Lincolnshire COUNTY COUNCIL
*Working for a better future*

| **Open Report on behalf of Andrew Crookham, Executive Director - Resources** |
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| Report to: | **Executive** |
| Date: | **05 September 2023** |
| Subject: | **Capital Budget Monitoring Report 2023/24 (Quarter 1)** |
| Decision Reference: | **I030087** |
| Key decision? | **No** |

**Summary:**

- This report provides an update on capital investment compared with budgets for the 2023/24 financial year which started on 01 April 2023.
- The report presents the updated capital programme, to take into account rephasing that is proposed as part of the outturn process.
- The capital programme is reported to be on track, with a deep dive expected to take place during quarter two to identify a realistic estimate.
- The detailed programme can be seen within appendix A, together with narrative on progress against key investment schemes.
- The impact of this revenue budget forecast on the Council's resilience has been assessed and the conclusion is that the Council’s financial resilience remains relatively strong at this point in time and is supported by the forecasts set out in this report.

**Recommendation(s):**

That the Executive notes the position on the capital programme and decides on any corrective action necessary.

**Alternatives Considered:**

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| 1. | This report shows the projected outturn for 2023/24 based on information at a point in time, therefore no alternatives have been considered. |

**Reasons for Recommendation:**

To maintain the Council's financial resilience.

**1. Background**

1.1 In February 2023, the Council approved a capital investment strategy in addition to a revised capital investment programme. Both strands support delivery of the Council plan, helping the Council to achieve its strategic objectives and legal duties for the benefit of residents and businesses that operate within its area.

1.2 The economic environment has remained challenging since the budget was approved, with the rate of inflation remaining higher for longer than the Council's revised expectations in February. It appears that it has started to reduce due to prices now being measured against a permanently higher base, however the Bank of England do not expect the rate to fall below their 2% target until 2025. This has implications for the Council's financial planning, which are still to be fully understood.

1.3 This impacts nationally, and therefore is not specific to Lincolnshire. Notwithstanding, there are two known capital related elements which will need to be reconsidered as part of the 2024/25 financial planning process:

- The first is that the cost of capital investment has increased, because of the impact of inflation and other inflationary causes (e.g. cost of raw materials). This means that there is a diminished buying power for capital investment, relative to a few years ago.

- The second relates to the cost of capital financing, which is on an upward trajectory because of continued increases in the Bank of England base rate intended to counteract the rate of inflation. For the Council, it means that the cost of borrowing is now higher than it could be accessed for in prior years. This could have implications for the revenue budget over the longer-term, assuming that rates remain high at the time when the Council needs to borrow with internal borrowing currently prioritised and preferred.

1.4 The Council has utilised capital investment to support investment within Council services, which has helped to achieve better service outcomes and better financial outcomes within revenue. There is a clear link between revenue and capital and therefore neither can be considered in isolation.

1.5 The Council categorises capital investment into projects and blocks. Capital blocks investment comprises schemes which maintain and/or replace the Council's existing assets (e.g. highways maintenance). Capital projects are specific schemes which represents specific investment within an area to create a new asset which will deliver additional benefit to Lincolnshire.

1.6 In line with good financial management practices, the Council's use of resources is closely monitored and reported to the executive. This report provides information on the current financial position and will inform the next stages of financial planning, taking account of the risks and opportunities in respect of financial sustainability.

1.7 Quarter one budget monitoring forms the basis of the first update report to the Executive in respect of the Councils' approved capital programme. Prior to considering the position that has been reported, there are two specific factors which have influenced the position:

- The start of the 2023/24 financial year has coincided with the implementation of the Council's new financial system. The change has represented a major undertaking, with the initial focus on ensuring system resilience and accuracy. The nature of changing financial systems means initial disruption to financial reporting, until the new reporting regime is established and implemented. This has now been substantively completed, however it is important to note that access to reporting was impacted during the time period of quarter one monitoring and this is expected to have constrained budget and spend managers when undertaking detailed forecasting.

- Good quality forecasting relies on several factors, which includes having strong supporting data. The quality of supporting trend data improves during the financial year and is matched with refined forecasting during the financial year. As quarter one is based on three months data, this can make forecasting in some instances more of a challenge, especially for capital investment which tends to happen over multiple years. The focus is therefore as much around understanding any areas which are at risk of diverging from the assumed plan.

