



Corporate Policy and
Resources Committee

Thursday, 9th November 2023

Subject: Budget and Treasury Monitoring - Quarter 2 2023/2024
(1st April 2023 to 30th September 2023)

Report by:

Director of Corporate Services

Contact Officer:

Sue Leversedge
Business Support Team Leader

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Purpose / Summary:

This report sets out the revenue, capital and treasury management activity from 1st April 2023 to 30th September 2023.

RECOMMENDATION(S):

REVENUE

- a) Members accept the forecast out-turn position of a **£0.301m** net contribution to reserves as of 30th September 2023 (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).
- c) Members accept the contributions to Earmarked Reserves (Section 2.4.2).
- d) Members approve the amendments to the fees and charges schedules for 2023/2024 (2.3.2) and **recommend to Council** any new Fees and Charges be implemented.

CAPITAL

- e) Members accept the current projected Capital Outturn as detailed in 3.1.1.
- f) Members approve the adjustments to the Capital Budget as detailed in 3.2.
- g) Members approve the revised Capital Budget of **£18.441m** (3.1).

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/54/24/CPR/SL

REVENUE

The draft revenue forecast out-turn position for 2023/2024 is a net contribution to reserves of £0.301m relating to revenue activity as of 30th September 2023.

A summary of the forecast out-turn position:

Summary of Out-turn Position 2023/2024		
	£ 000	
OUTTURN AS AT 30.09.23	(392)	BEFORE CARRY FORWARDS
CARRY FORWARDS : USE OF EARMARKED RESERVES	70	ALREADY APPROVED
SUB-TOTAL:	(322)	
CARRY FORWARDS : SERVICE REQUESTS	21	Pending approval by Management Team April 2024
NET CONTRIBUTION (TO) / FROM RESERVES:	(301)	
TOTAL CARRY FORWARDS:	91	

The forecast General Fund Balance as of 31 March 2024 is £3.417m (excluding carry forwards). This is £0.917m 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 £18.441m, a variance of £5.736m against the revised budget of £24.177m.

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 2 (July – September 2023) were £24.092m, which achieved an average rate of interest of 5.093%.

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.

There are 3 separate negotiations for pay award:

1, Chief Officer Pay –

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

2. NJC Local Government Staff –

There is a proposed increase of £1,925 pa at each scale point 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%).

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

3. Chief Executive Pay –

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

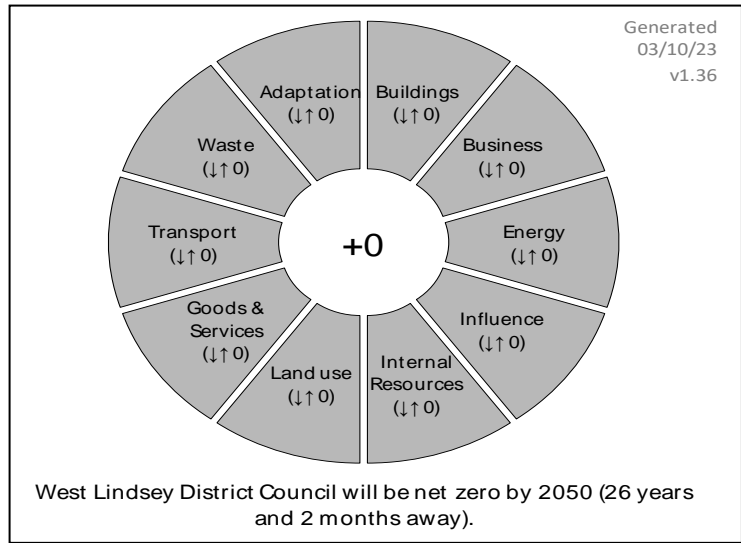
Based on the latest offer, there will be an additional pressure of £0.36m in 2023/2024, which is **not** included in the forecast outturn provided pending the final agreement, at which point a request for use of General Fund Balances may be required.

