

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

Report to:	Executive
Date:	05 December 2023
Subject:	Capital Budget Monitoring Report 2023/24 (Quarter 2)
Decision Reference:	I030089
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 two.
- 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.
- The quarter two revenue report proposes additional capital investment in Place infrastructure, funded by revenue underspend. The effect of this, if approved, is demonstrated in Appendix B.

Recommendation(s):

That the Executive:

- 1) Notes the position on the capital programme and decides on any corrective action necessary.
- 2) Notes the potential for the capital programme to change if separate approval is given for additional investment in Place infrastructure.

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 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. This 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 will be reflected during the budget setting process for 2024/25.

1.3 Economic challenges impact nationally, and therefore are not specific to Lincolnshire. Nevertheless, there are three 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 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.

- 1.4 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.
- 1.5 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 two represents the half way point in the financial year, which means there has been six months to identify and better understand any changes from the approved financial plan, and six months remaining to continue taking any corrective action necessary.
- 1.8 In the quarter one update, the implementation of the Council's new financial system was referenced as a major undertaking which had partially disrupted access to reporting during the monitoring period. A fuller suite of reporting is now available, and there is work ongoing to adapt data and processes to the different construct of the new system. This will ensure more effective reporting with reduced need for manual intervention.
- 1.9 The constraints at quarter one meant that the focus was on reporting an up to date capital programme, rather than providing alternative forecast figures. Therefore, quarter two represents a more comprehensive update to the Executive which is considerate of variances and their causes.
- 1.10 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.
- 1.11 The Council's financial planning process for 2024/25 is in progress. This will result in the production of a new capital investment strategy, as well as a revised capital investment programme reflecting new investment need and priorities, within

affordability limits. Extensive capital planning work has been taking place to support this process. This will complement the monitoring work ongoing, with clear links between the two areas of capital investment management.

Overall Financial Position – Capital

- 1.12 The summary capital forecast for net investment as at 30 September 2023 (end of quarter two) is as follows:

Investment Area	2023/24 Budget	2023/24 Forecast	Variance
Better Care Fund	(0.000)	-	0.000
Adult Frailty & Long Term Conditions	0.979	1.444	0.465
Children's Education	6.993	6.944	(0.050)
Children's Social Care	3.013	3.013	-
Commercial Services	0.310	0.310	-
Corporate Property	7.897	6.035	(1.862)
Fire & Rescue	2.403	2.374	(0.030)
Public Protection	0.045	0.045	-
Information Management	6.892	5.308	(1.584)
Chief Finance Officer - Other	18.294	-	(18.294)
Place - Communities	4.202	2.529	(1.673)
Growth	8.995	7.957	(1.038)
Highways	86.549	89.143	2.594
Total	146.572	125.100	(21.472)

- 1.13 Appendix A shows the summarised capital programme by directorate, in addition to the detailed capital programme post outturn. In addition, Appendix A shows further information in respect of the in year variances reported.
- 1.14 The overall forecast of a net underspend of circa £21.5m is heavily linked to the current assumption that the new developments capital contingency budget (£19.9m) will remain unspent through the remainder of the year, with its usage subject to a wider re-prioritisation exercise which will be proposed as part of the budget setting process.
- 1.15 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 future re-phasing.
- 1.16 The likelihood is that the Council will not spend £125.1m during 2023/24, and further 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. This is considered within the revenue quarter two update report.
- 1.17 The capital investment strategy will also be refreshed during the financial planning process.

Assessment of Impact on Financial Resilience

1.18 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.

1.19 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

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

1.21 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 in addition to current forecasts for 2023/24. It is likely that further re-phasing will be required during the remainder of the financial year to ensure the programme remains aligned to delivery timescales.

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 30 November 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
Appendix B	Proposed Change to Capital Investment Programme

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 A1: 2023/24 – 2032/33 Capital Investment Programme (Summary)

