



Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources

Report to:	Executive
Date:	05 March 2024
Subject:	Capital Budget Monitoring Report 2023/24 (Quarter 3)
Decision Reference:	I030091
Key decision?	No

Summary:

- This report provides an update on capital investment compared with budgets for the 2023/24 financial year.
- The report presents the updated capital programme, reflecting any external funding or re-phasing adjustments that have been made during quarter three.
- The detailed programme can be seen within Appendix A, together with narrative on progress against key investment schemes.
- The current forecast is that there will be an in year underspend which will necessitate further re-phasing of the programme.

Recommendation(s):

That the Executive:

- 1) Notes the position on the capital programme and decides on any corrective action necessary.

Alternatives Considered:

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 In line with good financial management practices, the Council's use of resources is closely monitored and reported to the Executive, with this report providing information on the financial position as at the end of quarter three and representing the final in-year update prior to the end of the financial year.
- 1.3 Quarter three is an important milestone in the financial year, because in the main there has been sufficient time to identify any key changes from the approved financial position and start implementing corrective action where relevant and appropriate. This approach helps to keep the Council in a strong financial position despite the volatile nature of the operating environment, and has been followed during 2023/24.
- 1.4 Unlike with revenue, capital investment is often planned over a multi-year period and therefore variances within the capital programme tend to reflect timing of spend, as opposed to an underlying variance. However, where there are variances to consider, they will be considered through this report.
- 1.5 The size and scale of Lincolnshire, and its capital programme, means that it has relatively high exposure to changes in its external environment. This includes economic factors, which are regularly considered as part of financial updates. The rate of inflation has been in excess of the Bank of England's target since August 2021, and in latest Bank forecasts is not intended to fall below the target level until 2025. The inflation rate is on a declining path, in part due to a permanently increased higher price base. The rate of inflation for capital projects tends to be different, with different cost inputs subject to different inflationary pressures.
- 1.6 The evolving environmental landscape is also a key consideration within the context of capital planning. Environmental factors bring about considerable risk to the delivery of existing schemes, and potentially necessitate new schemes. Whilst both economic and environmental factors are important, they are national issues and should be considered as such.
- 1.7 Partly in recognition of the latter, the Executive approved the use of £12.8m of revenue funded capital investment in Place infrastructure. This has been enabled by windfall gains within the revenue budget. Of the planned capital investment, £4m relates to flood investigations and alleviation. These have been built in to the capital programme in 2023/24 in line with Executive approvals, with the Council's 2024/25 Budget proposing that they be deferred to 2024/25 to match likely timing of spend.

- 1.8 The Council continues to take a prudent approach to planned capital investment which partly reflects the increased cost of capital, and the uncertainty over the Council's long-term funding position. This includes not growing the borrowing the requirement of the capital programme
- 1.9 The external factors considered above impact nationally, and therefore are not specific to Lincolnshire. Nevertheless, there are three known capital related elements which will be considered fully 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 has been on an upward trajectory because of continued increases in the Bank of England base rate intended to counteract the rate of inflation. The base rate has potentially now peaked. 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.
 - Conversely, this does also mean that slower than planned delivery of capital investment could result in higher interest receipts in the short-term. This has been considered within the revenue report considered as part of the same Executive meeting agenda.
- 1.10 It should be noted that, by the time the Executive meet to consider this report, the financial planning process for 2024/25 will have concluded, and this will contain an updated capital strategy and capital programme which will effectively be the most recent position.
- 1.11 The Council utilises capital investment to support investment within Council services, which helps to continuously 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.
- 1.12 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.

Summary Financial Position – Capital

- 1.13 The summary capital forecast for net investment as at 31 December 2023 (end of quarter three) is as follows:

Capital	2023/24 Budget	2023/24 Forecast	2023/24 Variance
Investment by Directorate			
Adult Care and Community Wellbeing	9,272,529	9,073,826	(198,703)
Children's Services	35,551,246	35,493,532	(57,714)
Place	153,861,484	143,737,278	(10,124,206)
Fire and Rescue	2,266,441	2,403,835	137,394
Resources & Corporate	12,379,843	12,250,009	(129,834)
Total	213,331,543	202,958,480	(10,373,063)
New Development Capital Contingency	14,861,389	-	(14,861,389)
Total Capital Investment	228,192,932	202,958,480	(25,234,452)
Funding			
External Funding	(94,035,399)	(94,924,532)	(889,133)
Borrowing	(91,780,995)	(66,546,543)	26,123,585
Capital Receipts	(5,000,000)	(5,000,000)	-
Revenue	(37,376,538)	(37,376,538)	-
Total Funding	(228,192,932)	(203,847,613)	25,234,452