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£0.6m 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 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 2023/2024 for:

REVENUE

- Revenue Forecast Out-Turn (after carry-forwards) – Contribution to Reserves £0.301m. (-1.83% of Net Revenue Budget – see 2.1 for details of significant variances).
- Carry forwards (see **Appendix 1** for details) – total £0.091m
 - Previously approved use of reserves £0.07m
 - Carry forward requests pending approval at year end £0.021m
- **Budget risks:**
 - Fluctuations in fuel costs (2.9)
 - Fluctuations in charges for utilities (e.g., electricity and gas)
 - 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)

Appendices included within the report:

1. Details of revenue carry forwards into 2024/2025.
2. Capital Investment Programme – budget monitoring table.
3. Link Asset Services Economic Update (Quarter ended 30th September 2023).
4. Link Asset Services Monthly Investment Analysis Review September 2023.
5. UK Shared Prosperity Fund (UKSPF) Update Qtr. 2 2023/2024.
6. RAF Scampton Expenditure Update Qtr.2 2023/2024.

CAPITAL

- Capital Forecast Out-Turn: £18.441m, a variance of £5.736m against current budget £24.177m.

Members are asked to approve the revised Capital Budget of £18.441m which includes the following amendments.

Further detail of the amendments is provided at section 3.2, and in the Capital Investment Programme budget monitoring table at **Appendix 2:**

Underspends	£m
Homes Upgrade Grant Phase 1	0.196
Replacement Planning System	0.117
Solar Refuse Fleet	0.001
Total	0.314

Increase in Scheme Budgets	£m
Homes Upgrade Grant Phase 2	3.734
Local Authority Delivery Grant Phase 3	0.090
Disabled Facilities Grants	0.059
Saxilby Footbridge	0.050
Market Street Renewal - Share Purchase	0.020
Total	3.953

Carry Forwards into 2024/2025	£m
Thriving Gainsborough - Cinema	4.722
Thriving Gainsborough - Townhall THI	1.021
Thriving Gainsborough - Whitton Gardens	0.761
Thriving Gainsborough - Pocket Park	0.695
Thriving Gainsborough - Living Over The Shops	0.610
Thriving Gainsborough - Market Place/Streetscape	0.422
Extra Care Provision	0.411
ERP Systems Phase 2	0.200
Gainsborough Heritage Regeneration	0.172
Market Rasen 3 Year Vision	0.103
Unlocking Housing (LoS)	0.070
Shop Front Improvement	0.037
Member ICT Provision	0.032
Thriving Gainsborough - Wayfinding Strategy	0.006
Total	9.262

Drawbacks from 2024/2025	£m
1.3 Safer Streets West Lindsey	0.050
Total	0.050

Movement of Budgets to Revenue	£m
Thriving Gainsborough - Cinema	0.100
Thriving Gainsborough - Resources	0.045
Thriving Gainsborough - Whitton Gardens	0.006
Members ICT Provision	0.005
Thriving Gainsborough - Market Place/Streetscape	0.004
Thriving Gainsborough - Pocket Park	0.003
Total	0.163

Movement of Budgets between Schemes	£m
From	
Thriving Gainsborough - Cinema	0.370
Thriving Gainsborough - Townhall THI	0.005
To	
WLDC - Cinema Land Purchase	0.370
5-7 Market Place Redevelopment	0.005

TREASURY MANAGEMENT

Treasury Management Report and monitoring:

- Investments held as of 30th September 2023 were:
 - Average investment interest rate for July to September was 5.093%.
 - Total Investments as of 30th September 2023 was £23.885m.

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	Qtr. 2 £'m
Investments B/fwd. (at 01.07.2023 incl. bank)	17.760
(Less) Net Capital expenditure	(0.386)
Movement on Current Account	0.011
Add/(Less) Net Revenue Expenditure	(2.349)
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	8.849
Investments (Incl. Bank) carried forward (at Period end)	23.885

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.2
Prudential Borrowing	£'000
Total External Borrowing (PWLB)	16,500
Other Local Authorities	5,000
Projected Additional Borrowing Required	0
Internal Borrowing	16,268
Total Prudential Borrowing	37,768

REVENUE BUDGET MONITORING QUARTER 2 (1st April 2023 to 30th September 2023) Forecast Outturn for 2023/2024

2. The Revenue Budget forecast out-turn currently stands at a net contribution to reserves of £0.301m as detailed in the table below.