Capital	2023/24	2024/25	2025/26	2026/27 - 2032/33
Investment in Blocks				
Adult Care and Community Wellbeing	8,113,826	-	-	-
Children's Services	8,082,672	50,000	2,967,000	32,377,000
Place	73,884,876	46,259,488	3,088,337	20,275,000
Fire and Rescue	2,403,343	2,978,408	1,718,000	3,000,000
Resources & Corporate	13,377,312	7,000,000	7,000,000	39,500,000
Total	105,862,029	56,287,896	14,773,337	95,152,000
Investment in Projects				
Adult Care and Community Wellbeing	495,379	-	-	-
Children's Services	27,236,574	7,844,691	-	-
Place	78,385,641	20,088,340	17,667,569	182,403,727
Fire and Rescue	-	-	-	-
Resources & Corporate	1,721,148	900,000	300,000	1,800,000
Total	107,838,742	28,833,031	17,967,569	184,203,727
New Development Capital Contingency	19,861,646	5,000,000	5,000,000	30,000,000
Total Capital Investment	233,562,417	90,120,927	37,740,906	309,355,727
Funding				
External Funding	(86,990,799)	(45,157,176)	(11,881,612)	(95,434,529)
Borrowing	(117,658,404)	(39,763,006)	(20,660,973)	(178,560,834)
Capital Receipts	(5,000,000)	(5,000,000)	(5,000,000)	(35,000,000)
Revenue	(23,913,214)	(200,745)	(198,321)	(360,364)
Total Funding	(233,562,417)	(90,120,927)	(37,740,906)	(309,355,727)

Table A2: 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	7.585	7.585	(0.000)	-	-	-	-	-	-	-	-	-
P	Welton - Extra Care Housing	0.495	-	0.495	-	-	-	-	-	-	-	-	-
	Children's Services												
B	Schools Maintenance Programme	4.888	4.888	-	-	-	-	-	-	-	-	-	-
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	0.962	0.962	-	-	-	-	-	-	-	-	-	-
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	0.465	0.471	(0.007)	-	-	-	-	-	-	-	-	-
B	SEMH Schools - Expanding provision	0.300	-	0.300	-	-	-	-	-	-	-	-	-
P	SEND Reorganisation	14.531	9.259	5.272	7.845	-	7.845	-	-	-	-	-	-
P	Children's Homes	2.011	0.412	1.599	-	-	-	-	-	-	-	-	-
P	Lincs Secure Unit	10.278	7.266	3.013	-	-	-	-	-	-	-	-	-
P	Lincolnshire Secure Unit	0.116	0.116	-	-	-	-	-	-	-	-	-	-
	Fire and Rescue												
B	Fire Fleet and Equipment	2.374	-	2.374	2.978	-	2.978	1.718	-	1.718	3.000	-	3.000
B	Fire & Rescue and Emergency Planning	0.030	-	0.030	-	-	-	-	-	-	-	-	-
	Other Budgets												
B	New Developments Contingency Fund	19.862	-	19.862	5.000	-	5.000	5.000	-	5.000	30.000	-	30.000
B	Capital Fund	-	1.568	(1.568)	-	-	-	-	-	-	-	-	-

		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	-	-	-	0.900	-	0.900	0.300	-	0.300	1.800	-	1.800
P	Property Area Review	0.067	-	0.067	-	-	-	-	-	-	-	-	-
P	Waddington Training Facility - Capital	0.378	-	0.378	-	-	-	-	-	-	-	-	-
P	Fire Door Replacement	0.478	-	0.478	-	-	-	-	-	-	-	-	-
P	Grantham Fire Project	0.469	-	0.469	-	-	-	-	-	-	-	-	-
P	2023 Device Replacement (Refresh)	-	-	-	-	-	-	-	-	-	-	-	-
P	IMT (Cloud Navigator/Windows 10)	0.077	-	0.077	-	-	-	-	-	-	-	-	-
P	Care Management System (CMPP)	0.014	-	0.014	-	-	-	-	-	-	-	-	-
P	Leverton Fire Station	0.310	-	0.310	-	-	-	-	-	-	-	-	-
P	Azure Data Migration Project	(0.072)	-	(0.072)	-	-	-	-	-	-	-	-	-
		233.56a2	86.991	146.572	90.121	45.157	44.964	37.741	11.882	25.859	309.356	95.435	213.921

Table A3: 2023/24 Capital Investment Forecast (Summary)