- 1.14 It should be noted that the capital programme has been amended since the quarter two update to reflect programme re-phasing and the Executive's decision to invest an additional £12.8m in Place infrastructure.
- 1.15 Appendix A shows the summarised capital forecast by directorate and by block or project, compared to the current budget (Table 1). In addition, the breakdown by capital project and scheme can be seen within the Appendix (Table 2). This is followed by further information in respect of the in-year variances reported.
- 1.16 The overall forecast of a net underspend of circa £25.2m is heavily linked to the current assumption that the new developments capital contingency budget (£14.9m) will remain unspent through the remainder of the year, with its usage subject to a wider re-prioritisation exercise through the budget setting process.
- 1.17 There are a series of other in year variances, up and down, but the vast majority relate to timing of spend and will be corrected via re-phasing either through the budget setting process or via the outturn process. Further re-phasing is expected on internally funded schemes, and this will have the effect of reducing the Council's short-term borrowing requirement compared to the estimate at the start of the year. This is also likely to provide a short-term benefit to the revenue budget, considered within the revenue quarter three update report.
- 1.18 The capital investment strategy will also be refreshed during the financial planning process.

Assessment of Impact on Financial Resilience

- 1.19 The capital forecast reflects an in year forecast net underspend, which reflects current assumptions. There have not been any cost overspends reported that cannot be contained through re-phasing, albeit the programme remains large and exposed to risks around things like raw material prices. In terms of revenue cost of capital investment, there could be longer-term cost implications if higher interest rates persist over the long-term. This is not expected to cause a short-term issue although is one that will continue to be monitored. 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.
- 1.20 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 a set of updated capital investment forecasts, compared to the budget for 2023/24. The position reflects anticipation of an overall underspend, especially against internally funded schemes. This primarily reflects timing of spend.

Due to the closeness in timing to the 2024/25 Budget report, the capital programme will be updated as part of that report which will represent the most up-to-date capital strategy and detailed programme.

6. Consultation

a) Has Local Member Been Consulted?

N/A

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 25 February 2024. 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 Budget Monitoring Forecast Q3 2023/24

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

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Table 1: 2023/24 Capital Investment Forecast (Summary)

Capital	2023/24 Budget	2023/24 Forecast	2023/24 Variance
Investment in Blocks			
Adult Care and Community Wellbeing	8,113,826	8,113,826	-
Children's Services	8,614,672	8,588,427	(26,245)
Place	75,492,396	73,840,482	(1,651,914)
Fire and Rescue	2,266,441	2,403,835	137,394
Resources & Corporate	7,870,388	7,741,592	(128,796)
Total	102,357,723	100,688,162	(1,669,561)
Investment in Projects			
Adult Care and Community Wellbeing	1,158,703	960,000	(198,703)
Children's Services	26,936,574	26,905,105	(31,469)
Place	78,369,088	69,896,796	(8,472,292)
Fire and Rescue	-	-	-
Resources & Corporate	4,509,455	4,508,417	(1,038)
Total	110,973,820	102,270,318	(8,703,502)
New Development Capital Contingency	14,861,389	-	(14,861,389)
Total Capital Investment	228,192,932	202,958,480	(25,234,452)
Funding			
External Funding	(94,035,399)	(94,924,532)	(889,133)
Borrowing	(91,780,995)	(66,546,543)	26,123,585
Capital Receipts	(5,000,000)	(5,000,000)	-
Revenue	(37,376,538)	(37,376,538)	-
Total Funding	(228,192,932)	(203,847,613)	25,234,452

Table 2: 2023/24 Capital Investment Forecast (Detail)

