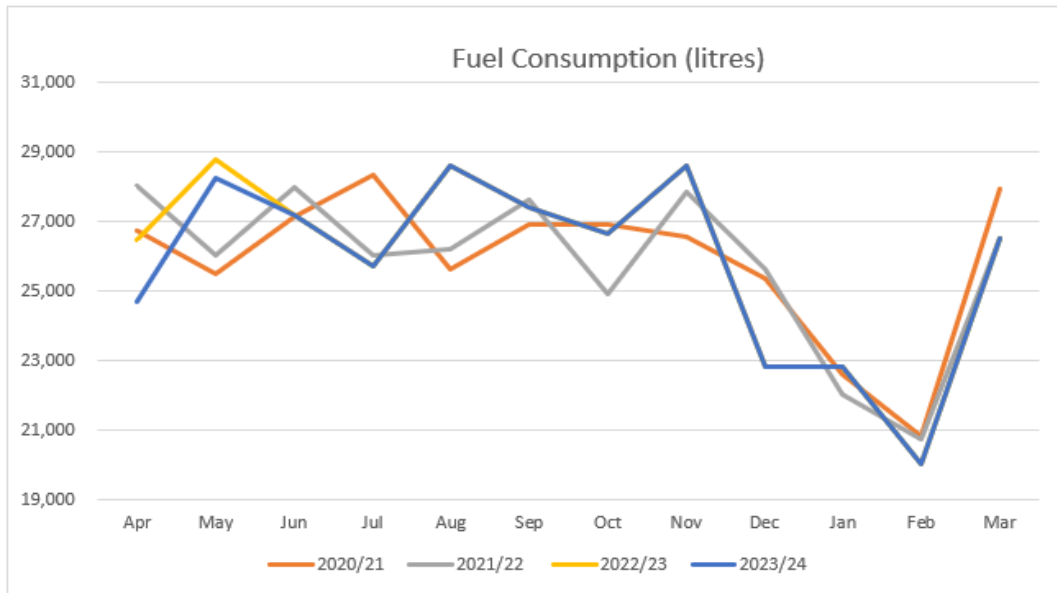
2.9 Fuel

2.9.1 The chart below shows the actual price paid per litre of fuel, in pence, during 2020/2021, 2021/2022 and 2022/2023. The prices shown for 2023/2024 are actuals to date, for the period April to May 2023 and forecast from June 2023 to the year end. The average price paid per litre during 2022/2023 was £1.38. The average price paid per litre to date during 2023/2024 to date is £1.09.



2.9.2 The chart below show the actual volume of fuel purchased, in litres, during 2020/2021, 2021/2022 and 2022/2023. The volumes shown for 2023/2024 are actuals to date, for the period April to May 2023, and forecast from June 2023 to the year end.

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 2023/2024

3.1.1 The Capital Budget forecast out-turn is £23.853m against a revised budget of £24.448m. This results in a variance (underspend) of £0.595m.

This is made up of:

- £0.655m net underspend
- £0.060m requested drawback from 2024/2025 into 2023/2024

3.1.2 Subject to Committee approval, the Capital Programme will be reduced in this financial year with £23.853m being the new Revised Budget for future monitoring purposes. See 3.2 for adjustments requested at this committee.