1.8 The constraints set out above mean that the focus during quarter one has been to ensure an up to date capital programme, rather than providing alternative forecast figures which are subject to change extensively during a deep dive exercise which will be conducted during quarter two.

1.9 There is inherent risk within the capital programme for the reasons set out in this section. It is, however, important to note that the Council has acted to mitigate by adjusting the capital programme during the previous budget setting round to recognise that the cost of some schemes had increased. At this stage, the programme is expected to remain sufficient, although this could change. From a wider perspective, the Council takes a prudent approach to the setting of reserves and contingencies – including the new development capital contingency – which ensures the Council has time to react to material changes to circumstances.

1.10 The Council's financial planning process for 2024/25 will result in the production of an updated capital investment strategy, in addition to a revised capital investment programme reflecting necessary changes and the potential for additional investment subject to investment remaining within affordability limits. Extensive capital planning work is ongoing as part of the financial planning process, which seeks to identify new and emergent capital investment need and priorities, also reflecting the wider inflationary risk to the existing programme. This will complement the monitoring work ongoing, with clear links between the two areas of capital investment management.

Overall Financial Position – Capital

1.11 The summary capital forecast as at 30 June 2023 (end of quarter one) is as follows:

| Capital | 2023/24 Budget | 2023/24 Forecast | Variance |
|---|---|---|---|
| **Investment in Blocks** | | | |
| Adult Care and Community Wellbeing | 528,573 | 528,573 | - |
| Children's Services | 5,710,405 | 5,710,405 | - |
| Place | 45,411,206 | 45,411,206 | - |
| Fire and Rescue | 3,621,343 | 3,621,343 | - |
| Resources & Corporate | 13,377,312 | 13,377,312 | - |
| Total | 68,648,839 | 68,648,839 | - |
| **Investment in Projects** | | | |
| Adult Care and Community Wellbeing | 495,379 | 495,379 | - |
| Children's Services | 12,853,059 | 12,853,059 | - |
| Place | 80,385,641 | 80,385,641 | - |
| Fire and Rescue | - | - | - |
| Resources & Corporate | 981,005 | 981,005 | - |
| Total | 94,715,084 | 94,715,084 | - |
| New Development Capital Contingency | 24,902,891 | 24,902,891 | - |
| **Total Investment** | **188,266,814** | **188,266,814** | **-** |
| **Funding** | | | |
| External Funding | (55,790,764) | (55,790,764) | - |
| Borrowing | (127,315,229) | (127,315,229) | - |
| Capital Receipts | (5,000,000) | (5,000,000) | - |
| Revenue | (160,821) | (160,821) | - |
| **Total Funding** | **(188,266,814)** | **(188,266,814)** | **-** |

1.12 Appendix A shows the summarised capital programme by directorate, in addition to the detailed capital programme post outturn. In addition, appendix A contains narrative of all schemes with a budget in excess of £1m.

1.13 The overall forecast presents as a nil variance, primarily due to reporting challenges and with more data and information required in some instances to support detailed forecasting.

1.14 The likelihood is that the Council will not spend £188.3m during 2023/24, and extensive re-phasing will be made during subsequent financial quarters. Therefore, the Council's in-year borrowing requirement is likely to reduce compared to the estimate at the start of the year. This position is also expected to contribute to a forecast underspend on capital financing charges which would provide a short-term benefit to the revenue budget.

1.15 The capital programme will be subject to a thorough review during quarter two. The capital investment strategy will also be refreshed during the financial planning process.

Assessment of Impact on Financial Resilience

1.16 The capital forecast shows as on balance, however it is likely that actual spend will be significantly lower and will necessitate re-phasing during quarter two and beyond. This may provide short-term benefits to the revenue budget, but it may increase the longer-term cost when spend is incurred through higher inflation and higher interest rates. The Council regularly tests affordability and will continue to do so and react as necessary to the prevailing economic circumstances. The Capital Investment Strategy 2023/24 requires the capital programme to be affordable over the longer term and the latest position remains in line with this position.