B/P	Scheme	Gross Forecast			External & Grant Forecast			Net Forecast		
		Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
	Adult Care and Community Wellbeing									
B	Adult Care	0.484	0.484	-	-	-	-	0.484	0.484	-
B	Safer Communities	0.025	0.025	-	-	-	-	0.025	0.025	-
B	Registration Celebratory & Coroners Services	0.020	0.020	-	-	-	-	0.020	0.020	-
B	Better Care Fund	7.585	7.585	0.000	7.585	7.585	-	0.000	0.000	0.000
P	Welton - Extra Care Housing	1.159	0.960	(0.199)	-	-	-	1.159	0.960	(0.199)
	Sub-total	9.273	9.074	(0.199)	7.585	7.585	-	1.687	1.489	(0.199)
	Children's Services									
B	Schools Maintenance Programme	4.888	4.888	-	4.888	4.888	-	0.000	0.000	-
B	Provision of School Places (Basic Need)	1.639	1.639	0.000	1.939	1.939	-	-0.300	-0.300	0.000
B	Devolved Capital	0.962	0.962	-	0.962	0.962	-	0.000	0.000	-
B	Foster Care	0.120	0.072	(0.048)	-	0.040	0.040	0.120	0.032	(0.088)
B	Other Children's Social care	0.009	0.001	(0.008)	-	-	-	0.009	0.001	(0.008)
B	Connect the Classroom	0.465	0.494	0.029	0.471	0.501	0.029	-0.007	-0.007	-
B	SEMH Schools - Expanding provision	0.532	0.532	-	-	-	-	0.532	0.532	-
P	SEND Reorganisation	14.531	14.500	(0.031)	9.259	9.259	-	5.272	5.241	(0.031)
P	Children's Homes	2.011	2.011	-	0.412	0.412	-	1.599	1.599	-
P	Lincolnshire Secure Unit	0.116	0.116	-	0.116	0.116	-	0.000	0.000	-
P	Lincs Secure Unit	10.278	10.278	-	7.266	7.266	-	3.013	3.013	-
	Sub-total	35.551	35.494	(0.058)	25.313	25.383	0.069	10.238	10.111	(0.127)
	Fire and Rescue									
B	Fire Fleet and Equipment	2.237	2.404	0.167	-	-	-	2.237	2.404	0.167
B	Fire & Rescue and Emergency Planning	0.030	0.000	(0.030)	-	-	-	0.030	0.000	(0.030)
	Sub-total	2.266	2.404	0.137	-	-	-	2.266	2.404	0.137
	Other Budgets									
B	New Developments Contingency Fund	14.861	0.000	(14.861)	-	-	-	14.861	0.000	(14.861)
B	Capital Fund	-	0.000	-	1.568	1.568	-	-1.568	-1.568	-
	Sub-total	14.861	0.000	(14.861)	1.568	1.568	-	13.293	-1.568	(14.861)

B/P	Scheme	Gross Forecast			External & Grant Forecast			Net Forecast		
		Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
	Place									
B	Highways Asset Protection	56.296	58.909	2.612	45.607	45.607	-	10.689	13.302	2.612
B	Integrated Transport	4.905	4.623	(0.282)	3.337	3.337	-	1.568	1.286	(0.282)
B	Boston Development Schemes	0.914	0.879	(0.035)	-	-	-	0.914	0.879	(0.035)
B	Network Resilience	1.787	1.872	0.085	-	-	-	1.787	1.872	0.085
B	Heritage/archives	1.625	1.625	-	-	-	-	1.625	1.625	-
B	Lincolnshire Enterprise Partnership Contribution	1.536	1.536	-	-	-	-	1.536	1.536	-
B	Flood & Water Risk Management	4.584	0.584	(4.000)	-	-	-	4.584	0.584	(4.000)
B	Local Flood Defence Schemes	0.504	1.825	1.321	-	1.321	1.321	0.504	0.504	-
B	Other Highways	2.374	0.874	(1.500)	-	-	-	2.374	0.874	(1.500)
B	Local Highways Improvements (pinchpoints) to support Coastal Routes	0.664	0.664	-	-	-	-	0.664	0.664	-
B	Equipment & Vehicles at Waste Transfer Stations	0.250	0.250	-	-	-	-	0.250	0.250	-
B	Other Transport Initiatives	0.403	0.403	-	-	-	-	0.403	0.403	-
B	Libraries	0.323	0.323	-	-	-	-	0.323	0.323	-
B	Energy Efficiency Street Lighting	0.224	0.224	-	-	-	-	0.224	0.224	-
B	Economic Development- Business Unit Development	0.191	0.006	(0.185)	-	-	-	0.191	0.006	(0.185)
B	Fire Suppression at Waste Transfer Stations	0.028	0.028	-	-	-	-	0.028	0.028	-
B	Exec £10m additional funding. B class roads and lower	-	0.000	-	-	-	-	0.000	0.000	-
B	Holdingham Roundabout (Sleaford Growth Schemes)	0.070	0.070	-	-	-	-	0.070	0.070	-
B	Waste	-	0.000	-	-	-	-	0.000	0.000	-
B	Countryside Rights of Way	0.045	0.045	-	-	-	-	0.045	0.045	-
B	Other Growth and the Economy - Economic Infrastructure	0.044	0.000	(0.044)	-	-	-	0.044	0.000	(0.044)
B	A46 Roundabouts	0.021	0.021	(0.000)	-	-	-	0.021	0.021	(0.000)
B	Other Environment & Planning	0.006	0.006	-	-	-	-	0.006	0.006	-
B	LEP Skills Investment Fund	(0.000)	0.000	0.000	-	-	-	0.000	0.000	0.000
B	Teal Park Lincoln	(0.001)	0.000	0.001	-	-	-	-0.001	0.000	0.001
B	A18 Safer Road Fund	(0.007)	-0.007	-	-	-	-	-0.007	-0.007	-
B	A16/A1073 Spalding to Eye Road Improvement	0.006	0.006	-	-	-	-	0.006	0.006	-
B	Lincolnshire Waterways	(0.144)	0.000	0.144	-	-	-	-0.144	0.000	0.144
B	Lincoln Growth Point	(0.256)	0.000	0.256	-	-	-	-0.256	0.000	0.256
B	Rural Roads Fund	(0.926)	-0.926	-	-	-	-	-0.926	-0.926	-
B	Sutton Bridge Place Marking	0.025	0.000	(0.025)	0.025	-	(0.025)	0.000	0.000	-
P	Grantham Southern Relief Road	21.061	20.765	(0.296)	-	-	-	21.061	20.765	(0.296)
P	Spalding Western Relief Road (Section 5)	23.718	25.903	2.185	-	-	-	23.718	25.903	2.185
P	North Hykeham Relief Road	6.606	6.553	(0.054)	3.580	4.587	1.007	3.026	1.966	(1.060)
P	Broadband	8.525	1.505	(7.020)	7.020	-	(7.020)	1.505	1.505	-