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

Capital Investment Programme 2023/2024

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
		£	£	£	£	£	£		£	£
Corporate										
Commercial Property	Pre Stage 1	0	3,000,000	3,000,000	3,000,000	0	0		0	0
Customer										
Income Management	Stage 3	0	0	0	36,500	36,500	0	Underspend reported in 2022/2023. Late invoices have now been received from Civica totalling £36.5k for implementation costs relating to the upgrade of the estore from Version 1 to Version 2. Request to be funded from Project Investment Reserve as per the original budget in 2022/2023.	0	0
Telephony (Equipment)	Stage 3	0	0	1,800	1,800	0	0		0	0
CRM System	Stage 3	0	50,000	95,400	95,400	0	0		0	0
Replacement Planning System	Stage 2	0	135,000	135,000	135,000	0	0		0	0
Economy										
Crematorium Phase 2	Stage 4	0	0	0	(741,600)	(741,600)	0	Refunded VAT previously paid in 2021/2022 following a successful appeal to HMRC.	0	0
Trinity Arts Centre Improvements	Pre Stage 1	0	2,500,000	2,500,000	2,500,000	0	0		0	0
Hemswell Cliff Investment for Growth	Stage 2	0	100,000	100,000	100,000	0	0		0	0
Market Rasen 3 year vision	Stage 2	0	200,000	200,000	200,000	0	0		0	0
Gainsborough Heritage Regeneration	Stage 3	24,393	435,200	418,200	418,200	0	0		0	0
Shop Front Improvement	Stage 3	0	52,413	52,413	52,413	0	0		0	0
5-7 Market Place Redevelopment	Stage 3	0	0	44,900	44,900	0	0		44,900	44,900
Thriving Gainsborough - Cinema	Stage 3	1,204	5,078,987	5,212,687	5,212,687	0	0		0	0
Hemswell Masterplan Public Realm	Stage 3	0	40,000	50,000	50,000	0	0		0	0
Riverside Walk	Stage 3	0	0	0	49,816	49,816	0	Works completed and Riverside Walk opened in July 2022, delayed final invoice of £44k received with a further retention of £6k due later in the year to finalise scheme. Budget had previously reported as underspent - to be added back into capital programme for 2023/2024 and funded from S106.	0	0
WLDC - Cinema Land Purchase	Stage 3	83,155	0	60,800	60,800	0	0		0	0
Thriving Gainsborough - Pocket Park	Stage 3	2,832	313,200	318,400	318,400	0	0		0	0
Thriving Gainsborough - Market Place/Streetscape	Stage 3	7,021	748,000	754,100	754,100	0	0		0	0
Thriving Gainsborough - Townhall THI	Stage 3	9,755	2,090,600	2,105,200	1,957,000	(148,200)	0	Underspend is due to realigning salary budgets which need to be moved to Levelling Up Fund (LUF) resources project 500021 within LUF programme. One building owner has already obtained planning permission, three owners have submitted planning applications and ten have already appointed architects.	0	0
Thriving Gainsborough - Whitton Gardens	Stage 3	12,577	1,383,030	1,427,730	1,427,730	0	0		0	0
Thriving Gainsborough - Bus Station	Stage 3	0	130,300	125,600	125,600	0	0		0	0
Thriving Gainsborough - Living Over The Shops	Stage 2	0	1,151,660	1,151,660	1,074,960	(76,700)	0	Underspend is due to realigning salary budgets which need to be moved to Levelling Up Fund (LUF) resources project (500021) Current pipeline of 31 units expected for application in year, totalling a potential £775k. This is to be split funded with the existing Living Over the Shops (LOTS) Scheme funded by Greater Lincolnshire Local Enterprise Partnership (GLLEP)	0	0
Thriving Gainsborough - Wayfinding Strategy	Stage 3	0	6,100	10,800	10,800	0	0		0	0
Thriving Gainsborough - Resources	Stage 3	10,000	377,294	567,194	792,094	224,900	0	Overspend is due to realigning salary budgets which need to be moved from Levelling Up Fund (LUF) Living Over the Shops (LOTS) project (500019) and Townscape Heritage Initiative (THI) project (500016)	0	0
1.4 Multi Year Signature Events Programme	Stage 3	12,987	0	20,300	20,300	0	0		0	0
2.1 Flagship West Lindsey Business Support Programme	Stage 3	0	321,700	321,700	321,700	0	0		0	0

