



Corporate Policy and
Resources Committee

Thursday, 8th February 2024

Subject: Budget and Treasury Monitoring - Quarter 3 2023/2024
(1st April 2023 to 31st December 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 1 st April 2023 to 31 st December 2023.

RECOMMENDATION(S):

REVENUE

- a) Members accept the forecast out-turn position of a £0.079m net contribution to reserves as of 31st December 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 (Section 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 (Section 2.3.2 and **Appendix 7**) 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 £11.609m (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/113/24/CPR/SL

REVENUE

The draft revenue forecast out-turn position for 2023/2024 is a net contribution to reserves of £0.079m relating to revenue activity as of 31st December 2023.

A summary of the forecast out-turn position:

Summary of Out-turn Position 2023/2024		
	£ 000	
OUTTURN AS AT 31.12.23	(227)	BEFORE CARRY FORWARDS
CARRY FORWARDS : BASE BUDGET-PREVIOUSLY APPROVED	22	ALREADY APPROVED
CARRY FORWARDS : USE OF EARMARKED RESERVES	55	ALREADY APPROVED
SUB-TOTAL:	(150)	
CARRY FORWARDS : SERVICE REQUESTS	71	Pending approval by Management Team April 2024
NET CONTRIBUTION (TO) / FROM RESERVES:	(79)	
TOTAL CARRY FORWARDS:	148	

The forecast General Fund Balance as of 31 March 2024 is £2.578m (excluding carry forwards). This is £0.578m above the minimum working balance of £2m 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 £11.609m, a variance of £6.832m against the revised budget of £18.441m.

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 £19.0m; 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 3 (October – December 2023) were £24.239m, which achieved an average rate of interest of 5.314%.

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 were 4 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 –

Agreement was reached in November 2023 to apply an increase of £1,925 pa at each scale point. 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 –

Agreement was reached in November 2023 for Chief Executive pay at 3.5%.

4. Locally Determined Pay Points –

Agreement was reached in November 2023 for those officers above the maximum NJC scale point and below Chief Officer at 3.88%.

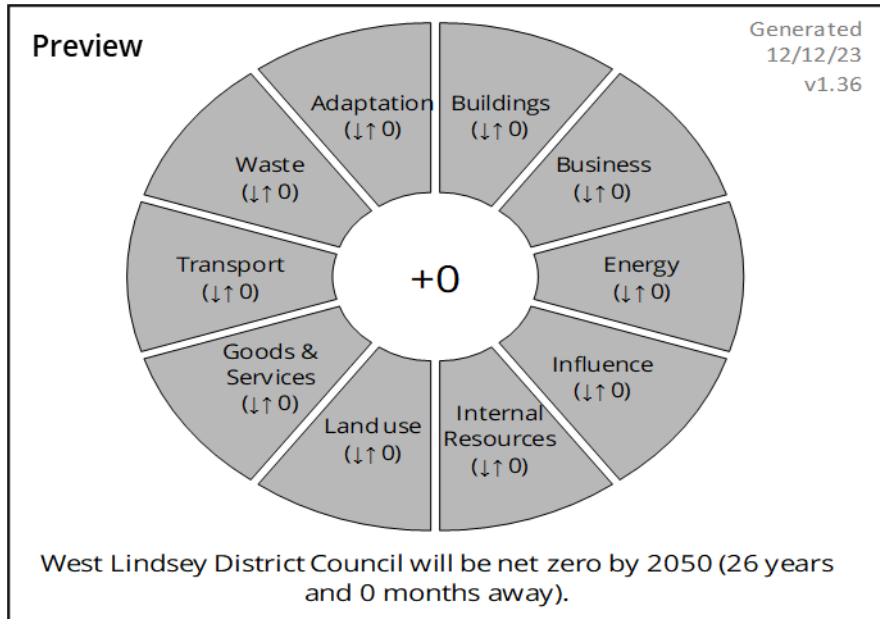
On this basis, there will be an additional pressure of c£0.36m in 2023/2024, which has been included in the forecast outturn position contained within this report.