This is after taking account of £0.091m of revenue budget carry forwards. The details of which are provided at **Appendix 1**.

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	8,457,700	8,441,440	(16,260)	11,000	(5,260)
Our People	1,832,400	1,796,500	1,753,954	(42,546)	23,200	(19,346)
Our Place	4,726,400	4,647,300	4,597,864	(49,436)	57,200	7,764
Covid 19 Business Support Grants	0	0	12,000	12,000	0	12,000
Grand Total	14,344,200	14,901,500	14,805,258	(96,242)	91,400	(4,842)
Interest Receivable	(577,300)	(577,300)	(731,858)	(154,558)	0	(154,558)
Investment Income - Property Portfolio	(1,576,700)	(1,577,400)	(1,581,915)	(4,515)	0	(4,515)
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	715,000	(79,400)	0	(79,400)
MRP/VRP (repayment of borrowing)	906,100	906,100	906,100	0	0	0
Net Revenue Expenditure	16,927,000	17,498,500	17,163,788	(334,712)	91,400	(243,312)
Transfer to / (from) General Fund	(684,400)	(1,257,900)	(1,257,900)	0	0	0
Transfer to / (from) Earmarked Reserves	496,600	513,500	513,500	0	0	0
Amount to be met from Government Grant or Council Tax	16,739,200	16,754,100	16,419,388	(334,712)	91,400	(243,312)
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	(391,997)	(391,997)	91,400	(300,597)

2.1 The significant movements being:

Cluster	EXPENDITURE	Total £000	Direction of Travel
BUDGET UNDERSPENDS			
Our Council / Our Place	Fuel - average price per litre to date £1.11 (compared to £1.38 average price per litre for the year 2022/2023).	(£80)	New
Our Council	Electricity - based on current rates and consumption.	(£23)	New
PRESSURES			
	Salary (savings) / pressure. Budget includes 2% vacancy factor £226k, and pay award contingency (£200k). £58k is pressure due to temporary resources appointed to cover vacant posts.	£84	↓
Our Council / Our Place	Fleet repairs and maintenance (PAYG contract).	£87	↑
	Various forecast outturn variances <£15k	£52	↓
		£120	

Cluster	INCOME	Total £000	Direction of Travel
BUDGETED INCOME EXCEEDED			
Corporate Accounting-Interest Received and Paid	Interest Receivable (£155k), Interest Payable (£79k).	(£234)	↑
Funding	<u>Government Grants</u> - DLUHC - Transparency Code and Internal Drainage Board Levies Support.	(£57)	↔
Our Council	Bulky Waste Collections - increased demand for the service (£15k).	(£15)	New
Our Council	Property Services income overachieved based on lease agreements in place (£25k). Refund of 2021/2022 & 2022/2023 service charges (£39k).	(£64)	New
Our Council	Refund of interest charged by HMRC in 2022/2023 on the VAT Partial Exemption Breach assessment.	(£51)	↔
		(£421)	
TOTAL VARIANCE		(£301)	

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

2.2.1 Our Council

- There are £0.011m proposed carry forwards into 2024/2025 (see **Appendix 1** for details).
- **Crematorium –**
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.

- **Property Services –**
Inflationary increases to property rental agreements combined with a reduction in voids has increased rental income to £0.025m above budget.

A refund in service charges previously paid during 2021/2022 and 2022/2023 has resulted in windfall income of £0.039m.

- **Bulky Waste Collections –**
Increased demand for the service has increased income to £0.015m above budget. This level of income has been realised over the previous two financial years and will be reflected in the Medium Term Financial Plan from 2024/2025.

- **Electricity –**
Based on current electricity rates payable and forecast consumption a saving of £0.23m is anticipated. Electricity prices are fixed until 31st October 2023. For information, gas prices are fixed until 31st March 2024.

- **Commercial Contingency –**
A budget of £0.2m is held to mitigate several commercial risks, including investment properties, and demand led service generated income. There is a forecast pressure on commercial income for 2023/2024 of £0.149m which is a potential use of the contingency at year end.

Any potential pressures within commercial service areas are under review and action will be taken to mitigate them before applying the contingency budget.