Capital Investment Programme 2023/2024

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
		£	£	£	£	£	£		£	£
Finances										
Capital Enhancements to Council Properties	BAU	0	395,000	461,200	461,200	0	0		0	0
Carbon Efficiencies - Street Lights	Stage 3	0	157,500	210,000	210,000	0	0		0	0
Richmond House Conservatory	Stage 3	0	30,000	50,000	50,000	0	0		0	0
Saxilby Footbridge	Stage 3	1,215	250,000	250,000	250,000	0	0		0	0
Health & Wellbeing										
Disabled Facilities Grants	BAU	30,099	674,900	901,100	901,100	0	0		0	0
Housing Growth										
Unlocking Housing (LoS)	Stage 3	0	69,600	69,600	69,600	0	0		0	0
Public Safety & Environment										
Vehicle Replacement Programme	BAU	0	360,000	360,000	420,000	0	60,000	Two electric vans have been procured earlier than anticipated, resulting in a draw down request from 2024/2025 into 2023/2024 of £60k. Both vehicles are due to be delivered during July 2023.	0	0
Solar Refuse Fleet	Stage 3	0	0	24,000	24,000	0	0		0	0
Depot (P)	Stage 3	(80,554)	0	29,000	29,000	0	0		0	0
CCTV Expansion	Stage 3	4,433	0	39,800	39,800	0	0		0	0
Staff & Members										
Member ICT Provision	Stage 3	3,695	0	43,000	43,000	0	0		0	0
ERP Systems Phase 2	Stage 2	0	200,000	200,000	200,000	0	0		0	0
Document Management System	Stage 3	2,370	0	25,500	25,500	0	0		0	0
Desktop Refresh	BAU	0	10,000	10,000	10,000	0	0		0	0
Vulnerable Groups and Communities										
Extra Care Provision	Stage 3	750,000	0	1,661,000	1,661,000	0	0		0	0
Supported Accommodation (LEAP)	Stage 3	0	0	42,800	42,800	0	0		0	0
Ongo - Stow Road Marton	Stage 3	0	203,625	226,225	226,225	0	0		0	0
Lace Housing - Romangate Court	Stage 3	0	0	90,000	90,000	0	0		0	0
Local Authority Delivery Grant Phase 3	Stage 3	32,113	0	159,400	159,400	0	0		0	0
Homes Upgrade Grant Phase 1	Stage 3	69,697	0	415,100	415,100	0	0		0	0
High Street Scampton	Stage 2	0	0	35,000	35,000	0	0		0	0
1.2 Supporting our Town, Village & Neighbourhood Centres	Stage 3	0	60,000	60,000	60,000	0	0		0	0
1.1 Flagship Community Grants Programme	Stage 3	0	363,700	363,700	363,700	0	0		0	0
Scouts Hill Project	Stage 3	0	0	47,500	47,500	0	0		0	0
Total Capital Programme Gross Expenditure		976,993	20,887,809	24,447,809	23,852,525	(655,284)	60,000		44,900	44,900

3.2 Capital Programme Update 2023/2024

3.2.1 The amendments to the following schemes are requested:

Net Underspend Position - £0.655m

- **Crematorium** - The Council has received a VAT refund of £0.742m on the Crematorium Capital Scheme after a successful appeal to HMRC. The expenditure was funded from internal borrowing, and this will now be repaid and therefore reduce the Council's Capital Financing Requirement.
- **Income Management** – Late invoices have now been received from Civica totalling £0.037m for implementation costs relating to the upgrade of the e-store from Version 1 to Version 2. Budget had previously been reported as underspent in 2022/2023. Request for budget to be added back into the capital programme for 2023/2024 and funded from Project Investment Reserve as per the original budget in 2022/2023.
- **Riverside Walk** – The Riverside Walk was completed and opened in July 2022. The final invoice of £0.044m is the final works payment plus final retention payment of £0.006m which was negotiated post year-end - totalling £0.050m. Request for budget to be added back into the capital programme for 2023/2024 and funded from S106 as per original budget in 2021/2022. The project was still delivered within the budgeted amount.

Drawback request from 2024/2025 into 2023/2024 - £0.060m

- **Vehicle Replacement** – Two electric vans have been procured earlier than anticipated, resulting in a drawback request from 2024/2025 into 2023/2024 of £0.060m. Both vehicles are due to be delivered during July 2023.