B/P	Scheme	Gross Forecast			External & Grant Forecast			Net Forecast		
		Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
P	Lincoln Eastern Bypass	1.796	1.721	(0.074)	-	-	-	1.796	1.721	(0.074)
P	A16 Levelling Up Fund (LUF)	5.177	11.078	5.901	-	5.536	5.536	5.177	5.542	0.365
P	HWRC Skegness	-	0.000	-	-	-	-	0.000	0.000	-
P	Economic Development - Horncastle Industrial Estate Extension	-	0.000	-	-	-	-	0.000	0.000	-
P	Waste - Separated Paper and Card Scheme	1.247	1.247	-	-	-	-	1.247	1.247	-
P	A52 Skegness Roman Bank Reconstruction	0.903	0.241	(0.661)	-	-	-	0.903	0.241	(0.661)
P	A631 Louth to Middle Rasen Safer Road Fund	0.700	0.700	-	-	-	-	0.700	0.700	-
P	A46 Welton Roundabouts (Integrated Transport/NPIF)	0.137	0.135	(0.001)	-	-	-	0.137	0.135	(0.001)
P	Spalding Western Relief Road Section 1	0.000	0.000	(0.000)	-	-	-	0.000	0.000	(0.000)
P	Skegness Countryside Business Park 2	0.040	0.000	(0.040)	(0.000)	-	0.000	0.040	0.000	(0.040)
P	A631 Middle Rasen to Bishops Bridge Safer Roads Fund	0.013	0.013	-	-	-	-	0.013	0.013	-
P	Spalding Western Relief Road Section 1 S106	-	0.000	-	-	-	-	0.000	0.000	-
P	Spalding WRR Section 5 S106	-	0.000	-	-	-	-	0.000	0.000	-
P	Local Electric Vehicle Infrastructure	-	0.000	-	(0.000)	-	0.000	0.000	0.000	(0.000)
P	Street Lighting Transformation	-	0.000	-	-	-	-	0.000	0.000	-
P	Sleaford Rugby Club (Sleaford Growth Schemes)	-	0.000	-	-	-	-	0.000	0.000	-
P	Gainsborough Corringham Road (Phase 1-5)	(0.000)	0.000	0.000	-	-	-	0.000	0.000	0.000
P	Electronic Ticket Machines	(0.004)	-0.004	-	-	-	-	-0.004	-0.004	-
P	A1084 Safer Road Fund	(0.011)	-0.011	-	-	-	-	-0.011	-0.011	-
P	HWRC Tattershall	-	0.000	-	-	-	-	0.000	0.000	-
P	Holbeach Food Enterprise Zone	(0.337)	0.050	0.387	-	-	-	-0.337	0.050	0.387
P	Waste Transfer Stations	6.100	0.000	(6.100)	-	-	-	6.100	0.000	(6.100)
P	Cross Keys Bridge electrification	1.200	0.000	(1.200)	-	-	-	1.200	0.000	(1.200)
P	LED swap out	1.500	0.000	(1.500)	-	-	-	1.500	0.000	(1.500)
Sub-total		153.861	143.737	(10.124)	59.569	60.389	0.820	94.293	83.349	(10.944)
Resources & Corporate										
B	Property	4.400	4.346	(0.054)	-	-	-	4.400	4.346	(0.054)
B	Improvement Transformation	0.350	0.350	-	-	-	-	0.350	0.350	-
B	Infrastructure and Refresh Programme	2.450	2.476	0.026	-	-	-	2.450	2.476	0.026
B	County Farm Block	0.531	0.531	(0.000)	0.000	-	(0.000)	0.531	0.531	(0.000)
B	Replacement ERP Finance System	0.127	0.039	(0.088)	-	-	-	0.127	0.039	(0.088)
B	ICT Development Fund	0.013	0.000	(0.013)	-	-	-	0.013	0.000	(0.013)
B	Orchard House Repairs	-	0.000	-	-	-	-	0.000	0.000	-
P	School Mobile Classroom Replacement	-	0.000	-	-	-	-	0.000	0.000	-
P	Property Area Review	0.067	0.067	-	-	-	-	0.067	0.067	-
P	Waddington Training Facility - Capital	0.378	0.378	-	-	-	-	0.378	0.378	-