1.17 The Council continues to maintain its financial resilience by:

- Proactive financial management in respect of the emergent financial position
- Taking action to mitigate issues as and when they arise
- Continuing to work with the Society of County Treasurers to ensure that the Government understands the particular issues faced by County Councils, including within the context of capital investment and affordability
- Refreshing and updating the capital investment strategy and capital investment programme,
- Continued emphasis on investment which supports transformation and enables significant reductions within the revenue cost base.

**2. Legal Issues:**

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.

Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

As this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

Joint Strategic Needs Analysis (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision.

As this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

As this report simply reports on performance against the budget, there are no implications that need to be taken into account by the Executive.

**3. Conclusion**

3.1 The Council's current position on the capital programme is highlighted in this report for the Executive to note.

3.2 The position will continue to be monitored and reported throughout the year.

**4. Legal Comments:**

This report sets out an update on capital investment forecasts compared with the capital budget for the financial year starting on 1 April 2023 to assist the Executive to monitor the financial performance of the Council.

**5. Resource Comments:**

This report provides an updated capital investment programme following 2022/23 outturn, which is subject to approval as part of the outturn reporting process.

Extensive re-phasing is likely to be required during 2023/24 to ensure the programme remains aligned to delivery timescales. The deep dive during quarter two will also help to quantify emergent financial risk.

**6. Consultation**

**a) Has Local Member Been Consulted?**

No

**b) Has Executive Councillor Been Consulted?**

Yes

**c) Scrutiny Comments**

This report is due to be considered by the Overview and Scrutiny Management Board on 24 August 2023. Any comments of the Board will be reported to the Executive.

**d) Risks and Impact Analysis**

The impact of this reported financial position on the Council's overall financial resilience has been assessed and is reported on within this report.

**7. Appendices**

| These are listed below and attached at the back of the report | |
|---|---|
| Appendix A | Capital Investment Programme 2023/24 – 2032/33 |

**8. Background Papers**

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

| Document title | Where the document can be viewed |
|---|---|
| Council Budget 2023/24 | Council Budget 2023/24 |
| Budget Book 2023/24 | Budget Book 2023/24 |

This report was written by Michelle Grady, who can be contacted on 01522 553235 or Michelle.Grady@lincolnshire.gov.uk.

**Capital Investment Programme 2023/24 – 2032/33** **APPENDIX A**

Table 1: 2023/24 – 2023/33 Capital Investment Programme (Summary)

| Capital | 2023/24 | 2024/25 | 2025/26 | 2026/27 - 2032/33 |
|---|---|---|---|---|
| **Investment in Blocks** | | | | |
| Adult Care and Community Wellbeing | 528,573 | - | - | - |
| Children's Services | 5,710,405 | 50,000 | 2,967,000 | 32,377,000 |
| Place | 45,411,206 | 44,800,000 | 2,309,000 | 20,275,000 |
| Fire and Rescue | 3,621,343 | 2,978,408 | 500,000 | 3,000,000 |
| Resources & Corporate | 13,377,312 | 7,000,000 | 7,000,000 | 39,500,000 |
| Total | 68,648,839 | 54,828,408 | 12,776,000 | 95,152,000 |
| **Investment in Projects** | | | | |
| Adult Care and Community Wellbeing | 495,379 | - | - | - |
| Children's Services | 12,853,059 | 4,244,691 | - | - |
| Place | 80,385,641 | 20,088,340 | 15,667,569 | 182,403,727 |
| Fire and Rescue | - | - | - | - |
| Resources & Corporate | 981,005 | 300,000 | 300,000 | 1,800,000 |
| Total | 94,715,084 | 24,633,031 | 15,967,569 | 184,203,727 |
| New Development Capital Contingency | 24,902,891 | 5,000,000 | 5,000,000 | 30,000,000 |
| **Total Capital Investment** | **188,266,814** | **84,461,439** | **33,743,569** | **309,355,727** |
| **Funding** | | | | |
| External Funding | (55,790,764) | (45,157,176) | (11,881,612) | (95,434,529) |
| Borrowing | (127,315,229) | (34,103,518) | (16,663,636) | (178,560,834) |
| Capital Receipts | (5,000,000) | (5,000,000) | (5,000,000) | (35,000,000) |
| Revenue | (160,821) | (200,745) | (198,321) | (360,364) |
| **Total Funding** | **(188,266,814)** | **(84,461,439)** | **(33,743,569)** | **(309,355,727)** |