Transfer of Budgets between LUF schemes due to realigning of salary budgets:

- Thriving Gainsborough – Townhall THI £0.148m
- Thriving Gainsborough – Living Over the Shops £0.077m
- Thriving Gainsborough - Resources £0.225m

3.3 Acquisitions, Disposals and Capital Receipts

3.3.1 The Council has made no land acquisition during Quarter 1.

3.3.2 The Council has not made any asset disposals during Quarter 1.

3.3.3 Capital Receipts - The total value of capital receipts at the end of Quarter 1 total £0.245m:

- £0.234m from the Housing Stock Transfer Agreement share of Right to Buy receipts
- £0.008m Loan repayments
- £0.003m repayments of DFG Grants

4. TREASURY MONITORING – Quarter 1 (April – May 2023)

The Treasury Management Strategy Statement (TMSS) for 2023/2024, which includes the Annual Investment Strategy, was approved by the Council on 6th March 2023. 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 (April - May) has been more than the average 7-day Sterling Overnight Index Average (SONIA) (4.27%) with an average yield of 4.402% (including CCLA) and 4.265% (excluding CCLA). The Council budgeted to receive £0.577m of investment income, the forecast outturn is now £0.611m.

4.3 Interest Rate Forecasts

The Council’s treasury advisor, Link Group, have provided the following forecasts on 26th June 2023:

Link Group Interest Rate View 26.06.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

Link Asset Services detailed economic commentary on developments during quarter ended 31 May 2023 is included in **Appendix 3**.

4.4 Investments

The Council held investments of £15.53m on 31st May 2023. The table below details these investments for Quarter 1:

	Qtr. 1
Investments at Qtr. 1	£'000
Standard Chartered	1,000
LGIM Money Market Fund	4,030
CCLA Property Fund	3,000
Insight Money Market Fund	7,500
Total	15,530

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 Qtr. 1 due in the latter part of June.

4.6 New External Borrowing

The Council's total external borrowing stands at £21.5m, some of which is due to be re-financed later in the year. Depending on cashflow the Council may need additional borrowing in early 2024.

4.7 Total Prudential Borrowing at Quarter 1 2023/2024

	Qtr. 1
Prudential Borrowing	£'000
Total External Borrowing	21,500
Total Internal Borrowing	15,861
Total Prudential Borrowing	37,361

4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31st May 2023.

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
Treasury Indicators		
Authorised limit for external debt	43,000	43,000
Operational boundary for external debt	38,321	37,361
External Debt	26,500	26,500
Investments	(13,000)	(13,000)
Net Borrowing	13,500	13,500
Prudential Indicators		
Capital Expenditure	20,888	23,853
Capital Financing Requirement (CFR)	38,321	37,361
<i>Of Which is Commercial Property</i>	<i>19,837</i>	<i>19,837</i>
Annual change in CFR*	(770)	(2,076)
External Debt Forecast	26,500	26,500
Under/(over)borrowing	11,821	10,861
Ratio of financing costs to net revenue stream*	10.04%	10.16%
Incremental impact of capital investment decisions:		
Increase/Reduction (-) in Council Tax (band change per annum)	£0.00	£2.73

Appendix 1 (provided by the Council's Independent Treasury Advisors, Link Asset Services)

Interest Rate Forecast

- The central forecast for interest rates was previously updated on 25th May 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 to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, it is anticipated that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.
- Moreover, it is also still anticipated the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain 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 current thought is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.
- In the upcoming months, the 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 also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.
- On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy, and rent/mortgage payments.

PWLB RATES

- Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since the previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
- It is viewed that the markets have built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

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, the rising gilt yields we have seen of late).

- **The Bank of England** increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession 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.
- **A broadening of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

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

- Despite the recent tightening by 0.5%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

APPENDIX 2

REVENUE CARRY FORWARDS – USE OF EARMARKED RESERVES

Budget underspends to be carried forward into 2024/2025, 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 May 2023 out-turn monitoring. The final carry forward figures will reflect the actual outturn position at year-end.*

USE OF EARMARKED RESERVES			Qtr 1 2023/2024	
Committee	Cluster	Business Unit	£ 000	Purpose of Carry Forward
Prosperous Communities	Our People	Parks & Open Spaces	7	Due to delay in recruiting Green Spaces Officer. Funding 50/50 UKSPF grant and General Fund Balances match funding.
Prosperous Communities	Our Place	Development Management	15	Two year fixed term post to assist with planning system implementation - delayed recruitment.
TOTAL			22	