B/P	Scheme	Gross Forecast			External & Grant Forecast			Net Forecast		
		Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
P	Fire Door Replacement	0.144	0.144	-	-	-	-	0.144	0.144	-
P	Grantham Fire Project	0.469	0.476	0.007	-	-	-	0.469	0.476	0.007
P	2023 Device Replacement (Refresh)	2.384	2.461	0.077	-	-	-	2.384	2.461	0.077
P	IMT (Cloud Navigator/Windows 10)	0.077	0.000	(0.077)	-	-	-	0.077	0.000	(0.077)
P	Care Management System (CMPP)	0.014	0.000	(0.014)	-	-	-	0.014	0.000	(0.014)
P	Leverton Fire Station	0.310	0.315	0.005	-	-	-	0.310	0.315	0.005
P	Orchard House B - Closed	0.667	0.667	-	-	-	-	0.667	0.667	-
P	Azure Data Migration Project	-	0.000	-	-	-	-	0.000	0.000	-
Sub-total		12.380	12.250	(0.130)	0.000	-	(0.000)	12.380	12.250	(0.130)
Council Total		228.193	202.958	(25.234)	94.035	94.925	0.889	134.158	108.034	(26.124)

Analysis of Capital Investment

1. The Council plans to invest almost £700m 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 summary capital forecast position for 2023/24 can be seen in Table 1, and this is supported by the forecast data in Table 2. The detail shows the gross forecast, external funding, and net forecast. Within Table 2, each capital scheme is categorised as either "B" or "P", which means block or project. A capital block refers to recurrent spend on assets (e.g. highway maintenance), whereas project spend specifically relates to a new capital project (e.g. new road).
3. The Council undertakes regular monitoring of its capital investment programme, to ensure the programme remains realistic and invests in Council priorities. This is especially important given the size and scale of the capital programme, and its susceptibility to planning assumption changes (e.g. scope, price).
4. This report focusses on forecast investment in 2023/24, compared with the current budget. The Council's budget proposal for 2024/25, which is to be considered by Full Council during February 2024, will update the capital programme for further re-phasing and other changes considered as part of the proposal. Please note that there have been changes made to the capital programme during quarter three in respect of re-phasing and incorporating additional external funding.
5. The Council currently plans to invest £228.2m in 2023/24, supported by £94.0m of external and grant funding, giving rise to a net planned investment of £134.2m. The revised forecast, shown in Table 1, shows gross investment is expected to be £202.9m, supported by £94.9m of external and grant funding, indicating a revised net investment estimate of £108.0m, therefore an in year net underspend of £26.2m.
6. Given the capital programme is delivered over a longer timescale, the vast majority of variances associated with the timing of spend, and therefore are not real cost pressures or savings. Trend analysis of prior year spend indicates that further re-phasing is likely to be required during the remainder of the 2023/24 financial year to ensure budgets are aligned with delivery timescales.
7. 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 uncertainty around the future 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.
8. 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 has now considered to have peaked. The increase in the base rate has increased 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 if the cost of financing remains at the current level.