Investment Area	Gross Forecast			External & Grant Forecast			Net Forecast		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
Better Care Fund	7.585	7.585	0.000	(7.585)	(7.585)	-	(0.000)	-	0.000
Adult Frailty & Long Term Conditions	0.979	1.444	0.465	-	-	-	0.979	1.444	0.465
Children's Education	25.041	24.992	(0.050)	(18.048)	(18.048)	-	6.993	6.944	(0.050)
Children's Social Care	10.278	10.278	-	(7.266)	(7.266)	-	3.013	3.013	-
Commercial Services	0.310	0.310	-	-	-	-	0.310	0.310	-
Corporate Property	7.897	6.035	(1.862)	(0.000)	-	0.000	7.897	6.035	(1.862)
Fire & Rescue	2.403	2.374	(0.030)	-	-	-	2.403	2.374	(0.030)
Public Protection	0.045	0.045	-	-	-	-	0.045	0.045	-
Information Management	6.892	5.308	(1.584)	-	-	-	6.892	5.308	(1.584)
Chief Finance Officer - Other	19.862	-	(19.862)	(1.568)	-	1.568	18.294	-	(18.294)
Place - Communities	4.202	2.857	(1.345)	-	(0.328)	(0.328)	4.202	2.529	(1.673)
Growth	8.995	7.957	(1.038)	0.000	0.000	(0.000)	8.995	7.957	(1.038)
Highways	139.073	106.238	(32.836)	(52.524)	(17.095)	35.430	86.549	89.143	2.594
Total	233.562	175.421	(58.141)	(86.991)	(50.321)	36.670	146.572	125.100	(21.472)

Table A4: 2023/24 Capital Investment Forecast (Detail)

Scheme	Gross Forecast			External & Grant Forecast			Net Forecast		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
Better Care Fund	7.585	7.585	0.000	(7.585)	(7.585)	-	(0.000)	-	0.000
Adult Frailty & Long Term Conditions									
Adult Care	0.484	0.484	-	-	-	-	0.484	0.484	-
Hoplands - Extra Care Housing	-	-	-	-	-	-	-	-	-
Welton - Extra Care Housing	0.495	0.960	0.465	-	-	-	0.495	0.960	0.465
Children's Education									
Early Help Services	0.009	0.009	-	-	-	-	0.009	0.009	-
Devolved Capital	0.962	0.962	-	(0.962)	(0.962)	-	-	-	-
Provision of School Places	1.639	1.639	-	(1.939)	(1.939)	-	(0.300)	(0.300)	0.000
School Modernisation/Condition	4.888	4.888	-	(4.888)	(4.888)	-	-	-	-
Other Education and SEND Services	0.465	0.465	-	(0.471)	(0.471)	-	(0.007)	(0.007)	-
Safeguarding	0.236	0.186	(0.050)	(0.116)	(0.116)	-	0.120	0.070	(0.050)
SEND Provision Capital funding for Pupils with EHC Plans	14.831	14.831	-	(9.259)	(9.259)	-	5.572	5.572	-
Children's Services - Children's Homes	2.011	2.011	-	(0.412)	(0.412)	-	1.599	1.599	-
Children's Social Care									
Residential Homes & Placements	10.278	10.278	-	(7.266)	(7.266)	-	3.013	3.013	-
Commercial Services									
Leverton Fire Station	0.310	0.310	-	-	-	-	0.310	0.310	-
Corporate Property									
Property	2.024	1.172	(0.852)	(0.000)	-	0.000	2.024	1.172	(0.852)
Property Maintenance	5.337	4.320	(1.017)	-	-	-	5.337	4.320	(1.017)
Property Rationalisation Programme	0.469	0.476	0.007	-	-	-	0.469	0.476	0.007
Property Area Review	0.067	0.067	-	-	-	-	0.067	0.067	-
Property Improvement Programme	-	-	-	-	-	-	-	-	-
Fire & Rescue									
Fire & Rescue and Emergency Planning	0.030	-	(0.030)	-	-	-	0.030	-	(0.030)
Fire Fleet Vehicles and Associated Equipment	2.374	2.374	-	-	-	-	2.374	2.374	-