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 3 2023/2024 for:

REVENUE

- Revenue Forecast Out-Turn (after carry-forwards) – Contribution to Reserves £0.079m. (-1.58% of Net Revenue Budget – see 2.1 for details of significant variances).
- Carry forwards (see **Appendix 1** for details) – total £0.148m
 - Previously approved use of reserves £0.022m
 - Projects funded from Earmarked Reserves £0.055m
 - Carry forward requests pending approval at year end £0.071m
- **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 proposed revenue carry forwards into 2024/2025.
 2. Capital Investment Programme – budget monitoring table as of 31st December 2023.
 3. Link Asset Services Economic Update (Qtr. 3 2023/2024).
 4. Link Treasury Services Monthly Investment Analysis Review December 2023.
 5. UK Shared Prosperity Fund (UKSPF) Update Qtr. 3 2023/2024.
 6. RAF Scampton Expenditure Update Qtr.3 2023/2024.
 7. Statutory Planning Fees – Amendment effective from 6th December 2023.

CAPITAL

- Capital Forecast Out-Turn: £11.609m, a variance of £6.832m against current budget £18.441m.

Members are asked to approve the revised Capital Budget of £11.609m which includes the following summary of 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
Commercial Property	(3.000)
Local Authority Delivery Grant Phase 3	(0.041)
Saxilby Footbridge	(0.028)
Document Management System	(0.015)
Total	(3.084)

Increase in Scheme Budgets	£m
Income Management	0.005
Disabled Facilities Grants	0.006
Total	0.011

Carry Forwards into 2024/2025	£m
Home Upgrade Grant Phase 2	(2.984)
Vehicle Replacement Programme	(0.211)
Carbon Efficiencies - Street Lights	(0.160)
Capital Enhancements to Council Properties	(0.145)
2.1 Flagship West Lindsey Business Support Programme	(0.100)
Hemswell Cliff Investment for Growth	(0.088)
Customer Relationship Management (CRM) System	(0.096)
Gainsborough Heritage Regeneration	(0.086)
Richmond House Conservatory	(0.050)
Supported Accommodation (LEAP)	(0.043)
Shop Front Improvement	(0.012)
Total	(3.975)

Drawbacks from 2024/2025	£m
Thriving Gainsborough - Whitton Gardens	0.200
Thriving Gainsborough - Pocket Park	0.026
Total	0.226

Movement of Budgets between Schemes	£m
From	
Hemswell Masterplan Public Realm	(0.050)
To	
Hemswell Cliff Investment for Growth	0.050

Movement of Budget to Revenue	£m
Hemswell Cliff Investment for Growth	(0.010)
Total	(0.010)

TREASURY MANAGEMENT

Treasury Management Report and monitoring:

- Investments held as of 31st December 2023 were:
 - Average investment interest rate for October to December was 5.314%.
 - Total Investments as of 31st December 2023 was £19.39m.

The tables below reflect investment movements and prudential borrowing analysis:

Investment Movements	Qtr. 3 £'m
Investments B/fwd. (at 01.10.2023 incl. bank)	23.943
(Less) Net Capital expenditure	(1.799)
Movement on Current Account	0
Add/(Less) Net Revenue Expenditure	(5.635)
Add/(Less) Net Collection Fund Movement (Ctax/NNDR)	2.943
Investments (Incl. Bank) carried forward (at Period end)	19.452

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.3
Prudential Borrowing	£'000
Total External Borrowing (PWLB)	14,000
Other Local Authorities	5,000
Projected Additional Borrowing Required	2,500
Internal Borrowing	15,705
Total Prudential Borrowing	37,205

REVENUE BUDGET MONITORING QUARTER 3 (1st April 2023 to 31st December 2023) Forecast Outturn for 2023/2024

2. The Revenue Budget forecast out-turn currently stands at a net contribution to reserves of £0.079m as detailed in the table below.

This is after taking account of £0.148m 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	8,530,500	8,394,449	(136,051)	66,500	(69,551)
Our People	1,832,400	1,784,400	1,808,247	23,847	35,100	58,947
Our Place	4,726,400	4,517,000	4,675,851	158,851	46,900	205,751
Covid 19 Business Support Grants	0	0	15,700	15,700	0	15,700
Grand Total	14,344,200	14,831,900	14,894,247	62,347	148,500	210,847
Interest Receivable	(577,300)	(586,500)	(936,100)	(349,600)	0	(349,600)
Investment Income - Property Portfolio	(1,576,700)	(1,577,400)	(1,569,713)	7,687	0	7,687
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	531,800	(262,600)	0	(262,600)
MRP/VRP (repayment of borrowing)	906,100	906,100	1,278,014	371,914	0	371,914
Net Revenue Expenditure	16,927,000	17,419,700	17,249,450	(170,250)	148,500	(21,750)
Transfer to / (from) General Fund	(684,400)	(1,234,700)	(1,234,700)	0	0	0
Transfer to / (from) Earmarked Reserves	496,600	569,100	569,100	0	0	0
Amount to be met from Government Grant or Council Tax	16,739,200	16,754,100	16,583,850	(170,250)	148,500	(21,750)
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	(227,535)	(227,535)	148,500	(79,035)