Potential use of the budget in 2023/2024, based on the forecast outturn position as of 30th September 2023, is shown below:

	£
Commercial Contingency Base Budget 2023/2024	200,000
Crematorium - Standard Cremations	(112,800)
Trade Waste	(36,600)
Remaining Balance at Qtr. 2 2023/2024	50,600

2.2.2 Our People

- There are £0.023m proposed carry forwards into 2024/2025 (see **Appendix 1** for details).

2.2.3 Our Place

- There are £0.057m proposed carry forwards into 2024/2025 (see **Appendix 1** 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 **£0.087m** 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.

- There is a forecast saving against fuel budgets of **£0.08m**, to offset the repairs and maintenance pressure in 2023/2024. The current fuel price has dropped to £1.20 per litre in September 2023 (the average price paid per litre during 2022/2023 was £1.38). The forecast outturn is based on a price per litre of £1.28 for the remainder of the year. However, fuel prices are volatile and will continue to be monitored.

2.2.4 Corporate Accounting

- **Interest Payable/Receivable –**
Income for interest receivable is forecast to be **£0.155m** above the current budget. This is due to the current base rate being higher than the peak expected when the budget was set. This combined with pro-active treasury management has meant that the Council is forecast to exceed its interest receivable budget and underspend on the interest payable budget by **£0.079m**.

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.
- There are 3 separate negotiations for pay award:
 1. Chief Officer Pay - Agreement was reached in May 2023 for the Chief Officer pay at 3.5%.
 2. NJC Local Government Staff - There is a proposed increase of £1,925 at each scale point 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%).
 3. Chief Executive Pay - 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 £0.36m 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£0.6m each year.
- A pressure of £0.084m is reported against employee costs:

The budget includes 2% vacancy factor £0.226m and pay award contingency of £0.02m. The remaining pressure of £0.058m is due to the appointment of temporary resources to cover vacancies.

2.3 Fees and Charges

2.3.1 £2.796m has been received in Fees and Charges up to the end of the period against a budget of £2.926m, a shortfall of **£0.013m**.

The significant variances forecast for the year are:

- Increase in demand for bulky waste collections **£0.015m**

2.3.2 Amendment to Fees and Charges Schedule 2023/2024

Crematorium

Two new fee lines are proposed to be added to the fees and charges schedule for the Crematorium with immediate effect.

Individual handmade ashes into glass ornaments containing a small amount of loved one's ashes and comes with a certificate of authenticity.

- Robin ornament - £115 incl. VAT
- Memorial bauble with stand - £145 incl. VAT

2.4 2023/2024 Use of Reserves

2.4.1 Use of Reserves – Delegated Decision £0.082m

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

- £0.012m from the Property Asset Fund. Approved spend of up to £0.058m on Guildhall Refurbishment Phase 2.
Spend to date:
 - £0.009m design consultants
 - £0.003m land charges roomBalance remaining: £0.046m
- £0.038m from Revenue Grants Unapplied Reserve. Park Fund Project - £0.085m DLUHC Parks Fund Grant received in 2022/2023 as reported to CP&R 29th September 2022.
 - £0.019m revenue for project preparation, creation and maintenance.
 - £0.019m revenue for 'tree uplift' for tree planting and related costs.
- £0.009m from the Communities at Risk reserve. Local Authority contribution for Warm Packs, payable to Lincolnshire Community Foundation (£0.009m pa in 23/24 and 24/25).
- £0.006m from Project Investment Reserve. Extension of Enabling Technology Project Officer from 04.08.23 to 31.10.24 (£0.038m in 2024/2025).

- £0.005m from Member ICT Reserve. Revenue cost of member ICT equipment (laptop cases, keyboards).
- £0.009m from ICT Reserve. One off payment for Microsoft SQL (Structured Query Language) server licence.
- £0.003m from Project Investment Reserve. Consultant costs for commercial project investment review.

2.4.2 Contribution to Reserves £0.026m

- £0.015m to the Vehicle Replacement Reserve. Part exchange of three operational services vehicles for two electric vans.
- £0.011m balance remaining of DLUHC Domestic Abuse Funding. Approved to fund a 2 year post fixed term Homelessness Prevention Officer which commenced 25/09/23.