Scheme	Gross Forecast			External & Grant Forecast			Net Forecast		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
Public Protection									
Safer Communities	0.025	0.025	-	-	-	-	0.025	0.025	-
Registration Celebratory & Coroners Services	0.020	0.020	-	-	-	-	0.020	0.020	-
Information Management									
Infrastructure and Refresh Programme	2.733	4.919	2.186	-	-	-	2.733	4.919	2.186
Improvement Transformation	4.000	0.350	(3.650)	-	-	-	4.000	0.350	(3.650)
Replacement ERP Finance System	0.127	0.039	(0.088)	-	-	-	0.127	0.039	(0.088)
Care Management System (CMPP)	0.014	-	(0.014)	-	-	-	0.014	-	(0.014)
IT Development Fund	0.013	-	(0.013)	-	-	-	0.013	-	(0.013)
Windows 10 Refresh 2018	0.077	-	(0.077)	-	-	-	0.077	-	(0.077)
Azure Data Migration Project	(0.072)	-	0.072	-	-	-	(0.072)	-	0.072
Chief Finance Officer - Other									
New Developments Contingency Fund	19.862	-	(19.862)	-	-	-	19.862	-	(19.862)
Capital Fund	-	-	-	(1.568)	-	1.568	(1.568)	-	1.568
Place - Communities									
Electronic Ticket Machines	(0.004)	(0.004)	-	-	-	-	(0.004)	(0.004)	-
Libraries	0.323	0.511	0.188	-	-	-	0.323	0.511	0.188
Heritage/archives	1.625	0.125	(1.500)	-	-	-	1.625	0.125	(1.500)
Other Environment & Planning	0.006	0.008	0.002	-	-	-	0.006	0.008	0.002
Flood & Water Risk Management	0.584	0.539	(0.045)	-	-	-	0.584	0.539	(0.045)
Countryside Rights of Way	0.045	0.045	-	-	-	-	0.045	0.045	-
Local Flood Defence Schemes	0.504	0.500	(0.004)	-	-	-	0.504	0.500	(0.004)
Equipment & Vehicles at Waste Transfer Stations	0.120	0.120	-	-	-	-	0.120	0.120	-
Waste - Fire Suppression at Waste Transfer Stations	0.028	0.028	-	-	-	-	0.028	0.028	-
HWRC Tattershall	(0.011)	(0.011)	-	-	-	-	(0.011)	(0.011)	-
Drainage Investigation and Flood Repairs	-	0.328	0.328	-	(0.328)	(0.328)	-	-	-
Waste - Separated Paper and Card Scheme	0.984	0.669	(0.315)	-	-	-	0.984	0.669	(0.315)
HWRC Skegness	-	-	-	-	-	-	-	-	-
Growth									
Lincolnshire Enterprise Partnership Contribution	1.536	-	(1.536)	-	-	-	1.536	-	(1.536)
LEP Skills Investment Programme	(0.000)	(0.000)	-	-	-	-	(0.000)	(0.000)	-

Scheme	Gross Forecast			External & Grant Forecast			Net Forecast		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
Head of Economic Infrastructure	(0.302)	(0.302)	-	-	-	-	(0.302)	(0.302)	-
Teal Park	(0.001)	(0.000)	0.001	-	-	-	(0.001)	(0.000)	0.001
South Lincolnshire Food Enterprise Zone	(0.337)	0.045	0.382	-	-	-	(0.337)	0.045	0.382
Economic Development- Business Unit Development	0.191	0.006	(0.185)	-	-	-	0.191	0.006	(0.185)
Skegness Countryside Business Park	0.040	-	(0.040)	0.000	-	(0.000)	0.040	-	(0.040)
Economic Development - Horncastle Industrial Estate Extension	1.500	1.500	-	-	-	-	1.500	1.500	-
Assistant Director Growth	6.368	6.708	0.340	-	-	-	6.368	6.708	0.340
Local Electric Vehical Infrastructure	-	-	-	0.000	0.000	-	0.000	0.000	-
Highways									
Spalding Relief Road	20.159	20.159	-	-	-	-	20.159	20.159	-
Other Highways and Transportation	2.776	3.870	1.094	-	(1.094)	(1.094)	2.776	2.776	-
Integrated Transport	4.898	1.452	(3.445)	(3.337)	-	3.337	1.561	1.452	(0.108)
Energy Efficiency Street Lighting	0.224	0.161	(0.063)	-	-	-	0.224	0.161	(0.063)
Highways Asset Protection	56.296	20.073	(36.223)	(45.607)	(6.884)	38.723	10.689	13.189	2.500
Network Resilience	1.787	1.787	-	-	-	-	1.787	1.787	-
A1084 Safer Road Fund	(0.011)	(0.011)	-	-	-	-	(0.011)	(0.011)	-
A631 Middle Rasen to Bishops Bridge Safer Roads Fund	0.013	0.013	-	-	-	-	0.013	0.013	-
A631 Louth to Middle Rasen Safer Road Fund	0.700	0.700	-	-	-	-	0.700	0.700	-
A18 Safer Road Fund	(0.007)	(0.007)	-	-	-	-	(0.007)	(0.007)	-
Lincoln Eastern Bypass	4.596	4.596	-	-	-	-	4.596	4.596	-
Grantham Southern Relief Road	34.061	34.061	-	-	-	-	34.061	34.061	-
A16/A1073 Spalding to Eye Road Improvement	0.006	0.006	-	-	-	-	0.006	0.006	-
A46 Welton Roundabouts (Integrated Transport/NPIF)	0.225	0.225	-	-	-	-	0.225	0.225	-
Holdingham Roundabout	0.142	0.142	-	-	-	-	0.142	0.142	-
A46 Roundabouts	0.019	0.019	-	-	-	-	0.019	0.019	-
Corringham Road (development with WLDC)	(0.000)	(0.000)	-	-	-	-	(0.000)	(0.000)	-
Sleaford Rugby Club (Sleaford Growth Schemes)	(0.000)	(0.000)	-	-	-	-	(0.000)	(0.000)	-
A52 Skegness Roman Bank Reconstruction	0.903	0.903	-	-	-	-	0.903	0.903	-
Local Highways Improvements to support Coastal Routes	0.664	0.664	-	-	-	-	0.664	0.664	-
Boston Development Schemes	2.753	2.753	-	-	-	-	2.753	2.753	-
North Hykeham Relief Road	6.606	6.606	-	(3.580)	(3.580)	-	3.026	3.026	-
Rural Roads Fund	(0.926)	(0.926)	-	-	-	-	(0.926)	(0.926)	-
A16 Levelling Up Fund (LUF)	2.595	8.131	5.536	-	(5.536)	(5.536)	2.595	2.595	-
Boston Dolphin Lane	0.592	0.857	0.265	-	-	-	0.592	0.857	0.265
Total	233.562	175.421	(58.141)	(86.991)	(50.321)	36.670	146.572	125.100	(21.472)