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 £1.13 (compared to £1.38 average price per litre for the year 2022/2023).	(£107)	↑
Our Council	Utilities - Electricity (£3k) and Gas (£20k) based on current rates and consumption.	(£23)	↔
PRESSURES			
	Salary (savings) / pressure. Budget includes 2% vacancy factor £226k, and pay award contingency (£200k). £360k pressure due to pay award, (£155k) savings arising from vacancies offset by pressures due to temporary resources appointed to cover vacant posts.	£231	↓
Corporate Accounting- Minimum Revenue Provision (MRP)	MRP adjustment to correct the useful lives of assets funded by borrowing, plus MRP has been charged on the initial loan to the Market Street Renewal company.	£372	New
Our Place	Emergency Planning - Hotel placements for flooded residents.	£44	New
Our Council / Our Place	Fleet repairs and maintenance (PAYG contract).	£90	↓
	Various forecast outturn variances <£15k	£6	↑
		£613	

Cluster	INCOME	Total £000	Direction of Travel
BUDGETED INCOME EXCEEDED			
Corporate Accounting- Interest Received and Paid	Interest Receivable (£350k), Interest Payable (£262k).	(£612)	↑
Funding	Government Grants - DLUHC - Transparency Code and Internal Drainage Board Levies Support.	(£57)	↔
Our Council	Bulky Waste Collections - increased demand for the service.	(£15)	↔
Our Council	Property Services - refund of 2021/2022 & 2022/2023 service charges.	(£39)	↓
Our Council	Refund of interest charged by HMRC in 2022/2023 on the VAT Partial Exemption Breach assessment.	(£51)	↔
Our Place	Planning Application income - Increase in statutory fees from the 6th December 2023.	(£63)	New
BUDGETED INCOME NOT ACHIEVED			
Our People	Leisure Centres - Embedded Finance Lease	£54	New
Our People	Housing Benefits Subsidy - forecast loss of subsidy reclaimed on supported accommodation placements.	£50	New
Our Place	Street Naming and Numbering - Reduction in fee income.	£16	New
Our Place	Building Regulations - Fee Earning. Reduction in fee income.	£25	New
		(£692)	
TOTAL VARIANCE		(£79)	

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

2.2.1 Our Council

- There are £0.066m 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 **£0.051m** which was paid in 2022/2023 on the original assessment has also been refunded and is windfall income in 2023/2024.

- **Property Services –**

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 has been reflected in the Medium Term Financial Plan from 2024/2025.

- **Utilities: Gas and Electricity –**

Based on current rates payable and forecast consumption a saving of **£0.023m** is anticipated. Electricity prices are fixed until 31st October 2024. 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 **£0.158m** 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.

£0.035m of the contingency budget has been approved for legal and consultancy costs associated with Market Street Renewal.

Potential use of the budget in 2023/2024, based on the forecast outturn position as of 31st December 2023, is shown below:

	£	Status
Commercial Contingency Base Budget 2023/2024	200,000	
Crematorium - Standard Cremations	(107,800)	Pending
Trade Waste	(50,500)	Pending
Market Street Renewal	(35,000)	Actioned
Remaining Balance at Qtr. 3 2023/2024	6,700	

2.2.2 Our People

- There are £0.035m proposed carry forwards into 2024/2025 (see **Appendix 1** for details).

- **Leisure Centres –**

An embedded finance lease for the gym equipment was identified after the leisure contract had commenced.

An accounting adjustment is required to reduce the capital repayment income from SLM to reflect the principal repaid.

Whilst this accounting adjustment has occurred at each year end, it has not been reflected in the revenue budgets for the leisure centres.

From 2024/2025 the adjustment has been built into the MTFP, with the resultant pressure reducing over the life of the gym equipment (8 years).

This has resulted in an unbudgeted pressure in 2023/2024 of **£0.054m**, reducing to £0.019m in 2028/2029 being the final year of the adjustment.