9. The Council's capital investment strategy is being refreshed as part of the 2024/25 budget setting process. There will be further changes necessary during 2024/25 to give a renewed focus on investment principles, as well as a desire for better reporting of investment impact and as improving line of sight on capital affordability over the longer-term.
10. A significant portion of the underspend relates to the recently approved £12.8m additional investment in Place infrastructure. The schemes have been built into the 2023/24 budget but are not expected to be delivered until 2024/25. The revenue funding set aside to fund these schemes will be used to fund other internally funded schemes during 2023/24, which will free up borrowing to be allocated to these schemes next year.
11. The new development capital contingency is not likely to incur expenditure during 2023/24, therefore the remaining £14.9m budget is forecast to fully underspend. Taken together, both elements more than account for the stated variance. The budget setting exercise and proposal for 2024/25 will consider how to best utilise the built up balance of the new development contingency budget.
12. The position for each directorate is considered in turn, based on the information reported to directorate leadership teams.

Adult Care and Community Wellbeing

13. The directorate has a total capital programme of £15.670m.
14. To date £3.281m has been spent with the majority funding the DeWint Extra Care Housing development. Council has approved a further £7.339m investment into extra care and working age adult accommodation and day services. The refurbishment of day services is forecast to cost approx. £3.5m. In addition to the £2.504m already allocated, £0.663m carry forward from 2022/23 is agreed, plus a proposal to utilise the 2023/24 ACCW revenue forecast underspend.
15. Current proposals for the use of the £4.974m balance include:
 - £2.320m extra care and working age adult developments in Horncastle,
 - £1.663m day services,
 - £0.991m balance into working age adults housing, location tbc, supporting the need to meet demand.

Children's Services

16. SEND Capital Funding: the overall programme is expected to be on target although there is a slight underspend expected for the current year. Work on the Horncastle St Lawrence building has been completed and the demolition of the old school building has commenced. The delivery of the work on St Christophers, St Francis and Gosberton is expected to be completed in 2024/25.

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Fire and Rescue

19. The service has been undertaking a comprehensive review of its forward capital programme to meet the challenges of Fire Control mobilisation and Fleet replacement in particular. For the current year there is expected to be some variations within the programme but overall, they are expected to be near to the budget target.

Place

20. For block budgets most of the funding, £49m out of £75m, relates to grants from the Department for Transport (DfT). This covers investment in Highways asset protection and the programme of work lends itself to variances between years given the uncertainty of weather conditions. The current forecast variance is estimated as £2.33m over the budget.
21. This is offset by the new funding (£4m) recently agreed for Flood and Water risk management. This will be carried forward as needed in 2024/25.
22. Although currently forecast on target the delay in the heritage / archives block of projects is likely to lead to a budget carry forward into 2024/25.
23. The key variances within named project are around timing issues on delivery as the following have been added to the capital programme in the last few months following Executive approval. These are funded from forecast revenue underspends in the current year:
- Infrastructure work at Waste Transfer Stations to comply with new standards on the treatment of waste. This work is scheduled for the next financial year with a value of £6.1m.
 - More investment in LED bulbs to help reduce the cost of energy. This work has started but the majority of spend will be next year. This has a budget of £1.5m.
 - Electrification of Cross Keys bridge has a budget allocation of £1.2m with work starting in the new financial year.
 - Additional flood investigations and alleviation work with an increase in budget of £4m.

Resources

24. There are minor in-year underspends totalling £0.129m to report across the directorate which reflects that there has been re-phasing undertaken as part of the budget setting process. The reported underspend is split between property and IT maintenance spend on assets, with most due to further re-phasing being required as part of the outturn process.

Other Budgets

25. The New Developments Contingency Fund has existed to date to ensure some protection against unforeseen and unplanned increases in the cost of capital schemes, which is especially important considering the wider economic context. The budget setting process is currently considering how to best utilise the remaining balance to support identified need and Council priorities. As a consequence, the contingency budget will not be spent until 2024/25 at the earliest.

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