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 £0.43m.

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	4,389,048
Lincolnshire County Council	Disabled Facilities Grant	863,329
Department for Levelling Up, Homes and Communities (DLUHC)	UK Shared Prosperity Fund	655,446
Department for Levelling Up, Homes and Communities (DLUHC)	Rural England Prosperity Fund	318,327
Department for Levelling Up, Homes and Communities (DLUHC)	Rural Services Delivery Grant	278,110
Department for Levelling Up, Homes and Communities (DLUHC)	Funding Guarantee	224,098
Homes Communities Agency	Affordable Homes Grant	212,533
Department for Levelling Up, Homes and Communities (DLUHC)	Ctax Support Scheme	171,762
Department for Levelling Up, Homes and Communities (DLUHC)	New Home Bonus	140,372
Department for Levelling Up, Homes and Communities (DLUHC)	Homelessness Grant	95,044
Department for Levelling Up, Homes and Communities (DLUHC)	Levelling Up Fund	70,000
Department for Levelling Up, Homes and Communities (DLUHC)	Drainage Board Levies Grant	64,082
Department for Levelling Up, Homes and Communities (DLUHC)	Services Grant	61,123
Department for Work & Pensions (DWP)	Housing Benefit Admin Grant	54,120
Department for Environment, Food & Rural Affairs	Bio-Diversity Net Gain Grant	26,807
Department for Work & Pensions (DWP)	Discretionary Housing Payment	21,602
Department for Levelling Up, Homes and Communities (DLUHC)	Neighbourhood Planning Grant	20,000
Department for Work & Pensions (DWP)	Rent Rebate	5,328
Department for Levelling Up, Homes and Communities (DLUHC)	Electoral Integrity Programme	2,000
Nottingham City Council	Homes Upgrade Grant (HUG)	609
		7,673,740

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 2 2023/2024, to the end of September 2023, there were 6 appeals determined – 3 of which were dismissed, 3 allowed.

There are no live applications for costs.

Period	Number of Appeals	Allowed	Dismissed
June	4	3	1
July	2	0	2
August	0	0	0
September	0	0	0
Total for Quarter 2	6	3	3

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Quarter 2 2023/2024 Monitoring Report

At the end of September 2023, there was a total of £0.234m outstanding debt over 90 days. The majority of this debt was over 150 days old (92%) and mainly comprised of:

- Housing £0.075m
- Environmental Services £0.047m
- Building Control £0.015m
- 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
225,131	Quarter 2 - ending Sept 2023	12,219	7,592	214,397	234,208

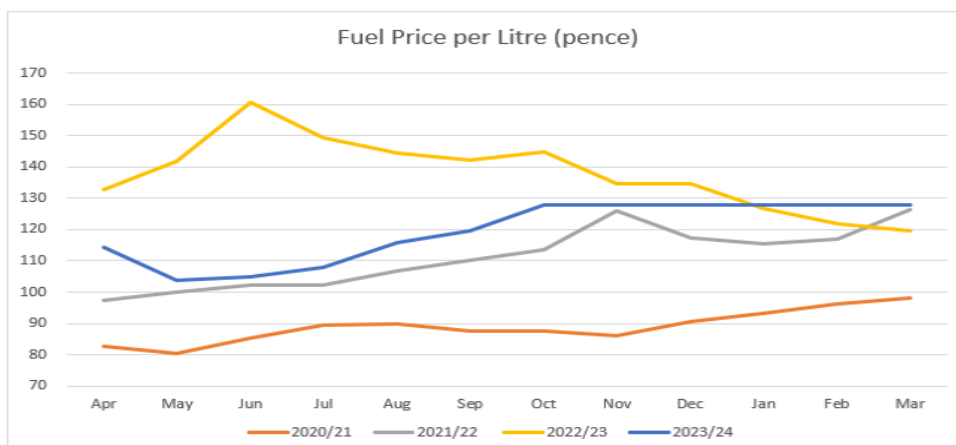
The Department for Business & Trade have taken responsibility for recovering a covid grant paid in error to the value of £0.012m. This debt has been written off in our accounts.