- **Housing Benefits Subsidy –**

We have new accommodation providers in West Lindsey who are offering 'supported accommodation' and because the providers are not 'Registered Providers of Social Housing' we cannot claim full subsidy on the Housing Benefit we pay out to any tenants in these properties. There is a possibility that West Lindsey will be responsible for 50% of the benefit paid on these properties and as the accommodation is supported accommodation the rents are far higher than normal rents. These landlords are being urged to become 'Registered' which means they will be regulated, and full Housing Benefit subsidy can be claimed from the Department for Work and Pensions.

To reflect this risk a pressure of **£0.05m** is reported at Qtr. 3 2023/2024.

2.2.3 Our Place

- There are £0.047m proposed carry forwards into 2024/2025 (see **Appendix 1** for details).

- **Fleet Repairs and Maintenance –**

The vehicle repairs and maintenance contract is on a Pay as You Go basis

(PAYG) and is forecast to incur additional costs of £0.09m 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.

- **Fuel –**
There is a forecast saving against fuel budgets of £0.107m, to offset the repairs and maintenance pressure in 2023/2024. The current fuel price has dropped to £1.11 per litre in December 2023, with an average price for the year to date of £1.13 per litre (the average price paid per litre during 2022/2023 was £1.38). The forecast outturn is based on a price per litre of £1.21 for the remainder of the year. However, fuel prices are volatile and will continue to be monitored.
- **Emergency Planning –**
The cost of hotel placements for flooded residents amount to £0.044m. The costs incurred by the Council in response to the floods are below the level required to submit a claim for cost recovery to Government and is an unbudgeted pressure in 2023/2024.
- **Planning Application Income –**
The increase in statutory planning fees was effective from the 6th of December 2023 (see 2.3.2 and Appendix 7). The forecast impact on planning fee income is an increase of £0.063m for the year.
- **Street Naming and Numbering –**
Income from street naming and numbering fees is forecast to be £0.016m below budget. This may be due to cost of living and market turbulence.
- **Building Regulations-Fee Earning –**
Income from building regulation fees is forecast to be £0.025m below budget. There has been a downturn in construction nationally, partly due to cost of living and interest rates being high.

2.2.4 Corporate Accounting

- **Interest Payable/Receivable –**
Income for interest receivable is forecast to be £0.35m 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. There is also a forecast underspend on the interest payable budget of £0.262m.
- **Minimum Revenue Provision (MRP) –**
MRP is the minimum amount which a council must charge to its revenue

budget each year, to set aside a provision for repaying external borrowing. After a review of the Council's Capital Financing Requirement (CFR) and (MRP) two things have come to light. The first is that some of the useful lives of assets funded by borrowing, used in the MRP calculation do not meet the requirements of the Government's statutory guidance therefore these have been adjusted accordingly. Secondly MRP has not been charged on the initial loan to the Market Street Renewal company which is not in line with government guidance therefore this has now been addressed.

This has resulted in a pressure for 2023/2024 of **£0.372m**.

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 were 4 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 –

Agreement was reached in November 2023 to apply an increase of **£1,925 pa** at each scale point. 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 –

Agreement was reached in November 2023 for Chief Executive pay at 3.5%.

4. Locally Determined Pay Points –

Agreement was reached in November 2023 for those officers above the maximum NJC scale point and below Chief Officer at 3.88%.

On this basis, there will be an additional pressure of c£0.36m in 2023/2024, which has been included in the forecast outturn position contained within this report.

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.

- A pressure of **£0.231m** is reported against employee costs:

The budget includes 2% vacancy factor **£0.226m** and pay award contingency of **£0.2m**. The impact of the pay award is **£0.36m** with the remaining saving of **£0.155m** is due to vacancies offset by pressures due to the appointment of temporary resources to cover vacancies.

2.3 Fees and Charges

- 2.3.1 £3.52m has been received in Fees and Charges up to the end of the period against a budget of £3.693m, a shortfall of **£0.173m**.

The significant variances forecast for the year are:

- Increase in demand for bulky waste collections **£0.015m**
- Increase in planning application fee income **£0.063m**
- Reduction in street naming and numbering income **£0.016m**
- Reduction in building regulation fee earning income **£0.025m**

2.3.2 Amendment to Fees and Charges Schedule 2023/2024

Statutory Planning Fees

It was reported to Corporate Policy and Resources Committee (09.11.2023) within the Proposed Fees and Charges 2024/2025 report that amendments to Statutory Planning fees were approved in the House of Lords during November 2023 and was to be debated by the Delegated Legislation Committee.