Analysis of Capital Investment

1. The Council plans to invest £670.8m 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 is shown in summary format (Table A1) and is also detailed by capital scheme (Table A2). Within Table A2, 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. In the quarter one update to the Executive, the implementation of the Council's new financial system was referenced as a major undertaking which had partially disrupted access to reporting during the monitoring period. Whilst this issue has been substantively resolved, there is further work to be undertaken in adapting processes to the new system and developing reporting further to enhance the information output for budget and spend managers. This specifically refers to updating coding of forecasts to reduce manual intervention. This work will be concluded in time for quarter three monitoring.
4. 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).
5. This report focusses on forecast investment in 2023/24, compared with the current budget. This is shown at a summary level (Table A3) and by scheme (Table A4). Prior to considering the detail any further, it should be noted that there have been significant changes made to the capital programme during quarter two in respect of re-phasing and incorporating additional external funding.
6. The Council currently plans to invest £233.6m in 2023/24, supported by £87.0m of external and grant funding, giving rise to a net planned investment of £146.6m. The revised forecast, shown in Table A3, shows gross investment is expected to be £175.4m, supported by £50.3m of external and grant funding, indicating a revised net investment estimate of £125.1m, therefore an in year net underspend of £21.5m.
7. 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.
8. 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 potential for 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.

9. 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 potentially 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.
10. The Council's capital investment strategy is being refreshed as part of the financial planning process. This intention is for renewed focus on investment principles, a desire for better reporting of investment impact, as well as improving line of sight on capital affordability over the longer-term
11. 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.
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 £15.007m, with some still to get reflected on the ledger and hence doesn't show yet within the tables.
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 above, £0.350m of support corporately is anticipated plus a proposal to utilise the 2023-24 ACCW revenue forecast underspend of £0.700m.
15. Current proposals for the use of the £4.311m balance include:
 - £2.320m extra care and working age adult developments in Horncastle,
 - £1.000m 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 budget has been adjusted to reflect increasing requirements through utilisation of the DfE SEND Capital grant funding for 2023/24. The £101.8m overall programme is on target to deliver to budget. There is an anticipated release of £0.680m from the contingency budgets to resolve other programme matters. In terms of activity update, St Francis and Gosberton are at the pre-construction phase. The delivery timescale Spending for St Christophers, St Francis and Gosberton has been revised and the budget re-phased into 2024/25.
17. Childrens Homes: Robin House (September 2023 planned opening) and Riverhead House (January 2024 planned opening). Budget includes £0.325m of capital contingency funding for Riverhead House, Louth. The overall programme is currently showing a £0.082m underspend, which has been provisionally earmarked for the other homes.
18. Lincs Secure Home (new build): Executive approval has been given to the purchase (with £3m funded from capital contingency) of the land at Bonemill Lane, Sleaford following the grant of planning permission. The project is proceeding on the basis of engaging Section 203 of the Housing and Planning Act 2016 to override the covenant. Approval has also been given to enter into an enabling works contract following DfE grant funding of £7.26m.