2.8 Changes to the Organisation Structure

- **Customer Services** – a T24 service review and subsequent service restructure has resulted in a saving in 2023/2024 of £0.019m.
- **Civic Responsibilities** – Civic Engagement and Member Development Officer Band 7 to replace post of Democratic & Civic Assistant Band 6. Increased cost of £0.004m in 2023/2024 offset by savings against a vacant post within the service.
- **Systems Development** – Fixed term post of Enabling Technology Project Officer extended from 03/08/23 to 31/10/24. Cost of £0.034m funded from salary savings in year and Project Investment Reserve.
- **Wellbeing Lincs Delivery** – Two Housing and Housing Development Officers – one seconded from East Lindsey District Council and one permanent move to the West Lindsey establishment. There is no financial impact as any costs are covered through the Wellbeing contract.
- **Building Control** - restructure of the service to ensure a resilient in-house service. No financial impact as projected costs are forecast to be offset by an increase in service generated income.

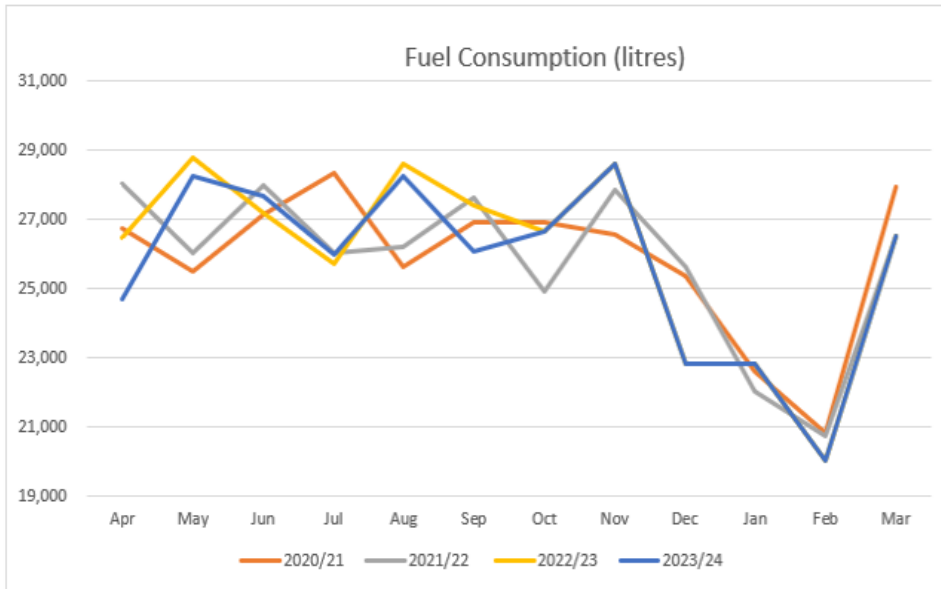
2.9 Fuel

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 September 2023 and forecast from October 2023 to the year end. The average price paid per litre during 2022/2023 was £1.38. The average price paid per litre during 2023/2024 to date is £1.11.



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 September 2023, and forecast from October 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 2 2023/2024

3.1.1 The Capital Budget forecast out-turn is £18.441m against a revised budget of £24.177m. This results in a variance (underspend) of £5.736m.

This is made up of:

- £0.314m net underspend
- £3.953m net increase in scheme budgets
- £0.050m requested drawback from 2024/2025 into 2023/2024
- £9.262m requested carry forward to 2024/2025 from 2023/2024
- £0.163m movement of budget to revenue

3.1.2 Subject to Committee approval, the Capital Programme will be reduced in this financial year with £18.441m 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.

3.2 Capital Programme Update 2023/2024

3.2.1 The detailed capital monitoring table is included within the report at **Appendix 2**. The amendments to the following schemes are requested:

Net Underspend Position - £0.314m

- **Homes Upgrade Grant Phase 1** – Scheme has now concluded with a project underspend of £0.196m.
- **Replacement Planning System** – Implementation costs have come in under budget following the conclusion of the procurement exercise, project underspend of £0.117m.
- **Solar Refuse Fleet** – Six vehicles have been fitted with equipment; scheme now complete with an underspend of £0.001m.