Table 2: 2023/24 – 2023/33 Capital Investment Programme (Detail)

| | | 2023/24 | | | 2024/25 | | | 2025/26 | | | 2026/27 – 2032/33 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B/P** | **Scheme Name** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** |
| | **Adult Care and Community Wellbeing** | | | | | | | | | | | | |
| B | Adult Care | 0.484 | - | 0.484 | - | - | - | - | - | - | - | - | - |
| B | Safer Communities | 0.025 | - | 0.025 | - | - | - | - | - | - | - | - | - |
| B | Registration Celebratory & Coroners Services | 0.020 | - | 0.020 | - | - | - | - | - | - | - | - | - |
| B | Better Care Fund | (0.000) | - | (0.000) | - | - | - | - | - | - | - | - | - |
| P | Welton - Extra Care Housing | 0.495 | - | 0.495 | - | - | - | - | - | - | - | - | - |
| | **Children's Services** | | | | | | | | | | | | |
| B | Schools Maintenance Programme | 3.000 | 3.000 | - | - | - | - | - | - | - | - | - | - |
| B | Provision of School Places (Basic Need) | 1.639 | 1.939 | (0.300) | - | - | - | 2.917 | 1.500 | 1.417 | 32.077 | 7.836 | 24.241 |
| B | Devolved Capital | 0.950 | 0.950 | - | - | - | - | - | - | - | - | - | - |
| B | Foster Care | 0.120 | - | 0.120 | 0.050 | - | 0.050 | 0.050 | - | 0.050 | 0.300 | - | 0.300 |
| B | Other Children´s Social care | 0.009 | - | 0.009 | - | - | - | - | - | - | - | - | - |
| B | Connect the Classroom | (0.007) | (0.000) | (0.007) | - | - | - | - | - | - | - | - | - |
| P | SEND Reorganisation | 11.566 | 2.694 | 8.872 | 4.245 | - | 4.245 | - | - | - | - | - | - |
| P | Children´s Homes | 1.274 | - | 1.274 | - | - | - | - | - | - | - | - | - |
| P | Lincs Secure Unit | 0.013 | - | 0.013 | - | - | - | - | - | - | - | - | - |
| | **Fire and Rescue** | | | | | | | | | | | | |
| B | Fire Fleet and Equipment | 3.592 | - | 3.592 | 2.978 | - | 2.978 | 0.500 | - | 0.500 | 3.000 | - | 3.000 |
| B | Fire & Rescue and Emergency Planning | 0.030 | - | 0.030 | - | - | - | - | - | - | - | - | - |
| | **Other Budgets** | | | | | | | | | | | | |
| B | New Developments Contingency Fund | 24.903 | - | 24.903 | 5.000 | - | 5.000 | 5.000 | - | 5.000 | 30.000 | - | 30.000 |
| B | Capital Fund | - | 1.568 | (1.568) | - | - | - | - | - | - | - | - | - |