This instrument was approved and made on 8th November 2023 and the new fees came in to force on 6th December 2023.

Full details are contained within the report at **Appendix 7**.

2.4 2023/2024 Use of Reserves

2.4.1 Use of Reserves – Delegated Decision £0.085m

The Chief Finance Officer has used delegated powers to approve the use of

earmarked reserves up to £0.05m.

- £0.047m from Project Investment Reserve. Consultancy costs for the following projects:
 - £0.012m Lifesaver project investment review
 - £0.035m Commercial Strategy
- £0.014m from the Cultural Strategy Reserve. Final payment to Cultural Strategy consultant (total spend £0.03m).
- £0.003m from the Maintenance of Facilities Reserve. Work resulting from the Disability Access Surveys (equalities act) signage in car parks.
- £0.021m from Invest to Save Reserve. Consultancy costs to support contract bid for Street Cleansing/Waste Services. CP&R 12.10.23 approved up to £0.05m to support the contract bid – balance of £0.029m remaining.
- £0.01m from Communities at Risk Reserve. Revenue expenditure to support the Hemswell Cliff Investment for Growth capital project.

2.4.2 Contribution to Reserves £0.05m

- £0.05m to General Fund Balances (GFB). CP&R 11.11.22 approved forward funding of £0.05m recoverable from costs incurred resourcing Nationally Significant Infrastructure Projects (NSIP). £0.025m pa was drawn down from GFB 2021/2022 and 2022/2023. The service is now able to reimburse GFB as agreed.

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 £0.504m.

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	2,094,143
Nottingham City Council	Homes Upgrade Grant (HUG2)	933,500
Department for Levelling Up, Homes and Communities (DLUHC)	New Home Bonus	140,372
Department for Levelling Up, Homes and Communities (DLUHC)	Funding Guarantee	112,049
Department for Levelling Up, Homes and Communities (DLUHC)	Services Grant	30,562
Department for Work & Pensions (DWP)	Housing Benefit Admin Grant	18,040
Department for Work & Pensions (DWP)	Rent Rebate	16,453
Department for Levelling Up, Homes and Communities (DLUHC)	Elections New Burdens	13,136
Department for Environment, Food & Rural Affairs	Bio-Diversity Net Gain Grant	11,813
Department for Work & Pensions (DWP)	IT Changes/Review Work Grant	6,768
Lincolnshire County Council	Household Support Fund Admin Grant	5,337
Department for Levelling Up, Homes and Communities (DLUHC)	Chess Tables in Parks & Public Spaces	5,000
Department for Levelling Up, Homes and Communities (DLUHC)	Pavement Licensing	3,213
		3,390,386

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 3 2023/2024, to the end of December 2023, there were 3 appeals determined – 1 of which was dismissed, 2 allowed.

There are no live applications for costs.

Period	Number of Appeals	Allowed	Dismissed
October	2	1	1
November	0	0	0
December	1	1	0
Total for Quarter 3	3	2	1

2.7 Aged Debt Summary – Sundry Debtors Aged Debt Summary Quarter 3 2023/2024 Monitoring Report

At the end of December 2023, there was a total of £0.184m outstanding debt over 90 days. The majority of this debt was over 150 days old (99%) and mainly comprised of:

- Housing £0.072m
- Environmental Services £0.045m
- Property Services £0.017m

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 £0.011m 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:

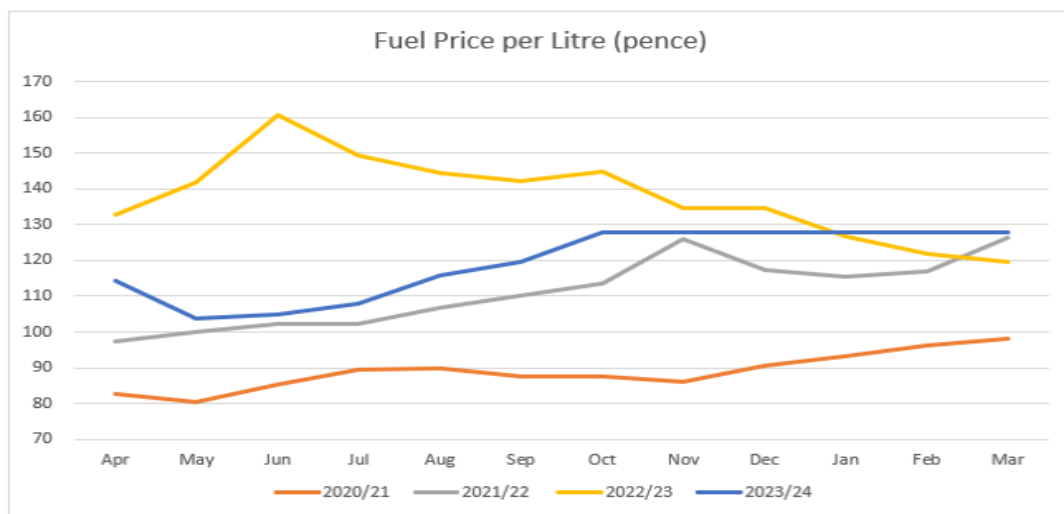
2022/2023 Total £	Month	90 – 119 days £	120 – 149 days £	150+ days £	2023/2024 Total £
230,041	Quarter 1 - ending May 2023	12,860	1,385	219,003	233,249
225,131	Quarter 2 - ending Sept 2023	12,219	7,592	214,397	234,208
216,600	Quarter 3 - ending Dec 2023	456	1,493	181,665	183,614

2.8 Changes to the Organisation Structure

- **Property Services** – Replace Senior Property Strategy & Project Officer (Band 11) with Senior Building & Project Officer (Band 10). There is a pressure of £0.005m in 2023/2024 as the previous post was part funded from LUF grant for project work.
- **Human Resources** – following a job evaluation of the People Services Manager post the band has been increased from 12 to 13. The resulting pressure has been offset by a reduction in other officers' hours within the team. Net pressure in 2023/2024 of £0.005m.

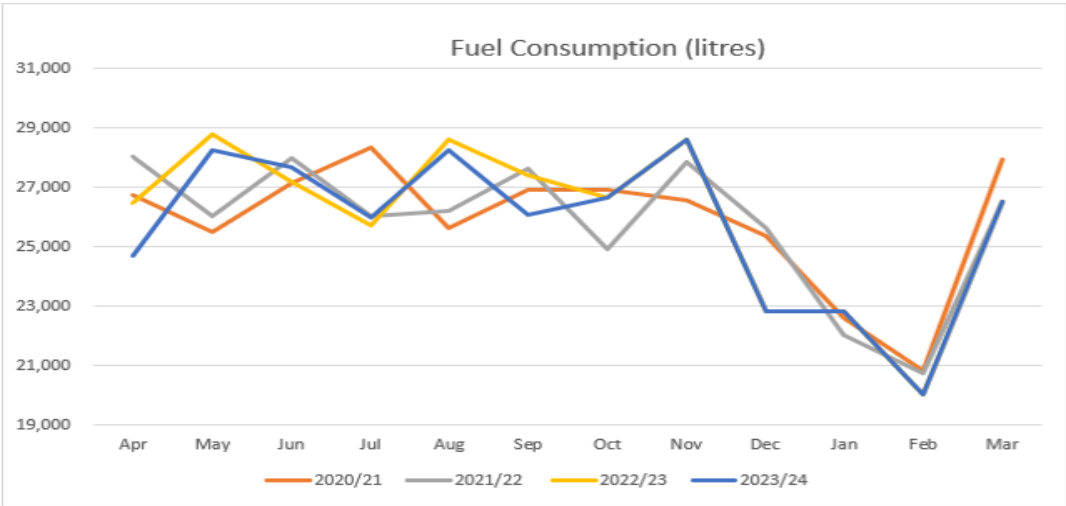
2.9 Fuel

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 December 2023 and forecast from January 2024 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 £1.13.



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 December 2023, and forecast from January 2024 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 3 2023/2024

3.1.1 The Capital Budget forecast out-turn is £11.609m against a revised budget of £18.441m. This results in a variance (underspend) of £6.832m.

This is made up of:

- £3.084m net underspend
- £0.011m net increase in scheme budgets
- £0.226m requested drawback from 2024/2025 into 2023/2024
- £3.975m requested carry forward to 2024/2025 from 2023/2024
- £0.010m requested budget movement to revenue

3.1.2 Subject to Committee approval, the Capital Programme will be reduced in this financial year with £11.609m 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 contained within the report at **Appendix 2** 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 - £3.084m

- **Commercial Property** – Scheme for replacement commercial property to be funded from the sale of an existing property. This is not due to take place during 2023/2024. If a sale is to proceed in future years, then a request will be submitted to Committee to reinstate the capital scheme. Therefore, project underspend of £3.000m.
- **Local Authority Delivery Grant Phase 3** - Scheme concluded in September 2023 and fully reconciled with YES Energy Solutions with an underspend of £0.041m.
- **Saxilby Footbridge** - Scheme completed in December 2023 with an underspend of £0.028m.
- **Document Management System** – Migration now complete with Idox decommissioned at the end of December 2023. Project underspend of £0.015m.