Net Increase in Scheme Budgets Requested - £3.953m

- **Homes Upgrade Grant Phase 2** – Request to create capital budget of £3.734m following approval of grant funding from CPR in June 2023.
- **Local Authority Delivery Grant Phase 3** – Scheme concluded in September 2023. Request to increase budget by £0.090m for additional payments on the scheme to be funded from grant funding upon reconciliation of the project.
- **Disabled Facilities Grants (DFG)** – Request to increase budget by £0.059m to be funded from additional DFG funding awarded to WLDC.
- **Saxilby Footbridge** – Request to increase budget by £0.050m to cover additional work required which came apparent once the bridge was taken off site. Additional budget to be funded from capital receipts.
- **Market Street Renewal – Share Purchase** – Request to increase budget by £0.020m to cover costs incurred during the purchase over and above the already approved budget of £0.325m.

Drawback request from 2024/2025 into 2023/2024 - £0.050m

- **1.3 Safer Streets West Lindsey** – Scheme originally planned to be spent in 2024/2025, request to drawback £0.050m to purchase CCTV equipment in 2023/2024.

Carry Forward request from 2023/2024 into 2024/2025 - 9.262m

- **Thriving Gainsborough – Cinema** - Carry Forward request of £4.722m to align the expenditure budget with the current spend profile of the Cinema development. Delays to project due to archaeological and ground contamination findings on site, anticipating completion of grant funding agreement by the end of Qtr. 3, awarding contract soon after.
- **Thriving Gainsborough – Townhall THI** - Carry Forward request of £1.021m to align the expenditure budget with the current spend profile of building owners in the pipeline. Due to the complex nature of the grant scheme, building owners are working up schemes and obtaining relevant planning permissions, once these are in place grant applications will be submitted.
- **Thriving Gainsborough – Whitton Gardens** - Carry Forward request of £0.761m to align the expenditure budget confirmed at CPR 12/10/2023 (FIN/84/24). Planting scheme expected to be delivered in Spring and early Summer (Qtr. 1 and Qtr. 2) 2024/2025. Café build expected to be completed by Qtr. 3 subject to procurement.
- **Thriving Gainsborough – Pocket Park** - Carry Forward request of £0.695m to align the expenditure budget confirmed at CPR 12/10/2023 (FIN/84/24). Site investigation works for cellar voids are ongoing and will inform final construction technique. The procurement and construction timelines will be subject to this.
- **Thriving Gainsborough – Living Over the Shops** - Carry Forward request of £0.610m to align the expenditure budget with the current spend profile against the expected pipeline of 7 units to be delivered in year. A further pipeline of 26 units expected for 2024/2025.
- **Thriving Gainsborough – Market Place/Streetscape** - Carry Forward request of £0.422m to align the expenditure budget confirmed at CPR 12/10/2023 (FIN/84/24). Market Place phase 1 scheme to include market stalls, storage and street furniture.

- **Extra Care Provision** - Carry Forward request of £0.411m to align the expenditure budget with the current spend profile of the scheme, expected to complete in December 2024.
- **ERP Systems Phase 2** - Carry Forward request of £0.200m to align the expenditure budget with the current spend profile since there are no plans to implement further ERP modules in the current financial year.
- **Gainsborough Heritage Regeneration** - Carry Forward request of £0.172m to align the expenditure budget with the current spend profile against the building applications expected in year.
- **Market Rasen 3 Year Vision** - Carry Forward request of £0.103m to align the expenditure budget with the current spend profile against the current three building applications approved by the Local Steering Group.
- **Unlocking Housing (LoS)** - Carry Forward request of £0.070m to align the expenditure budget with the current spend profile. The current year delivery of units for this scheme is covered by Thriving Gainsborough – Living Over the Shops.
- **Shop Front Improvement** - Carry Forward request of £0.037m to align the expenditure budget with the current spend profile against the three applications in the pipeline.
- **Member ICT Provision** - Carry Forward request of £0.032m, majority of equipment has been purchased under budget for the current year, future year spend to be covered by the carry forward.
- **Thriving Gainsborough – Wayfinding Strategy** - Carry Forward budget of £0.006m for to align the expenditure budget of new signage for Baltic Park and Cinema following their delivery in 2024/2025.