| B/P | Scheme Name | 2023/24 | | | 2024/25 | | | 2025/26 | | | 2026/27 – 2032/33 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** |
| | **Place** | | | | | | | | | | | | |
| B | Highways Asset Protection | 27.152 | 38.723 | (11.571) | 38.723 | 38.723 | - | - | - | - | - | - | - |
| B | Integrated Transport | 4.898 | 3.337 | 1.561 | 3.337 | 3.337 | - | - | - | - | - | - | - |
| B | Boston Development Schemes | 3.345 | - | 3.345 | - | - | - | - | - | - | - | - | - |
| B | Network Resilience | 1.787 | - | 1.787 | 0.240 | - | 0.240 | 0.120 | - | 0.120 | 0.480 | - | 0.480 |
| B | Heritage/archives | 1.625 | - | 1.625 | 2.000 | - | 2.000 | 1.500 | - | 1.500 | - | - | - |
| B | Lincolnshire Enterprise Partnership Contribution | 1.536 | - | 1.536 | - | - | - | - | - | - | - | - | - |
| B | Flood & Water Risk Management | 1.506 | - | 1.506 | - | - | - | - | - | - | - | - | - |
| B | Local Flood Defence Schemes | 1.041 | - | 1.041 | 0.500 | - | 0.500 | 0.500 | - | 0.500 | 3.000 | - | 3.000 |
| B | Other Highways | 0.874 | - | 0.874 | - | - | - | - | - | - | - | - | - |
| B | Local Highways Improvements (pinchpoints) to support Coastal Routes | 0.664 | - | 0.664 | - | - | - | - | - | - | 16.795 | - | 16.795 |
| B | Equipment & Vehicles at Waste Transfer Stations | 0.604 | - | 0.604 | - | - | - | 0.189 | - | 0.189 | - | - | - |
| B | Other Transport Initiatives | 0.403 | - | 0.403 | - | - | - | - | - | - | - | - | - |
| B | Libraries | 0.323 | - | 0.323 | - | - | - | - | - | - | - | - | - |
| B | Energy Efficiency Street Lighting | 0.224 | - | 0.224 | - | - | - | - | - | - | - | - | - |
| B | Economic Development- Business Unit Development | 0.191 | - | 0.191 | - | - | - | - | - | - | - | - | - |
| B | Fire Supression at Waste Transfer Stations | 0.189 | - | 0.189 | - | - | - | - | - | - | - | - | - |
| B | Exec £10m additional funding. B class roads and lower | - | - | - | - | - | - | - | - | - | - | - | - |
| B | Holdingham Roundabout (Sleaford Growth Schemes) | 0.142 | - | 0.142 | - | - | - | - | - | - | - | - | - |
| B | Waste | 0.135 | - | 0.135 | - | - | - | - | - | - | - | - | - |
| B | Countryside Rights of Way | 0.045 | - | 0.045 | - | - | - | - | - | - | - | - | - |
| B | Other Growth and the Economy - Economic Infrastucture | 0.044 | - | 0.044 | - | - | - | - | - | - | - | - | - |
| B | A46 Roundabouts | 0.019 | - | 0.019 | - | - | - | - | - | - | - | - | - |
| B | Other Environment & Planning | 0.006 | - | 0.006 | - | - | - | - | - | - | - | - | - |
| B | LEP Skills Investment Fund | (0.000) | - | (0.000) | - | - | - | - | - | - | - | - | - |
| B | Teal Park Lincoln | (0.001) | - | (0.001) | - | - | - | - | - | - | - | - | - |
| B | A18 Safer Road Fund | (0.007) | - | (0.007) | - | - | - | - | - | - | - | - | - |
| B | A16/A1073 Spalding to Eye Road Improvement | (0.008) | - | (0.008) | - | - | - | - | - | - | - | - | - |
| B | Lincolnshire Waterways | (0.144) | - | (0.144) | - | - | - | - | - | - | - | - | - |