Net Increase in Scheme Budgets Requested - £0.011m

- **Income Management** – Discussions underway with Civica regarding packages which we have not yet installed due to them being inadequate. Budget increased due to disputes with Civica on late invoices, agreed to pay half of billed amount resulting in an increase of £0.005m to be funded from Project Investment Reserve.
- **Disabled Facilities Grants** – Landlord contributions received towards 3 properties. Increase budget by £0.006m to match additional funding towards scheme.

Drawback request from 2024/2025 into 2023/2024 - £0.226m

- **Thriving Gainsborough Whitton Gardens** - Planting scheme expected to be delivered by early summer (Qtr. 1 and Qtr. 2 2024/2025) with the cafe build expected to be complete by autumn Qtr. 3, subject to procurement. £0.200m drawback due to scheme being delivered in smaller packages of work, and expectations that some will be completed before the end of 2023/2024.
- **Thriving Gainsborough Pocket Park** – Site investigation works for cellar voids ongoing and will inform final construction technique. Construction timeline subject to this and procurement. Drawback £0.026m from 2024/2025 into current year to match current spend profile.

Carry Forward request from 2023/2024 into 2024/2025 - 3.975m

- **Home Upgrade Grant Phase 2** – Budget approved at CP&R 07.06.23, memorandum of understanding signed August 2023 and scheme commenced September 2023. WLDC to be accountable body for the consortium of WLDC/COL/NKDC/SKDC. Slip £2.984m to 2024/2025 due to delay in getting contracts signed, delivery assurance checks and approvals for the batches submitted to DESNZ (Department for Energy Security and Net Zero).
- **Vehicle Replacement Programme** – Two Electric Vans already delivered with four Refuse Collection Vehicles to be ordered shortly with expected delivery 2024/2025. Three of the five caged vehicles have been ordered with the remaining two vehicles to be ordered in March 2024 for delivery 2024/2025. Slip budget of £0.211m to match spend of vehicles being delivered in 2024/2025.
- **Carbon Efficiencies Street Lights** – LED Street Light upgrade to be phased over multiple years. Alternative scheme delivery options are being considered to progress the works quicker. Anticipate starting works at Trinity Arts Centre,

Riverside and Bus Station before year end but cost of works not expected to exceed £0.050m. Balance of £0.160m to be slipped to 2024/2025.

- **Capital Enhancements to Council Properties** - Trinity Arts Centre (TAC) fire doors replaced in August 2023; all other small projects are expected to be completed next financial year. Slip budget of £0.145m to 2024/2025.
- **2.1 Flagship West Lindsey Business Support Programme** - Grant scheme went live May 2023. A few applications received to date, with a slow take up on scheme but programme continues to be supported. Forecast spend in year of £0.222m, slip remaining budget of £0.100m to 2024/2025.
- **Hemswell Cliff Investment for Growth** - Funding identified to support community space development (FCC Community Funding) - closing date is 24th February to apply. £0.024m shortfall in funding would be requested from capital scheme. Decision expected April/May 2024 so works would not proceed until after the funding is secured. £0.040m may be required for drainage works in this financial year, pending approval. £0.012m spent in year on play park works. Slip budget of £0.088m to 2024/2025.
- **CRM System** - £0.050m ringfenced for Artificial Intelligence (AI). £0.013m used as part of contact centre project. Customer Relationship Management (CRM) development to be reviewed to identify potential implementation costs. Unlikely for any spend in current year so slip remaining budget of £0.096m to 2024/2025.
- **Gainsborough Heritage Regeneration** - 14 active building applications: 1 completed, 6 in the construction phase, 3 have had planning granted, 1 have submitted planning applications and 3 have appointed architects. £0.086m to be slipped to 2024/2025 to match current spend profile.
- **Richmond House Conservatory** - The project is not expected to be completed before the end of March 2024 as discussions are ongoing as to works required. Slip budget of £0.050m to 2024/2025.
- **Supported Accommodation (LEAP)** - LEAP Housing have not had the funding themselves to purchase any additional properties and so our contribution towards refurbishments has not been required. Slip budget of £0.043m to 2024/2025.
- **Shop Front Improvement** - Two applications have been approved by Funding Panel for 24 Market Place and 7 Market Place. 24 Market Place now complete and 7 Market Place are starting in the Spring due to weather related construction constraints. Budget of £0.012m to be slipped in to 2024/2025 to match spend profile.