Movement of budget to Revenue - £0.163m

The following schemes are requesting a reduction in budget from the capital investment programme to be moved to cover associated revenue expenditure incurred during the project:

- Thriving Gainsborough – Cinema £0.100m
- Thriving Gainsborough – Resources £0.045m
- Thriving Gainsborough – Whitton Gardens £0.006m
- Members ICT Provision £0.005m

- Thriving Gainsborough – Market Place/Streetscape £0.004m
- Thriving Gainsborough – Pocket Park £0.003m

Movement of budgets between schemes

The following schemes are requesting movement between schemes to realign Levelling Up Funding to the correct scheme with a net nil effect on the overall capital programme:

- From - Thriving Gainsborough Cinema £0.370m
- To – WLDC Cinema Land Purchase £0.370m
- From - Thriving Gainsborough Townhall THI £0.005m
- To – 5-7 Market Place Redevelopment £0.005m

3.3 Acquisitions, Disposals and Capital Receipts

3.3.1 The Council has made no land acquisition during Quarter 2.

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 received in 2023/2024 at the end of Quarter 2 total £0.716m:

- £0.234m from the Housing Stock Transfer Agreement share of Right to Buy receipts
- £0.459m Loan repayments
- £0.023m repayments of DFG Grants

4. TREASURY MONITORING – Quarter 2 (July – September 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 (July - September) has been more than the average 7-day Sterling Overnight Index Average (SONIA) (4.74%) with an average yield of 5.093% (including CCLA) and 5.063% (excluding CCLA). The Council budgeted to receive £0.577m of investment income, the forecast outturn is now £0.732m.

4.3 Interest Rate Forecasts

The Council’s treasury advisor, Link Group, have provided the following forecasts on 25th September 2023:

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

Link Asset Services economic update on developments during quarter ended 30 September 2023 is included in **Appendix 3**.

4.4 Investments

The Council held investments of £23.885m on 30th September 2023. The table below details these investments for Quarter 2:

	Qtr. 2
Investments at Qtr. 2	£'000
Standard Chartered	2,000
Lancashire County Council	1,000
Lloyds Bank Corporate Markets	1,000
Lloyds Bank Deposit Account	500
LGIM Money Market Fund	7,500
CCLA Property Fund	2,000
CCLA Money Market Fund	5,500
Insight Money Market Fund	4,385
Total	23,885

Link Asset Services Monthly Investment Analysis Review September 2023 is included in **Appendix 4**.

4.5 Investment in Local Authority Property Fund (CCLA)

The total the Council has invested now stands at £2m (of an approved £4m). Interest is receivable on a quarterly basis with Qtr. 2 due in the latter part of October.

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 2 2023/2024

	Qtr. 2
Prudential Borrowing	£'000
Total External Borrowing	21,500
Total Internal Borrowing	16,268
Total Prudential Borrowing	37,768

4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending

30th September 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. 2 £'000
Treasury Indicators		
Authorised limit for external debt	43,000	43,000
Operational boundary for external debt	38,321	37,768
External Debt	26,500	21,500
Investments	(13,000)	(13,000)
Net Borrowing	13,500	8,500
Prudential Indicators		
Capital Expenditure	20,888	18,441
Capital Financing Requirement (CFR)	38,321	37,768
<i>Of Which is Commercial Property</i>	<i>19,837</i>	<i>19,837</i>
Annual change in CFR*	(770)	(1,669)
External Debt Forecast	26,500	21,500
Under/(over)borrowing	11,821	16,268
Ratio of financing costs to net revenue stream*	10.04%	10.35%
Incremental impact of capital investment decisions:		
Increase/Reduction (-) in Council Tax (band change per annum)	£0.00	£7.26

Appendix 3 (provided by the Council's Independent Treasury Advisors, Link Asset Services)

Economics Update

- The first half of 2023/2024 saw:
 - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
 - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
 - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
 - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
 - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
 - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.