| | | 2023/24 | | | 2024/25 | | | 2025/26 | | | 2026/27 – 2032/33 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B/P** | **Scheme Name** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** |
| B | Lincoln Growth Point | (0.256) | - | (0.256) | - | - | - | - | - | - | - | - | - |
| B | Rural Roads Fund | (0.926) | - | (0.926) | - | - | - | - | - | - | - | - | - |
| P | Grantham Southern Relief Road | 34.061 | - | 34.061 | 17.036 | - | 17.036 | 0.837 | - | 0.837 | - | - | - |
| P | Spalding Western Relief Road (Section 5) | 20.069 | - | 20.069 | - | - | - | - | - | - | - | - | - |
| P | North Hykeham Relief Road | 6.606 | 3.580 | 3.026 | 4.425 | 3.097 | 1.327 | 14.831 | 10.382 | 4.449 | 162.324 | 87.599 | 74.725 |
| P | Broadband | 6.368 | - | 6.368 | - | - | - | - | - | - | - | - | - |
| P | Lincoln Eastern Bypass | 4.596 | - | 4.596 | - | - | - | - | - | - | - | - | - |
| P | A16 Levelling Up Fund (LUF) | 2.595 | - | 2.595 | - | - | - | - | - | - | - | - | - |
| P | HWRC Skegness | 2.000 | - | 2.000 | - | - | - | - | - | - | - | - | - |
| P | Economic Development - Horncastle Industrial Estate Extension | 1.500 | - | 1.500 | - | - | - | - | - | - | - | - | - |
| P | Waste - Separated Paper and Card Scheme | 0.984 | - | 0.984 | 0.728 | - | 0.728 | - | - | - | - | - | - |
| P | A52 Skegness Roman Bank Reconstruction | 0.903 | - | 0.903 | - | - | - | - | - | - | - | - | - |
| P | A631 Louth to Middle Rasen Safer Road Fund | 0.700 | - | 0.700 | - | - | - | - | - | - | - | - | - |
| P | A46 Welton Roundabouts (Integrated Transport/NPIF) | 0.225 | - | 0.225 | - | - | - | - | - | - | - | - | - |
| P | Spalding Western Relief Road Section 1 | 0.090 | - | 0.090 | - | - | - | - | - | - | 27.700 | - | 27.700 |
| P | Skegness Countryside Business Park 2 | 0.040 | (0.000) | 0.040 | - | - | - | - | - | - | - | - | - |
| P | A631 Middle Rasen to Bishops Bridge Safer Roads Fund | 0.013 | - | 0.013 | - | - | - | - | - | - | - | - | - |
| P | Spalding Western Relief Road Section 1 S106 | - | - | - | - | - | - | - | - | - | (5.520) | - | (5.520) |
| P | Spalding WRR Section 5 S106 | - | - | - | (2.100) | - | (2.100) | - | - | - | (2.100) | - | (2.100) |
| P | Local Electric Vehicle Infrastructure | - | (0.000) | 0.000 | - | - | - | - | - | - | - | - | - |
| P | Street Lighting Transformation | - | - | - | - | - | - | - | - | - | - | - | - |
| P | Sleaford Rugby Club (Sleaford Growth Schemes) | (0.000) | - | (0.000) | - | - | - | - | - | - | - | - | - |
| P | Gainsborough Corringham Road (Phase 1-5) | (0.000) | - | (0.000) | - | - | - | - | - | - | - | - | - |
| P | Electronic Ticket Machines | (0.004) | - | (0.004) | - | - | - | - | - | - | - | - | - |
| P | A1084 Safer Road Fund | (0.011) | - | (0.011) | - | - | - | - | - | - | - | - | - |
| P | HWRC Tattershall | (0.011) | - | (0.011) | - | - | - | - | - | - | - | - | - |
| P | Holbeach Food Enterprise Zone | (0.337) | - | (0.337) | - | - | - | - | - | - | - | - | - |

| | | 2023/24 | | | 2024/25 | | | 2025/26 | | | 2026/27 – 2032/33 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B/P** | **Scheme Name** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** | **Gross Budget** | **External Funding** | **Internal Funding** |
| | **Resources & Corporate** | | | | | | | | | | | | |
| B | Property | 5.976 | - | 5.976 | 3.225 | - | 3.225 | 3.225 | - | 3.225 | 19.350 | - | 19.350 |
| B | Improvement Transformation | 4.000 | - | 4.000 | - | - | - | - | - | - | - | - | - |
| B | Infrastructure and Refresh Programme | 2.733 | - | 2.733 | 3.500 | - | 3.500 | 3.500 | - | 3.500 | 18.500 | - | 18.500 |
| B | County Farm Block | 0.531 | 0.000 | 0.531 | 0.275 | - | 0.275 | 0.275 | - | 0.275 | 1.650 | - | 1.650 |
| B | Replacement ERP Finance System | 0.127 | - | 0.127 | - | - | - | - | - | - | - | - | - |
| B | ICT Development Fund | 0.013 | - | 0.013 | - | - | - | - | - | - | - | - | - |
| B | Orchard House Repairs | (0.002) | - | (0.002) | - | - | - | - | - | - | - | - | - |
| P | School Mobile Classroom Replacement | 0.600 | - | 0.600 | 0.300 | - | 0.300 | 0.300 | - | 0.300 | 1.800 | - | 1.800 |
| P | Property Area Review | 0.367 | - | 0.367 | - | - | - | - | - | - | - | - | - |
| P | IMT (Cloud Navigator/Windows 10) | 0.077 | - | 0.077 | - | - | - | - | - | - | - | - | - |
| P | Care Management System (CMPP) | 0.014 | - | 0.014 | - | - | - | - | - | - | - | - | - |
| P | Leverton Fire Station | (0.005) | - | (0.005) | - | - | - | - | - | - | - | - | - |
| P | Azure Data Migration Project | (0.072) | - | (0.072) | - | - | - | - | - | - | - | - | - |
| | | **188.267** | **55.791** | **132.476** | **84.461** | **45.157** | **39.304** | **33.744** | **11.882** | **21.862** | **309.356** | **95.435** | **213.921** |

**Analysis of Capital Investment**

1. The Council plans to invest £615.8m of capital resource between 2023/24 and 2032/33 to support delivery of the Council plan. Investment in the County's highways network continues to be a key priority for the Council, in addition to investment in other priorities such as education and the Council's asset base.