Fire and Rescue

19. Following re-phasing of expenditure to reflect revised timing of requirements, the Fire & Rescue capital programme is forecast to be broadly in line with budget for 2023/24.
20. It is expected that the replacement of the Fire Control mobilising and related systems will create a requirement for additional capital funding. The project team are continuing to develop both the capital and revenue impacts but current expectation is that they will be funded from corporate contingencies.
21. A comprehensive review of the service's long-term capital requirement has been completed to help inform the Council's planning and this shows significant budget shortfalls in the medium-term as the next round of fire appliance replacements fall due, combined with inflationary impacts.

Place

22. The summary forecast position by area is considered below:
 - a. Highways: Budgets are monitored closely and the programme of works amended as required as variances and risks can be expected given the nature of highways projects and the uncertainty of weather conditions. Some re-phasing of work into next year will follow over the next month.

- b. Communities: The delay in budget spend is within Cultural Services as the Lincoln Museum project is developing. The project team are monitoring the progress and may need to re-phase some of the budget into 2024/25.
- c. Growth: The variance is primarily due to the GLEP projects funding administered by the GLEP Board and staff.

23. The Highways in year asset protection programme remains under constant review given the challenges of weather conditions on the surface dressing programme and the timing of projects needed on the primary route network. Much of this work is covered by the DfT grant, augmented by additional LCC funding.

24. There are two major project updates to note:

- a. Grantham Southern Relief Road (GSRR) is now in its third and final stage to complete the link to the A52 at Somerby Hill. A re-design of the bridge which resulted from poor ground conditions has delayed progress and increased costs. This issue continues to cause uncertainty and financial risk with the forecasts currently being updated.
- b. Spalding West Relief Road (SWRR) has made good progress but the risks remain around materials price inflation, weather, ground conditions and sub-contractor supply and pricing.

Resources

25. In respect of IT, there are two major in year variances to report:

- The Council is undertaking a major refresh of computer device's which will lead to benefits around computer performance, productivity and IT security. The project to refresh circa 5,000 devices has commenced and will incur cost during this financial year. There is budget provision available in future years to fund this activity, and therefore there will be forward re-phasing required from the budget allocation which was originally spread over a longer time span.
- The Council also has £4m set aside for improvement transformation. The usage of this resource is currently undergoing a fuller review, aligned to the new strategic IT direction. Due to this, there will be lower spend during 2023/24 which will require re-phasing back to future years to fund the identified activity which will realise the transformational benefits intended, such as the decommissioning of legacy systems.

26. In respect of property, there are forecast to be in year underspends across property maintenance and projects. This reflects supplier capacity to support maintenance works, and revised timescales for project delivery.

Other Budgets

27. 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 financial planning process is currently considering how to best utilise the remaining balance to support identified need and Council priorities. As a consequence, the contingency budget is not likely to be spent until 2024/25 at the earliest.

Table B1: Impact on 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	-	-	-	-
Children's Services	-	-	-	-
Place	-	-	-	-
Fire and Rescue	-	-	-	-
Resources & Corporate	-	-	-	-
Total	-	-	-	-
Investment in Projects				
Adult Care and Community Wellbeing	-	-	-	-
Children's Services	-	-	-	-
Place	8,800,000	-	-	-
Fire and Rescue	-	-	-	-
Resources & Corporate	-	-	-	-
Total	8,800,000	-	-	-
New Development Capital Contingency	-	-	-	-
Total Capital Investment	8,800,000	-	-	-
Funding				
External Funding	-	-	-	-
Borrowing	-	-	-	-
Capital Receipts	-	-	-	-
Revenue	(8,800,000)	-	-	-
Total Funding	(8,800,000)	-	-	-

Table B2: Impact on 2023/24 – 2023/33 Capital Investment Programme (Detail)

Proposed Investment (funded by revenue underspend)	2023/24	2024/25	2025/26	2026/27 - 2032/33
Waste Transfer Stations	6,100,000	-	-	-
Cross Keys Bridge electrification	1,200,000	-	-	-
LED swap out	1,500,000	-	-	-
Total Capital Investment	8,800,000	-	-	-

Analysis

The 'Revenue Budget Monitoring Report 2023/24 (Quarter 2)' report contained the following recommendation:

That the Executive:

- 2) Approves the transfer of £8.8m from the Place Directorate revenue budget to the capital financing charges budget for the purpose of funding additional capital investment in Place Directorate infrastructure, as set out in paragraph 1.16 of the Report.

Table B1 and B2 demonstrate how the capital programme would be adjusted if this approval is given.

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