Movement of budget to revenue - 0.010m

The following schemes are requesting to reduce the capital scheme budget and transfer budget to revenue to provide resources for revenue expenditure to support the capital scheme:

- From – Hemswell Cliff Investment for Growth £0.010m

Movement of budgets between schemes

The following schemes are requesting to merge budgets with a net nil effect on the overall capital programme:

- From – Hemswell Masterplan Public Realm £0.050m
- To – Hemswell Cliff Investment for Growth £0.050m

3.3 Acquisitions, Disposals and Capital Receipts

3.3.1 The Council has made no land acquisition during Quarter 3.

3.3.2 The Council has not made any asset disposals during Quarter 3.

3.3.3 Capital Receipts - The total value of capital receipts received in 2023/2024 at the end of Quarter 3 total £1.066m:

- £0.234m from the Housing Stock Transfer Agreement share of Right to Buy receipts
- £0.459m Loan repayments
- £0.023m repayments of DFG Grants
- £0.350m sale of Lindsey Centre to Savoy Cinemas Limited

4. TREASURY MONITORING – Quarter 3 (October – December 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 (October - December) has been more than the average Sterling Overnight Index Average (SONIA) (5.19%) with an average yield of 5.314% (including CCLA) and 5.278% (excluding CCLA). The Council budgeted to receive £0.577m of investment income, the forecast outturn is now £0.927m.

4.3 Interest Rate Forecasts

The Council’s treasury advisor, Link Group, have provided the following forecasts on 8th January 2024:

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Link Treasury Services economic update on developments during quarter ended 31 December 2023 is included in **Appendix 3**.

4.4 Investments

The Council held investments of £19.390m on 31st December 2023. The table below details these investments for Quarter 3:

	Qtr. 3
Investments at Qtr. 3	£'000
Cheshire East Council	2,000
Lancashire County Council	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	890
Total	19,390

Link Treasury Services Monthly Investment Analysis Review December 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. 3 due in the latter part of January.

4.6 New External Borrowing

The Council's total external borrowing stands at £19.0m. Depending on cashflow the Council may need additional borrowing in early 2024.

4.7 Total Prudential Borrowing at Quarter 3 2023/2024

	Qtr. 3
Prudential Borrowing	£'000
Total External Borrowing	19,000
Total Internal Borrowing	18,205
Total Prudential Borrowing	37,205

4.8 Borrowing in advance of need

The Council has not borrowed in advance of need during the period ending 31st December 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. 3 £'000
Treasury Indicators		
Authorised limit for external debt	43,000	43,000
Operational boundary for external debt	38,321	37,205
External Debt	26,500	21,500
Investments	(13,000)	(13,000)
Net Borrowing	13,500	8,500
Prudential Indicators		
Capital Expenditure	20,888	11,609
Capital Financing Requirement (CFR)	38,321	37,205
<i>Of Which is Commercial Property</i>	<i>19,837</i>	<i>19,837</i>
Annual change in CFR*	(770)	(2,232)
External Debt Forecast	26,500	21,500
Under/(over)borrowing	11,821	15,705
Ratio of financing costs to net revenue stream*	10.04%	11.07%

Incremental impact of capital investment decisions:

Increase/Reduction (-) in Council Tax (band change per annum)	£0.00	£19.64
Net Income from commercial and service investment to net revenue stream:	9.3%	9.5%

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

Economics Update

- The third quarter of 2023/24 saw:
 - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
 - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
 - CPI inflation continuing its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
 - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
 - The Bank of England holding rates at 5.25% in November and December;
 - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with only marginal

falls showing year on year on the Halifax (-1%) and Nationwide (-1.8%) indices. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that

“monetary policy is likely to need to be restrictive for an extended period of time”. In other words, the message is that the MPC is not yet willing to endorse investors’ expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won’t feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% at the time of writing, with further declines likely if the falling inflation story is maintained.
- Investors’ growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index’s high concentration of energy companies.