2. The current version of the capital programme – which incorporates £51.4m of outturn re-phasing – is shown in summary format (table one) and is also detailed by capital scheme (table two).

3. The Council undertakes regular monitoring of its capital investment programme, to ensure the programme remains realistic and invests in Council priorities. However it must be noted that the temporary reporting challenges considered elsewhere in this report has meant that detailed forecasting has not been possible for the full programme, and therefore detailed forecasts will feature as part of the quarter two report. For quarter one, additional narrative has been provided in this appendix for capital schemes with a budget in excess of £1m.

4. That said, trend analysis indicates that extensive re-phasing will be required during the 2023/24 financial year to ensure budgets are aligned with delivery timescales. This is an area of focus during quarter two, and should result in significant re-phasing requests which will be separately reported within the quarter two report.

5. Considering the wider economic context, there is an increased risk that the programme will become more expensive if delivered over a longer timeframe, given the continued inflationary challenges and the expectation of further increases in the Bank of England base rate. The persistent high levels of inflation – of which construction specific indices have been subject to much higher increases – has meant that the cost of some capital schemes have increased already and could increase further.

6. In addition, the Bank of England has continued to increase the cost of capital as a result of successive increases to the base rate, which is expected to increase further. This increases the cost of borrowing to the Council, in turn increasing the cost of capital financing. The Council does not set capital financing budgets based on historical low rates, however there is expected to be longer-term cost increases when capital financing costs are re-calculated over the summer months.

7. As part of the annual update of the medium term financial plan, the Council's capital investment strategy will also be refreshed and presented as part of the budget setting documents. This will seek to increase the focus on investment principles, as well as improving line of sight on capital affordability over the longer-term.

8. In addition, an exercise is ongoing to review the current capital programme to identify any known longer-term changes to current capital investment plans. This exercise will also look to identify new or emergent investment need, so that it can be reported as part of the budget setting process. This review is being led and co-ordinated by the Council's capital review group.

9. The position for each directorate is considered in turn, focussed on capital schemes with a budget of £1m or over (2023/24 gross budget stated in brackets):

Children's Services

10. Provision of School Places (Basic Need): the Government Basic Need Allocation for 2023/24 is £1.639m for delivery of school places for September 2024. Five schemes are currently in progress using prior year funding to provide extra places for school sufficiency purposes from September 2023

11. Schools Modernisation / Condition Capital: the Government Schools Condition Allocation for 2023/24 is £4.888m, which is higher than budgeted. A decision has taken place on the use of the funding with £3.25m for schools priority conditions work; £1.484m funding uplift for the mobile replacement programme, along with other smaller commitments. The profile of spending on remaining and new works is taking place.

12. SEND Provision Capital Funding for Pupils with EHC Plans: the planned gross expenditure is £33.364m for the SEND Capital Project in 2023/24. This is being funded from a drawdown of funding held in the capital reserve earmarked for this project and from current year DfE SEND Capital Grant funding of £9.259m that will support remaining projects to the completion of this programme. The programme is on target with the whole life budget of £101.8m.

13. Childrens Services - Childrens Homes: the two new children's homes are planned to be open and operational from September 2023 (Lincoln) and January 2024 (Louth).

Fire and Rescue

14. Fire Fleet and Equipment: Work is underway to align the budget with the operational requirements of the service, which is expected to result in some modest re-phasing of the budget into 2024/25.

Place

15. No new issues have arisen during the first quarter of the year and the main risks continue to be the impact to timescales and cost arising from the ground conditions and bridge re-design on the Grantham Southern Relief Road and more generally, materials price inflation, weather and sub-contractor supply and pricing. These risks are mitigated by ongoing project management and financial monitoring.

16. Consideration of schemes by area:

    a. Heritage / Archives: Redevelopment work on the Lincoln Museum (formerly The Collection), including a visual refresh, work to the café, auditorium and rail and gate courtyard has begun. This work includes redesigning the central, orientation zone to provide a flexible space for spotlight exhibitions and routes through to specific areas within the museum and the reinvigoration of Muse Coffee Bar into a community engagement area. Further feasibility work in preparation for the Archives development is also underway.

b. HWRC – Skegness: This project has not yet commenced and is being re-phased to a future date.

c. Lincolnshire Enterprise Partnership: This funding is administered by the Council as accountable body for the Greater Lincolnshire Local Enterprise Partnership (GLLEP). Approval and management of these county-wide projects is undertaken by the GLLEP Board and staff.

d. Broadband: Delivery of the overall Broadband project is currently progressing in line with the revised contractual milestones. Funding rebates based on strong take-up of new connections continue to be carried forward for use in future delivery.

e. Horncastle Industrial Estate: Feasibility work continues to be undertaken to develop options for this scheme.

f. Grantham Southern Relief Road: Phase 2 of the project, the junction between the B1174 and the A1, is complete and opened to traffic. The focus is now on completing the third and final phase to complete the link to the A52 at Somerby Hill. The re-design of the bridge which resulted from the poor ground conditions has however continued to delay progress. Once the new bridge design is complete the full impact of this issue in terms of timescales and costs will be clearer and the forecasts updated accordingly.

g. Spalding Western Relief Road (Section 5): Work is progressing well, with the railway bridge piers and abutments now under construction. The recent rail strikes impacted the ability to complete work across the railway line resulting in some delay, however, opportunities continue to be identified and actioned where appropriate cost and programme savings can be made. The main risks continue to be materials price inflation, weather, ground conditions and sub-contractor supply and pricing.

h. Lincoln Eastern Bypass: Construction of this scheme is now complete with the remaining budget being allocated to addressing land compensation claims as they arise.

i. North Hykeham Relief Road: Preliminary work continues including all stage one (pre-construction) elements of a two-stage design and build contract for the scheme including surveys, outline design & planning application, detailed design & full business case preparation, and advanced works. Construction is currently expected to commence in 2025.

j. A16 Levelling Up Fund Schemes: There are five schemes that are included as part of the overall Levelling Up Fund (LUF) programme along the A16 corridor between Boston and Spalding:

- A16/Marsh Lane Boston Roundabout improvements scheme.
- Boston Active Travel improvements scheme.
- A16/B1180 Pinchbeck Greencell Roundabout improvements scheme.

- A16/A151 Spalding Springfields Roundabout improvements scheme.
- Spalding Camel Gate Active Travel improvements scheme.

The Marsh Lane and Boston Active Travel schemes are currently under construction and expected to be completed in November 2023. For the remaining schemes, feasibility and design work has been progressed and enabling works completed with construction expected to commence in October 2023 and continue into 2024/25. The programme is forecast to be completed within the allocated budget.

Resources

17. IT capital: capital budgets for IT are forecast on target at this stage of the financial year. The timing and delivery of spend will be in line with the governance arrangements in place for IT projects. This may result in the need to realign elements of the budget into future years or bring forward funding currently held further down the line of the approved programme.

18. The different strands of IT capital are as follows:

    a. Improvement and Transformation: it is the current expectation that the full allocation will not be spent in full during this financial year, therefore a reassessment of use and timescales will take place during quarter two.

    b. End User Device (laptop refresh): a project has commenced to update the Council's laptops and similar equipment. A detailed business case has been develop and approval is currently in the process of being sought to procure the devices required over a two year period. The estimated total cost is £5.7m with funding available within the capital programme over the next four years. A request to align this budget to the proposed spend profile will be made in quarter two.

    c. Infrastructure and Refresh Programme: a planned programme of works has been developed for the for full allocation of this budget. The timing of expenditure may result in some slippage into future years.

19. Property Capital: a programme of repairs & maintenance works is in place and, subject to capacity to deliver, it is expected that this budget will be spent in line with the budget profile.

Other Budgets

20. New Developments Contingency Fund: the contingency has existed to date to ensure some protection against unforeseen and therefore unplanned increases in the cost of capital schemes, which is especially important considering the wider economic context. Potential use of this budget will be considered as part of the refresh of the capital investment strategy and detailed review of the wider capital programme taking into account other capital ambitions.

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